

**PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 4, 2024**

**NEW ISSUE - BOOK-ENTRY-ONLY**

Rating: S&P "A"

(See "OTHER PERTINENT INFORMATION – Rating.")

*In the opinion of Bond Counsel, the Notes are valid obligations of the District. In the opinion of Bond Counsel Interest on the Notes is excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations see "LEGAL MATTERS" and "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel.*



**\$11,825,000\***

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**

**(A Political Subdivision of the State of Texas Located in Galveston County, Texas)**

**WATER SYSTEM REVENUE NOTES**

**SERIES 2025**

**Dated Date: January 1, 2025**

**Interest to accrue from Date of Initial Delivery**

**Due: February 15, as shown on page ii**

The \$11,825,000\* Water System Revenue Notes, Series 2025 (the "Notes") are special obligations of the Bolivar Peninsula Special Utility District (the "District") issued pursuant to the Constitution and laws of the State of Texas, particularly, Section 49.153, Texas Water Code, as amended, and an order authorizing the issuance of the Notes (the "Order") to be adopted by the Board of Directors of the District (the "Board"). The Notes are special obligations of the District payable solely from and, together with certain Outstanding Parity Debt (identified and defined in the Order), equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Order) of the District's water system (hereinafter referred to as the "System"). ***The Notes do not constitute a general obligation of the District, and the holders of the Notes shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District has no taxing power.***

Interest on the Notes will accrue from the date of initial delivery as shown below and will be payable on August 15, 2025 and each February 15 and August 15 thereafter, until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The initial Note(s) will be delivered to the representative of the initial purchasers, and the definitive Notes will be issued as fully registered obligations 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 Notes will be made available for purchase in principal amounts of \$5,000 or any integral multiples thereof within a stated maturity. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes 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 the participating members of DTC for subsequent payment to the beneficial owners of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The proceeds of the Notes will be issued by the District for the purpose of financing certain water system improvements, including approximately 90,000 linear feet of waterlines in the District and associated water system improvements, and to pay the cost of issuance for the Notes. See "THE NOTES – Use of Note Proceeds" herein. (See "PLAN OF FINANCING - Purpose" herein.)

The District reserves the right to redeem the Notes maturing on and after February 15, 20[ ]\*, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20[ ]\*, or any day thereafter, at a redemption price of par plus accrued interest to the date fixed for redemption, as described herein (see "THE NOTES – Redemption Provisions – Optional Redemption"). Certain of the Notes may be subject to mandatory sinking fund redemption in the event the Underwriters (as defined below) elect to aggregate two or more maturities as term notes (see "THE NOTES – Redemption Provisions - Mandatory Sinking Fund Redemption").

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**See Maturity Schedule on the inside cover**

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*The Notes are offered for delivery, when, as and if issued and received by the initial purchasers (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Germer, PLLC, Beaumont, Texas, as Bond Counsel. Certain matters will be passed upon for the Underwriters by Jackson Walker LLP, Houston, Texas, as Underwriters' Counsel. Delivery of the Notes through the facilities of DTC is expected on or about January 9, 2025.*

**OPPENHEIMER & CO.**

**RAYMOND JAMES**

\* Preliminary, subject to change.

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

**\$11,825,000\***  
**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**  
**WATER SYSTEM REVENUE NOTES**  
**SERIES 2025**

**MATURITY SCHEDULE\***

**(Due February 15)**

**Base CUSIP – \_\_\_\_\_<sup>(a)</sup>**

**\$ \_\_\_\_\_ SERIAL NOTES\***

<b>Stated Maturity (2/15)</b>	<b>Principal Amount<sup>(b)</sup></b>	<b>Interest Rate (%)</b>	<b>Initial Yield (%)<sup>(c)</sup></b>	<b>CUSIP Suffix<sup>(a)</sup></b>
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**\$ \_\_\_\_\_ TERM NOTES\***

\$ \_\_\_\_\_ % Term Notes due February 15, 20[\_\_\_], Priced to Yield \_\_\_\_\_%, CUSIP No. \_\_\_\_\_<sup>(a)(b)(c)(d)</sup>

(Interest to accrue from the date of initial delivery)

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\* Preliminary, subject to change.

<sup>(a)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor or the Underwriters or their agents or counsel assume responsibility for the accuracy of such numbers.

<sup>(b)</sup> The District reserves the right to redeem the Notes maturing on and after February 15, 20[\_\_\_]\*, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20[\_\_\_]\*, or any date thereafter, at the redemption price of par plus accrued interest as further described herein (see “THE NOTES – Redemption Provisions – *Optional Redemption*”).

<sup>(c)</sup> The initial yields and prices are established by, and are the sole responsibility of, the Underwriters and may subsequently be changed. The initial yields shown above represent the lower of the yields resulting when priced to maturity or the first optional redemption date.

<sup>(d)</sup> Certain of the Notes may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more maturities as term notes (see “THE NOTES – Redemption Provisions - *Mandatory Sinking Fund Redemption*”).

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**  
**1840 Hwy 87**  
**Crystal Beach, TX 77650**

**ELECTED OFFICIALS**

<b>Board of Trustees</b>	<b>Length of Service</b>	<b>Term Expiration</b>	<b>Occupation</b>
Brad Metz, President	3 Years	Nov., 2026	Retired
Mark DeSantis, Vice President	2 Years	Nov., 2026	Real Estate Sales
Maria Skewis, Secretary	13 Years	Nov., 2025	Retired Science Teacher
Kerry Aycock, Treasurer	< 1 Year	Nov., 2026	Retired Financial Oper. Executive
Michael Hoover, Board Member	2 Years	Nov., 2025	Land Surveyor
Dean Crooks, Board Member	2 Years	Nov., 2025	Retired Police Officer & Judge
Beth Terminella, Board Member	< 1 Year	Nov., 2027	Realtor
Mike Plane, Board Member	< 1 Year	Nov., 2027	Retired Sales Manager
Vacant			

**SELECTED ADMINISTRATIVE STAFF**

<b>Name</b>	<b>Position</b>	<b>Length of Service Within District</b>	<b>Total Industry Experience</b>
Sheila Cunningham	General Manager	3 Years	14 Years
Clifford Howard	Assistant General Manager	32 Years	32 Years
Barbara Cowie	Office Manager	33 Years	33 Years

**CONSULTANTS AND ADVISORS**

Auditors .....	J. R. Edwards & Associates, LLC Beaumont, Texas
Bond Counsel .....	Germer, PLLC Beaumont, Texas
Financial Advisor .....	Government Capital Securities Corporation Southlake, Texas

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

*This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Notes shall constitute a “final official statement” of the District with respect to the Notes, as such term is defined in SEC Rule 15c2-12.*

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute, and is not authorized by the District for use 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement: **The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.**

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or that they will be realized. Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE NOTES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES, IF ANY, IN WHICH THE NOTES MAY HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE NOTES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY (“DTC”) OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN FURNISHED BY DTC.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER

FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 Rule 15c2-12 of the United States Securities and Exchange Commission.

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## SELECTED DATA FROM THE OFFICIAL STATEMENT

*The selected data is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Notes to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.*

### **The District**

The Bolivar Peninsula Special Utility District (the “District”), located in Galveston County, Texas, is a body politic and corporate and a political subdivision of the State of Texas, duly created, existing and operating under the laws of the State of Texas, including, without limitation, Chapters 49 and 65, Texas Water Code, as amended. The District is the successor to the Bolivar Peninsula Water Supply Corporation (the “Corporation”), originally organized in 1969 as a non-profit water supply corporation, for the purpose of providing and furnishing a safe and dependable water supply to the communities of Port Bolivar, Crystal Beach, Gilchrest and High Island located on the Bolivar Peninsula in Galveston County, Texas. On September 1, 2000, the Corporation was converted to a special utility district. The District is governed by a nine member Board of Directors elected for three-year staggered terms by the registered voters of the District. (See page iii herein.)

### **The Notes**

The Notes are being issued pursuant to the Constitution and laws of the State of Texas, particularly, Section 49.153, Texas Water Code, as amended, and an order authorizing the issuance of the Notes (the “Order”) to be adopted by the Board of Directors of the District (the “Board”). (See “THE NOTES – Authority for Issuance” herein.)

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.

### **Security**

The Notes are special obligations of the District payable solely from and, together with certain Outstanding Parity Debt (identified and defined in the Order), equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined in the Order) of the District’s Water System (hereinafter referred to as the “System”). ***The Notes do not constitute a general obligation of the District, and the holders of the Notes shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District has no taxing power.*** (See “THE NOTES” – Security for Payment” herein.)

### **Optional Redemption**

The District reserves the right to redeem the Notes maturing on and after February 15, 20[ ]\*, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20[ ]\*, or any date thereafter, at a redemption price of par plus accrued interest to the date fixed for redemption, as described herein (see “THE NOTES – Redemption Provisions – *Optional Redemption*”).

### **Mandatory Redemption**

Certain of the Notes may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more maturities as term notes (see “THE NOTES – Redemption Provisions - *Mandatory Sinking Fund Redemption*”).

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\* Preliminary, subject to change.

<b>Tax Exemption</b>	In the opinion of Bond Counsel, the interest on the Notes will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “Tax Matters” herein.
<b>Use of Note Proceeds</b>	The proceeds of the Notes will be used to finance certain water system improvements, including approximately 90,000 linear feet of waterlines in the District and associated water system improvements, and to pay the cost of issuance for the Notes. (See “PLAN OF FINANCING - Purpose” herein.)
<b>Rating</b>	The Notes have been assigned a rating of “A” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of such rating may be obtained from S&P. (See “OTHER PERTINENT INFORMATION – Rating” 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 Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
<b>Payment Record</b>	The District has never defaulted on the timely payment of the principal of and interest on its obligations.
<b>Delivery</b>	When issued, anticipated on or about January 9, 2025.
<b>Issuance of Additional Debt</b>	The District does not anticipate the issuance of additional notes for the next twelve months.
<b>Legality</b>	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Germer, PLLC.

*[Remainder of page intentionally left blank]*

## INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the Bolivar Peninsula Special Utility District (the “District”) of its \$11,825,000\* Water System Revenue Notes, Series 2025 (the “Notes”).

The District, a body politic and corporate and a political subdivision of the State of Texas, is duly created, existing and operating under the laws of the State of Texas, including, without limitation, Chapters 49 and 65, Texas Water Code, as amended. The Notes are issued pursuant to the constitution and laws of the State of Texas, particularly Section 49.153, Texas Water Code, and an order authorizing the issuance of the Notes (the “Order”) to be adopted by the Board of Directors of the District (the “Board”).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. See “Appendix B – Selected Provisions of the Order” herein. Included in this Official Statement are descriptions of the Notes 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.*** Copies of such documents may be obtained from the District or the Financial Advisor.

## PLAN OF FINANCING

### Purpose

Proceeds from the sale of the Notes are being used to finance certain water system improvements, including approximately 90,000 linear feet of waterlines in the District and associated water system improvements, and to pay the costs related to the issuance of the Notes.

## SOURCES AND USES OF FUNDS

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

### **Sources of Funds**

Par Amount of Notes  
[Net] Premium/Discount  
Total Sources of Funds

### **Uses of Funds**

Deposit to Construction Fund  
Reserve Fund Deposit  
Cost of Issuance  
Underwriters’ Discount  
Total Uses of Funds

## THE NOTES

### General

The Order authorizes the issuance and sale of the Notes and prescribes the terms, conditions and provisions for payment of the principal of and interest on the Notes by the District. Set forth below is a description of the Notes and a summary of certain provisions of the Order. Capitalized terms in such summary are used as defined in the Order. Such summary is not a complete description of the entire Order and is qualified by reference to the Order, copies of which are available from the District or the Financial Advisor. (See “Appendix B – Selected Provisions of the Order” herein.)

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\* Preliminary, subject to change.

## Description of the Notes

The Notes will be dated January 1, 2025 and will bear interest from the date of initial delivery at the stated interest rates indicated on page ii hereof. Interest on the Notes will be payable on August 15, 2025 and each February 15 and August 15 thereafter, until the earlier of maturity or redemption. Accrued interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes will be issued in principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. The Notes will mature on the dates indicated on page ii hereof.

In the event the Book-Entry-Only System should be discontinued, principal of the Notes will be payable at the designated office of the paying agent/registrars, initially BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"); provided, however, that so long as Cede & Co. (or other Depository Trust Company ("DTC") nominee) is the registered owner of the Notes, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Interest on the Notes is payable to registered owners shown on the registration books of the Paying Agent/Registrar (the "Security Register") on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date" herein), and such interest will be paid by check, dated as of the interest payment date and mailed by the Paying Agent/Registrar to the address of the registered owners appearing on the Security Register or by such other customary banking arrangements, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, a registered owner. If the date for the payment of the principal of or interest on the Notes shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

After delivery of a single initial Note to the representative of the initial purchasers, the definitive Notes will be registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Notes will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Notes will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Notes. See "BOOK-ENTRY-ONLY SYSTEM" herein.

## Authority for Issuance

The Notes are being issued pursuant to the Constitution and general laws of the State, Section 49.153, Texas Water Code, as amended, and the Order.

## Security for Payment

The Notes are special obligations of the District payable solely from and, together with certain Outstanding Parity Debt (identified and defined in the Order), equally and ratably secured by a lien on and pledge of the Pledged Revenues (as defined below and in the Order) of the District's water system (hereinafter referred to as the "System"). See "Appendix B – Selected Provisions of the Order" herein. The term "Pledged Revenues" means the Net Revenues of the System with the Net Revenues being equal to the Gross Revenues of the System less the Maintenance and Operation Expenses of the System (excluding depreciation and amortization). **The Notes do not constitute an indebtedness or general obligation of the District. The holder of the Notes shall not have the right to demand payment of the Notes from any funds raised or to be raised by taxation. The District has no taxing powers.**

The District has reserved and retained the right to issue additional revenue obligations payable from and equally and ratably secured by a parity lien on the Pledged Revenues of the System, in the same manner and to the same extent as the Notes and the Outstanding Parity Debt subject to satisfying and complying with certain terms and conditions set forth in the Order. See "Appendix B - Selected Provisions of the Order" to this Official Statement.

***Reserve Fund:*** As additional security for the payment of the Notes, Outstanding Parity Debt, and any Additional Obligations, if any, hereafter issued, the Order provides for the District to maintain a Reserve Fund, which shall be funded to the average annual principal and interest debt service requirement of the Parity Obligations, the Notes and

the Additional Obligations (the “Required Reserve Amount”). The District shall accumulate said amount in equal monthly installments on the 15<sup>th</sup> day of each month for twenty-four (24) months following the issuance of the Notes. If and whenever the Reserve Fund is reduced below the Required Reserve Amount, monthly deposits into the Reserve Fund shall be made in an amount equal to 1/24 of the full amount then required to be on deposit in the Reserve Fund and such monthly deposits shall be continued until such time as the Reserve Fund has been restored to the Required Reserve Amount. The Reserve Fund shall be used to pay the principal of and interest on the Parity Obligations, the Notes or any Additional Obligations at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose. Any obligation in which money in the Reserve Fund is so invested shall be kept and held in the official depository bank of the District in escrow and in trust for the benefit of the holders of the Parity Obligations and the Notes and shall be promptly sold and the proceeds of sale applied to payments required to be made from the Reserve Fund.

## **Redemption Provisions**

*Optional Redemption:* The District reserves the right, at its sole option, to redeem Notes stated to mature on and after February 15, 20[ ] in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), on February 15, 20[ ], or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Notes within a stated maturity are to be redeemed, the particular Notes to be redeemed shall be selected at random and by lot by the Paying Agent/Registrar (or DTC while the Notes are in Book-Entry-Only form).

*Mandatory Sinking Fund Redemption:* Certain of the Notes may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more maturities as term notes.

At least 30 days prior to the date fixed for any such redemption, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner of a Note to be redeemed at the address shown 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 OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Notes or portions thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Notes only to DTC. 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 Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes 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 Notes from the beneficial owners. Any such selection of Notes 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 Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

The District reserves the right in the case of an optional redemption to give notice of its election or direction to redeem the Notes conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the District retains the right to rescind such notice at any time prior to the scheduled

redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Notes subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

With respect to any optional redemption of the Notes, unless the prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

## **Funds**

The Order requires the establishment and maintenance of the following funds: (1) the Operating Fund, (2) the Interest and Sinking Fund and (3) the Reserve Fund, and such funds are to be kept separate and apart for all other funds and accounts of the District and moneys deposited to the credit of such Funds shall be used and expended as provided in the Order.

## **Flow of Funds**

In the Order, all the Pledged Revenues are required to be deposited as collected into the fund maintained at an official depository of the District and known as the Bolivar Peninsula Special Utility District Water Operating Fund (the "Operating Fund"), and such Operating Fund is to be maintained separate and apart from all other funds and accounts of the District.

The Order further provides that the amount on deposit to the credit of the Operating Fund from time to time is to be applied in the following order of priority:

First, to pay Maintenance and Operation Expenses;

Second, to make all deposits into the Interest and Sinking Fund required by the Outstanding Parity Debt, the Order and any order authorizing the issuance of Additional Obligations;

Third, to make all deposits into the Reserve Fund required by the Outstanding Parity Debt, the Order and any order authorizing the issuance of Additional Obligations;

Fourth, to make all deposits into the Operations Reserve Fund or the Mandatory Debt Redemption Fund required by the Outstanding Parity Debt; and

Fifth, for any lawful purpose.

## **Rate Covenants**

So long as any Parity Bonds remain outstanding, the Order provides that the District shall fix, charge and collect rates and charges for the use and services of the System, which are calculated to be fully sufficient to produce Pledged Revenues of the System in each Fiscal Year at least equal to the amount required to maintain the Interest and Sinking

Fund and the Reserve Fund so as to provide for the payment of principal and interest on all Parity Bonds then outstanding and to pay the Maintenance and Operation Expenses of the System.

Furthermore, the Order provides the District will not grant or permit any free service from the System except for (i) buildings and institutions operated by the District, (ii) the fire department and (iii) the road and bridge department.

### **Other Outstanding Parity Debt**

The District previously issued its \$1,200,000 Water System Revenue Refunding Bonds, Series 2009A, dated August 1, 2009, (the "Series 2009A Bonds") for refunding purposes. Of such bonds, \$400,000 remains outstanding as of the date of this Official Statement. The Series 2009A Bonds are special obligations of the District payable solely from and, equally and ratably secured by a lien on and pledge of the Pledged Revenues of the District's water system.

In addition, the District previously issued its \$5,070,000 Water System Revenue Refunding Bonds, Series 2009B, dated August 1, 2009, (the "Series 2009B Bonds") for refunding purposes. Of such bonds, \$3,575,000 remains outstanding as of the date of this Official Statement. The Series 2009B Bonds are special obligations of the District payable solely from and, equally and ratably secured by a lien on and pledge of the Pledged Revenues of the District's water system.

In addition, the District previously issued its \$2,360,000 Water System Revenue Refunding Bonds, Series 2009C, dated August 1, 2009, (the "Series 2009C Bonds") for refunding purposes. Of such bonds, \$1,015,000 remains outstanding as of the date of this Official Statement. The Series 2009C Bonds are special obligations of the District payable solely from and, equally and ratably secured by a lien on and pledge of the Pledged Revenues of the District's water system.

### **Additional Obligations**

In the Order, the District reserves the right to issue additional parity revenue bonds, to be known as Additional Obligations, which when issued and delivered, shall be payable from and secured by a first lien on and pledge of the Net Revenues of the System, in the same manner and to the same extent as the Notes; and the Notes and all Additional Obligations shall in all respects be on a parity and equal dignity. The Additional Obligations may be issued in one or more installments or series, provided, however, that no installment or series of Additional Obligations shall be issued unless:

(a) A certificate is executed by the District to the effect that no default exists in connection with any of the covenants or requirements of the order authorizing the issuance of all Parity Obligations then outstanding.

(b) A certificate is executed by the District to the effect that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be on deposit therein.

(c) A certificate is executed by an independent certified public accountant, or independent firm or certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or her opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period ending not more than ninety (90) days immediately preceding the month in which the order authorizing the issuance of the proposed Additional Obligations is passed, the Net Revenues were at least 1.25 times an amount equal to the average annual principal and interest requirements of all Parity Obligations and any Additional Obligations which are scheduled to be outstanding after the delivery of the proposed Additional Obligations. It is specifically provided, however, that in calculating the amount of Net Revenues for the purpose of this subsection (c), if there has been any increase in the rates or charges for services of the System which is then in effect, but which was not in effect during all or any part of the entire period for which the Net Revenues are being calculated (hereinafter referred to as the "entire period,") then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Net Revenues as being the total of (i) the actual Net Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such rates or charges had been in effect during the entire period.



(d) Additional Obligations are scheduled to mature only on February 15, and the interest thereon is scheduled to be paid only on February 15 and August 15.

(e) The order authorizing the issuance of such installment or series of Additional Obligations provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount not less than the average annual principal and interest requirements for said Additional Obligations; and that such additional amount shall be so accumulated within 61 months from the date of the Additional Obligations by the deposit in the Reserve Fund of the necessary sums in equal monthly installments; provided, however, that the aggregate of all or any part of said required additional amount in cash immediately after the aggregate amount to be accumulated in the Reserve Fund shall never be required to exceed the average annual principal and interest requirements of all Parity Obligations then outstanding, and for the installment or series of Additional Obligations then proposed to be issued.

(f) All calculations of average annual principal and interest requirements made pursuant to the Order are made as of and from the date of the Additional Obligations then proposed to be issued.

For purposes of satisfying the terms and conditions for the issuance of Additional Obligations, the term “Net Revenues of the System” means all of the Gross Revenues of the System less the Maintenance and Operation Expenses of the System, except that in calculating Net Revenues there shall not be deducted as Maintenance and Operation Expenses any depreciation or amortization. See “Appendix B - Selected Provisions of the Order” to this Official Statement for a more complete description of the terms and conditions for the issuance of Additional Obligations.

#### **Payment Record**

The District has not defaulted in the timely payment of the principal of and interest on its revenue obligations.

#### **Legality**

The Notes are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Germer, PLLC, Beaumont, Texas. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

#### **Defeasance**

The Order provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on such Notes, 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 the Paying Agent/Registrar, or other authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities to 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 Notes. The term “Government Securities” means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the District 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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Notes under applicable laws of the State. The District has the right, 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 moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.



There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

### **Remedies in Event of Default**

The Order provides that, in the event of a default in the payment of the principal of or interest on or redemption price on any of the Notes or a default in the performance of any duty or covenant provided by law or in the Order, the owner or owners of the Notes then Outstanding may pursue all legal remedies afforded by the Constitution and laws of the State to compel the District to remedy such default and to prevent further default or defaults. The Order further provides that, without in any way limiting the generality of the foregoing, it is expressly provided that any owner of any of the Notes may at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties required to be performed by the District under the Order, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Pledged Revenues, including the Net Revenues of the System, into the special funds herein provided, and the application of such Pledged Revenues in the manner required in the Order.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. 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 a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Notes, the District agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Note on any interest payment date means the last day of the month next preceding such interest payment date. If the date for the payment of the principal of or interest on the Notes shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the District where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive Order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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 District. 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 Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

## **Future Registration**

The Notes are initially to be issued utilizing the Book-Entry-Only System of the DTC. In the event such Book-Entry-Only System should be discontinued, printed Note certificates will be issued to the owners of the Notes and, thereafter, the Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 Note may be assigned by the execution of an assignment form on the Note or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Note or Notes being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner. New Notes issued in an exchange or transfer of Notes 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 Notes 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 Notes 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 Note or Notes surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Notes.)

## **Limitation on Transferability**

Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Note called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Note.

## **Replacement Notes**

In the Order, provision is made for the replacement of mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the District and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The District 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 Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by DTC, New York, NY while the Notes 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 and the Financial Advisor 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 Notes, 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 Notes), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, 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 Notes. The Notes 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 required by an authorized representative of DTC. One fully registered Note certificate will be issued for each maturity of the Notes, in the aggregate principal amount of each maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of Notes ("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 Notes 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 Notes representing their ownership interests in Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Notes are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Notes 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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, 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 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 securities depository with respect to the Notes at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The District may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered to DTC. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of this Official Statement**

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

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed certificates will be issued to the holders and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" supra.

### **THE DISTRICT**

#### **Creation of the District**

The District is the successor to the Bolivar Peninsula Water Supply Corporation (the "Corporation"). The Corporation was originally organized in 1969 as a non-profit water supply corporation operating under Article 1434a, Revised Civil Statutes of Texas of 1925, as amended, for the purpose of providing and furnishing a safe and dependable water supply to the communities of Port Bolivar, Crystal Beach, Gilchrest and High Island located on the Bolivar Peninsula in Galveston County, Texas. On September 1, 2000, the Corporation was converted to a special utility district by the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "TCEQ"). The successful conversion to a special utility district was in accordance with Texas Water Code, Chapter 65.

#### **Location and Service Area**

The District is located in Galveston County, being a county located along the Texas Gulf Coast.

## **Management**

The District is governed by a nine member Board of Directors elected by the registered voters of the District (see page iii herein for a list of the current Board of Directors). If at any time a vacancy occurs on the Board, either the TCEQ or the remaining Board members make appointments to fill such vacancies. Directors serve three-year staggered terms. The District's general manager supervises administrative and operating functions of the District. The District and all similar districts are subject to the continuing supervision and filing requirements of TCEQ, including the requirement of an annual independent audit. All plans and specifications for construction of District facilities to be financed by any bonds or other obligations of the District must be submitted to TCEQ for review and approval.

## **DESCRIPTION OF THE SYSTEM**

### **Water Supply and System Facilities**

The District is the only potable water utility for the Bolivar Peninsula in Galveston County, Texas. The District currently serves approximately 6,500 metered accounts. The District receives treated surface water from the Lower Neches Valley Authority ("LNVA") out of LNVA's West Regional Water Treatment Plant located in Winnie, Texas. The contracted supply is 5.5 million gallons per day ("MGD"). The District receives such treated service water at its High Island South plant ("High Island South"). High Island South includes a 1 million-gallon ("MG") ground storage tank, a .25 MG elevated storage tank, three 1,500 gallons-per-minute ("gpm") service pumps, a stationary generator and a control room.

The District transfers water from High Island South to both the District's High Island North plant ("High Island North") and Singing Sands plant ("Singing Sands"). High Island North serves the community of High Island, Texas only. High Island North includes a .5 MG ground storage tank, a 15,000-gallon pressure tank, a stationary generator and a control room. Singing Sands, located in Crystal Beach, Texas, includes a 2 MG ground storage tank and three 2,350 gpm high service pumps, a stationary generator and a control room. Singing Sands distributes water to customers in Gilchrist and Crystal Beach and transfers water to the District's office storage tank or Port Bolivar plant ("Port Bolivar").

The District's office address includes the District's office and Board meeting room, warehouse and garage and a 1 MG elevated storage tank. From its office storage tank, the District distributes water to customers in Crystal Beach and transfers water to Port Bolivar. Port Bolivar, located in Port Bolivar, Texas, includes a 1 MG ground storage tank, a .5 MG elevated storage tank, three 1,300 gpm service pumps, a stationary generator and a control room. The three existing service pumps at Port Bolivar will be upgraded within the next 6 months with two or possibly three 2,600 gpm high service pumps with synchronous reluctance motors.

### **Water Services Agreements**

The District entered into a contract with LNVA pursuant to which LNVA agreed to issue its Water Supply Contract Revenue Refunding Bonds, Series 2009 (the "LNVA Bonds") for the purpose of refinancing the cost of providing a water treatment and supply system to supply water to the District which agreed to pay (i) one hundred percent (100%) of all payments which are payable in respect of the LNVA Bonds and (ii) one hundred percent (100%) of the cost to operate such water treatment and supply system. The contract is effective for a period of thirty-five (35) years commencing August 19, 2000, and thereafter until payment in full of the principal, premium, if any, and interest on all LNVA Bonds and all related fees to be paid under any bond resolution or indenture securing the LNVA Bonds. LNVA is a governmental agency, which is controlled by directors appointed by the Governor of the State of Texas. A current schedule of estimated future contractual payments due to LNVA by the District for payment of the LNVA Bonds is shown below:

<b><u>Year Ending December 31</u></b>	<b><u>Annual Payment</u></b>
2024	\$ 725,000
2025	725,000
2026	780,000
2027	800,000
2028	1,000,000
2029	1,250,000
2030	1,250,000
2031	1,350,000
2032	1,350,000
2033	1,400,000
2034	1,400,000
2035	1,400,000
<b>Total</b>	<b>\$13,430,000</b>

### FUTURE PLANS OF THE DISTRICT

The District has no plans to issue any additional notes to finance new construction during the next twelve months.

### INVESTMENT POLICIES

#### Investments and Investment Strategy

The District invests its investable funds in securities and investments prescribed by the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the “Investment Act”). The Investment Act requires that the District establish a written investment policy to ensure that District funds are invested only in accordance with State law. Both State law and the District’s investment policies are subject to change. The District’s investment policy states that the Board of Directors directs that its Treasurer, the Manager for the District and the Financial Advisor for the District maintain the investments of the District in a manner consistent with the Investment Act.

#### Legal Investments

Under current Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Funds Investment Act (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the

account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

The District is authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures



to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

### Current Investments

As of December 31, 2023, the District's cash deposits and investments are secured as follows:

Financial Institution	Cash Deposits & Investments				
	Carrying Value	Bank Balance	FDIC Insurance	*Pledged Securities	Unsecured Balances
Moody Bank	\$ 2,209,728	\$ 2,209,728	\$ 250,000	\$ 7,457,740	\$ (5,498,012)
Texas First Bank	245,107	245,107	250,000		\$ (4,893)
Total with Pledged Securities	\$ 2,454,835	\$ 2,454,835	\$ 500,000	\$ 7,457,740	\$ (5,502,905)
Sunbelt Securities	\$ 441,000	\$ 441,000	N/A	N/A	
TexSTAR	\$ 2,782,646	\$ 2,782,646	N/A	N/A	
Total Deposits & Investments	\$ 5,678,481	\$ 5,678,481	\$ 500,000	\$ 7,457,740	\$ (5,502,905)

\* Pledged securities are securities measured at fair value held by the financial institution in the name of the District to secure the District's deposits in excess of FDIC.



## **RETIREMENT PLAN**

The District maintains a Savings Incentive Match Plan for Employees - Individual Retirement Account (SIMPLE-IRA). Under the plan, the District will match each participant's contribution up to 5% of the participant's compensation. The District's contributions to the plan for the year ended December 31, 2023 were \$36,477.

## **LEGAL MATTERS**

### **Legal Opinion**

The delivery of the Notes is subject to the approval of the Attorney General of Texas to the effect that the Notes are valid and legally binding special obligations of the District payable solely from and, together with the Outstanding Parity Debt, equally and ratably secured by, a first lien on and pledge of the Pledged Revenues of the System in the manner provided in the Order, and the approving opinion of Bond Counsel to like effect and the effect that the interest on the Notes for federal income tax purposes will be excludable from the "gross income" of the holders thereof, the Notes will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Notes are contingent upon the sale and delivery of the Notes. The legal opinions of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Jackson Walker LLP, as Underwriters' Counsel. The fee of Jackson Walker LLP, Underwriters' Counsel, is contingent upon the sale and delivery of the Notes.

### **Legal Review**

Bond Counsel was engaged by, and only represents, the District. Bond Counsel has reviewed the information appearing under "PLAN OF FINANCING," "THE NOTES," (except under the subcaptions "Payment Record" and "Remedies in Event of Default") "REGISTRATION, TRANSFER AND EXCHANGE," "INVESTMENT POLICIES," "LEGAL MATTERS" (insofar as such section relates to the legal opinion of Bond Counsel), "TAX MATTERS," "ADDITIONAL FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT, AND COLLATERAL FEDERAL INCOME TAX CONSEQUENCES," "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading "- Compliance with Prior Agreements"), "OTHER PERTINENT INFORMATION – Registration and Qualification of Notes for Sale" and "- Legal Investments and Eligibility to Secure Public Funds in Texas" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein and such firm is of the opinion that the information relating to the Notes and the legal issues contained under such captions is an accurate and fair description of the laws and legal issues addressed therein. Bond Counsel has not independently verified factual information contained in this Official Statement, nor have such firms conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained herein.

### **Additional Legal Matters**

The legal opinion to be delivered concurrently with the delivery of the Notes express the professional judgment of the respective 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 that 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.

## TAX MATTERS

### Opinion

On the date of initial delivery of the Notes, Germer, PLLC, Beaumont, Texas, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Notes for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Notes will not be treated as “specified private activity bonds”, the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Notes. See Appendix C - Form of Bond Counsel’s Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Notes and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Notes to become includable in gross income retroactively to the date of issuance of the Notes.

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

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

A ruling was not sought from the Internal Revenue Service (the “IRS”) by the District with respect to the Notes or the projects financed or refinanced with the proceeds of the Notes. Bond Counsel’s opinion represents their legal judgment based upon their review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the IRS will commence an audit of the Notes, or as to whether the IRS would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the IRS is likely to treat the District as the taxpayer and the holders of the Notes may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

#### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Notes. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

## **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount with respect to the Notes will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the Notes under federal or state law, and could affect the market price or marketability of the Notes. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion of tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Notes should consult with their own tax advisors regarding the foregoing matters.

## **STATE, LOCAL AND FOREIGN TAXES**

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

## **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 Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes.

Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

### **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 – Financial Information of the District" in Tables 1 through 5. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2025 and thereafter.

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 SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the District, if the District commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the District will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the District's annual financial statements, or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

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

### **Notice of Certain Events**

The District shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Notes: (1) Principal and interest payment delinquencies; (2) Unscheduled draws on debt service reserves reflecting financial difficulties; (3) Unscheduled draws on credit enhancements reflecting financial difficulties; (4) Substitution of credit or liquidity providers, or their failure to perform; (5) 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 Notes, or other material events affecting the tax status of the Notes; (6) Tender offers; (7) Defeasances; (8) Rating changes; (9) Bankruptcy, insolvency, receivership or similar event of the District<sup>(1)</sup>; (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation<sup>(2)</sup> of the District.

The District shall notify the MSRB of the occurrence of any of the following events with respect to the Notes, if material, in a timely manner not later than ten business days after the occurrence of the event: (1) Unless described by (5) above, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes; (2) Modifications to rights of Note holders; (3) Optional, unscheduled or contingent Note calls; (4) Release, substitution, or sale of property securing repayment of the Notes; (5) Non-payment related defaults; (6) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into 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; (7) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar; and (8) Incurrence of a Financial Obligation<sup>(2)</sup> of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(1) For the purposes of the event identified in (9), the event 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 U.S. 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.

(2) "Financial Obligation" shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

### **Availability of Information from MSRB**

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain 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 Notes 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 Notes may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its 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 Notes in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Outstanding Parity Debt 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 beneficial owners of the Notes. The District may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it shall 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.

#### **Compliance with Prior Agreements**

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

### **OTHER PERTINENT INFORMATION**

#### **Registration and Qualification of Notes for Sale**

The sale of the Notes has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Notes have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

#### **Litigation**

It is the opinion of District officials that there is no pending litigation or, to their knowledge, threatened litigation or other proceeding against the District that would have a material adverse impact upon the district’s financial condition or its operations.

At the time of the initial delivery of the Notes, the District will provide the Underwriters with 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 Notes, or which would affect the provision made for their payment or security, or in any manner questioning the validity of said Notes will also be furnished.

#### **Rating**

The Notes have been assigned a rating of “A” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of a rating may be obtained from S&P. A rating by a



rating agency reflects only the view of such company at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time, or that it will not be revised downward or withdrawn entirely by the rating agency if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Security Procedures Act provides the Notes are (i) negotiable instruments, (ii) investment securities to which Chapter 8, Business and Commerce Code applies and (iii) legal and authorized investments for insurance companies, fiduciaries or trustees and sinking funds of municipalities or other political subdivisions or public agencies of the State. The Texas Finance Code also contains provisions that, subject to a prudent investor standard, provide for the Notes to be legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. For the Notes to be eligible investments for municipalities, political subdivisions or public agencies of Texas, the Public Funds Investment Act, V.T.C.A., Government Code, Chapter 2256, provides a rating of not less than "A" or its equivalent as to investment quality must be assigned by a national rating agency. Furthermore, the Notes are eligible to secure the deposits of any public funds of the State of Texas, its agencies and its political subdivisions and are legal security for those deposits to the extent of their market value.

No representation is made that the Notes will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Notes for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Notes for such purposes.

### **Financial Advisor**

Government Capital Securities Corporation is employed as a Financial Advisor to the District in connection with the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes and has assisted in drafting 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 District 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 delivery of the Notes.

### **Use of Audited Financial Statements**

J.R. Edwards & Associates, LLC, Beaumont, Texas, the District's independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Germer, general counsel to the District, also has not performed any procedures relating to this Official Statement.

### **Underwriting**

The Underwriters have agreed, subject to certain conditions, to purchase the Notes from the District at a price of \$\_\_\_\_\_ (representing the par amount of the Notes of \$\_\_\_\_\_, plus a [net] original issue [premium/discount] of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_).

The Underwriters' obligation to purchase the Notes is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Notes, if and of the Notes are purchased. The Notes may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

#### **Forward-Looking Statements Disclaimer**

The statements contained in this Official Statement, and in any other information provided by the District, which 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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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.

#### **Concluding Statement**

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

The Official Statement was approved as to form and content and the use thereof in the offering of the Notes was authorized, ratified and approved by the Board on the date of sale. The Underwriters will be furnished at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the District.

In the Order, the Board of Directors of the District approved this Official Statement for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

#### **BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**

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President, Board of Directors

ATTEST:

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Secretary, Board of Directors



**APPENDIX A**

**FINANCIAL INFORMATION OF THE DISTRICT**

**HISTORICAL WATER CONSUMPTION (GALLONS)**

**TABLE 1**

<b>FISCAL YEAR ENDED 12/31</b>	<b>NUMBER OF WATER CUSTOMERS</b>	<b><u>WATER USAGE IN GALLONS</u></b>		<b>PEAK DAY USAGE DATE</b>	<b>TOTAL GALLONS PURCHASED FROM LNVA</b>
		<b>AVERAGE DAILY USAGE</b>	<b>PEAK DAY USAGE</b>		
2019	5,333	978,000	2,136,000	7/06/19	357,145,000
2020	5,551	1,088,000	2,146,000	6/20/20	398,201,000
2021	5,782	1,133,000	2,524,000	2/18/21	413,872,100
2022	6,157	1,033,000	2,409,000	7/04/22	414,720,000
2023	6,415	1,155,000	2,491,000	7/04/23	422,553,000

**LARGEST WATER CUSTOMERS (AS OF JANUARY 1, 2024)<sup>(1)</sup>**

**TABLE 2**

<b><u>CUSTOMERS</u></b>	<b><u>WATER USAGE (GALLONS)</u></b>	<b><u>% OF TOTAL WATER PURCHASED</u></b>
BBCRV	5,498,000	1.30%
Undine	3,808,000	0.90%
Bolivar Barge Service	1,795,000	0.40%
Stingaree	1,503,000	0.36%
The Ranch Wallis Smith	1,400,000	0.33%
<b>Total</b>	<b>14,004,000</b>	<b>3.90%</b>

<sup>(1)</sup> The annual water use for the five highest volume Retail Customers provided by the District.

**MONTHLY WATER RATES BY METER**

**TABLE 3**

<b>METER SIZE</b>	<b>2024 MONTHLY RATE</b>	<b>2025 MONTHLY RATE</b>
5/8" x 3/4"	\$ 60.00	\$ 70.00
1"	\$ 90.89	\$ 105.43
1 1/2"	\$ 120.15	\$ 139.37
2"	\$ 179.70	\$ 208.45
4"	\$ 270.60	\$ 313.90

**ALL METERS**

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<b>MONTHLY RATE<sup>(1)</sup></b>	
3.50 per thousand gallon	2,001 – 6,000 GAL
3.75 per thousand gallon	6,001 – 10,000 GAL
4.00 per thousand gallon	10,001 – 20,000 GAL
4.25 per thousand gallon	20,001 – 50,000 GAL
4.50 per thousand gallon	50,001 + GAL

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<sup>(1)</sup> Base Rate includes 2,000 gallons.

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**REVENUE BOND DEBT SERVICE REQUIREMENTS**

**TABLE 5**

<i>Period Ending</i>	<i>Existing Debt Service</i>	<i>Proposed Principal*</i>	<i>Proposed Debt Service*</i>	<i>Total Adj Debt Service*</i>	<i>Revenue Constraints</i>	<i>Debt Service Coverage*</i>
12/31/2025	\$710,485	\$ -	\$346,650	\$1,057,135	\$1,904,559	180.16%
12/31/2026	692,946	-	577,750	1,270,696	1,904,559	149.88%
12/31/2027	685,034	-	577,750	1,262,784	1,904,559	150.82%
12/31/2028	568,520	-	577,750	1,146,270	1,904,559	166.15%
12/31/2029	287,911	115,000	692,750	980,661	1,904,559	194.21%
12/31/2030	286,443	120,000	692,000	978,443	1,904,559	194.65%
12/31/2031	289,625	125,000	691,000	980,625	1,904,559	194.22%
12/31/2032	287,506	135,000	694,750	982,256	1,904,559	193.90%
12/31/2033	290,136	140,000	693,000	983,136	1,904,559	193.72%
12/31/2034	287,515	145,000	691,000	978,515	1,904,559	194.64%
12/31/2035	289,643	155,000	693,750	983,393	1,904,559	193.67%
12/31/2036	473,336	-	531,000	1,004,336	1,904,559	189.63%
12/31/2037	468,374	-	531,000	999,374	1,904,559	190.58%
12/31/2038	462,849	-	531,000	993,849	1,904,559	191.63%
12/31/2039		450,000	981,000	981,000	1,904,559	194.14%
12/31/2040		470,000	978,500	978,500	1,904,559	194.64%
12/31/2041		495,000	980,000	980,000	1,904,559	194.34%
12/31/2042		520,000	980,250	980,250	1,904,559	194.29%
12/31/2043		545,000	979,250	979,250	1,904,559	194.49%
12/31/2044		575,000	982,000	982,000	1,904,559	193.95%
12/31/2045		600,000	978,250	978,250	1,904,559	194.69%
12/31/2046		630,000	978,250	978,250	1,904,559	194.69%
12/31/2047		665,000	981,750	981,750	1,904,559	194.00%
12/31/2048		695,000	978,500	978,500	1,904,559	194.64%
12/31/2049		730,000	978,750	978,750	1,904,559	194.59%
12/31/2050		770,000	982,250	982,250	1,904,559	193.90%
12/31/2051		805,000	978,750	978,750	1,904,559	194.59%
12/31/2052		845,000	978,500	978,500	1,904,559	194.64%
12/31/2053		890,000	981,250	981,250	1,904,559	194.10%
12/31/2054		935,000	981,750	981,750	1,904,559	194.00%
<b>Total</b>	<b>\$6,080,323</b>	<b>\$11,555,000</b>	<b>\$24,200,150</b>	<b>\$30,280,473</b>	<b>\$47,651,100</b>	

Estimated Net Revenues Available for D/S	\$1,904,559	Estimated Coverage
Estimated Average Debt Service	\$1,009,349	1.887 X
Estimated Maximum Annual Debt Service	\$1,270,696	1.499 X

\* Preliminary, subject to change. Interest estimated at market rates for purposes of illustration.

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**APPENDIX B**

**SELECTED PROVISIONS OF THE ORDER**

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**APPENDIX B**

**SELECTED PROVISIONS OF THE NOTE ORDER**

SECTION 1: Authorization - Designation - Principal Amount - Purpose. Notes of the District shall be and are hereby authorized to be issued in an aggregate maximum principal amount of \$11,825,000 to be designated and bear the title "BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT WATER SYSTEM REVENUE NOTES, SERIES 2025" (hereinafter referred to as the "Notes"), for the purpose of providing funds for the acquisition and construction of the Project and to pay costs of issuance, in accordance with authority conferred by and in conformity with the Constitution and laws of the State of Texas, including §49.153, et seq. Texas Water Code, as amended.

SECTION 2: Fully Registered Obligations - Note Date - Authorized Denominations - Stated Maturities - Interest Rates. The Notes shall be issued as fully registered obligations only, shall be dated January 1, 2025 (the "Dated Date"), shall be in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof, and shall become due and payable (as the "Stated Maturities") on February 15 in each of the years and in the principal amounts, respectively, and bear interest from the date of delivery at the rate(s) per annum set forth below:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
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The Notes shall bear interest on their unpaid principal amounts from their date of delivery at the rate(s) per annum shown above (calculated on the basis of a 360-day year of twelve 30-day months). Interest on the Notes shall be payable on each August 15 and February 15, commencing August 15, 2025, to maturity or prior redemption.

SECTION 3: Terms of Payment - Paying Agent/Registrar. The principal of, premium, if any, and the interest on the Notes, due and payable by reason of maturity or otherwise, shall be payable only to the registered owners or holders of the Notes (hereinafter called the "Holder" or "Holders") appearing on the registration and transfer books maintained by the Paying Agent/Registrar and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, and shall be without exchange or collection charges to the Holders.

The selection and appointment of BOKF, NA, Dallas, Texas, to serve as Paying Agent/Registrar for the Notes is hereby approved and confirmed. Books and records relating to the registration, payment, exchange and transfer of the Notes (the "Security Register") shall at all times be kept and maintained on behalf of the District by the Paying Agent/Registrar, all as provided herein, in accordance with the terms and provisions of a "Note Registrar, Paying Agency and Transfer Agency Agreement" (the "Paying Agent/Registrar Agreement"), applicable to the

Notes and such reasonable rules and regulations as the Paying Agent/Registrar and the District may prescribe. The President and Secretary of the Board of Directors are hereby authorized to execute and deliver such Agreement in connection with the delivery of the Notes. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Notes are paid and discharged. The District retains the right to change the Paying Agent/Registrar. Any successor Paying Agent/Registrar shall be a commercial bank or trust company, organized under the laws of the State of Texas, or other entity duly qualified and legally authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Notes, the District agrees to promptly cause a written notice thereof to be sent to each Holder by United States Mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of and premium, if any, on the Notes shall be payable at the Stated Maturities, or earlier redemption date, only upon presentation and surrender of the Notes to the Paying Agent/Registrar at its designated offices in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Notes shall be paid to the Holders whose name appears in the Security Register at the close of business on the Record Date (being the close of business on the last day of the month preceding such interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder. If the date for the payment of the principal of or interest on the Notes shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the District where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are authorized by law or executive Order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of a nonpayment of interest on a scheduled payment date, and for thirty (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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each owner of a Note appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

**SECTION 4: Redemption.** The District reserves the right, at its option, to redeem Notes maturing February 15, 20\_\_\_, and thereafter, on February 15, 20\_\_\_, or any date thereafter, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Notes are to be redeemed, the District may select the series and maturities of Notes to be redeemed. If less than all the Notes of any series and maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Notes are in Book Entry Only form) shall determine by lot or other customary random selection method the Notes, or portions thereof, within such series and maturity to be redeemed. If a Note (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Note (or the principal



amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall 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 shall be given in the manner provided in the form of Notes set forth herein.

With respect to any optional redemption of the Notes, unless the prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

[\*\*TO BE INCLUDED ONLY IF TERM NOTES ARE ISSUED:

THE NOTES OF THIS SERIES maturing on February 15, in the years shown below are subject to mandatory redemption prior to maturity in part at random, by lot or other customary random selection method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, and without premium, with funds on deposit in the Interest and Sinking Fund. Such Notes shall be redeemed by the Paying Agent/Registrar on February 15 in each of the years and in the principal amounts, respectively, as are set forth in the following schedule:

The principal amount of the Notes required to be redeemed pursuant to the operation of such mandatory sinking fund redemption shall be reduced, at the option of the District, by the principal amount of any Notes which, at least 50 days prior to the mandatory sinking fund redemption date (i) shall have been purchased by the District and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and cancelled by the Paying Agent at the request of the District at a price not exceeding the principal amount of such Notes plus accrued interest to the date of purchase, or (iii) shall have been redeemed pursuant to the optional redemption provision described above and not theretofore credited against a mandatory redemption requirement.]

SECTION 5. Definition of Terms. In each place throughout this Order wherein the following terms, or any of them, are used, the same, unless the context shall indicate another or different meaning or intent, shall be construed and are intended to have the meanings as follows:

- (a) "**Act**" means Chapter 49 of the Texas Water Code (particularly §49.153, et seq).
- (b) "**Additional Obligations**" means any notes or bonds issued on a parity with the Notes in accordance with this Order.
- (c) "**Annual Debt Service**" means the total annual principal and interest payments to be made in each Fiscal Year on all Notes, the Outstanding Parity Debt, any Additional Obligations, and other outstanding indebtedness of the District.
- (d) "**Board of Directors**" or "**Board**" means the Board of Directors of the District.
- (e) "**Certified Public Accountant**" means any certified public accountant or firm of such public accounts of suitable experience and qualifications selected by the District.
- (f) "**Depository**" means the bank or banks which the District selects (whether one or more), in accordance with law, as its depository.
- (g) "**District**" means Bolivar Peninsula Special Utility District, and any other public body or agency at any time succeeding to the property and principal rights, powers and obligations of said District.
- (h) "**Engineers**" means LJA Engineering, Inc., its officers, agents and employees.
- (i) "**Fiscal Year**" means each 12-month fiscal year period of the District, currently beginning January 1 of each year.
- (j) "**Gross Revenues**" means all revenues and income of the District of every nature from any source whatsoever.
- (k) "**Issue Date**" is the date of delivery to the initial purchaser.
- (l) "**Mandatory Debt Redemption Fund**" means after the Reserve Fund (as defined herein) has funded to an amount equal to the average annual debt service for the Bonds, the District shall deposit a minimum of thirty (30%) percent of any debt revenues to the Mandatory Debt Redemption Fund. The Mandatory Debt Redemption Fund must be used to call the Bonds, the Water System Revenue Bonds, Series 2004 and the District's contract obligations to the LNVA's outstanding Water Supply Contract Revenue Refunding Taxable Bonds, Series 2009. The Mandatory Debt Redemption Fund also may be used for capital projects that are included in the Board-approved Capital Improvement Plan of the District.
- (m) "**Net Revenues**" means Gross Revenues minus Operation and Maintenance Expenses for the same applicable Fiscal Year.
- (n) "**Note**" or "**Notes**" means the District's Water System Revenue Notes, Series 2025 being issued pursuant to this Order
- (o) "**Note Order**" means this order and any amendments hereto.
- (p) "**Operation and Maintenance Expenses**" means all reasonable and necessary current costs of operation and maintenance determined in accordance with generally accepted accounting principles applicable to the District, including, but not limited to, repairs, operating expenses, the cost of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, administrative costs, and equipment necessary for proper operation and maintenance of the System. Depreciation and amortization shall not be considered an item of Operation and Maintenance Expense.
- (q) "**Operations Reserve Fund for Extraordinary Expenses**" shall mean the fund established by the District into which the District shall accumulate a six (6) month reserve of the District's average budgeted operating expenses for the Fiscal Year and as to be utilized for extraordinary operations, repairs and capital expenditures.

- (r) **“Outstanding Parity Debt”** means the District's Water System Revenue Refunding Bonds, Series 2009A, 2009B and 2009C.
- (s) **“Parity Obligations”** means the Notes, the Outstanding Parity Debt, and any Additional Obligations.
- (t) **“Paying Agent/Registrar”** means BOKF, NA, Dallas, Texas.
- (u) **“Pledged Revenues”** means all Net Revenues of the District.
- (v) **“System”** means the entire waterworks system of the District.
- (w) **“Underwriters”** means \_\_\_\_\_ and \_\_\_\_\_.

SECTION 6: Registration - Transfer - Exchange of Notes-Predecessor Notes. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of each and every owner of the Notes issued under and pursuant to the provisions of this Order, or if appropriate, the nominee thereof. Any Note may be transferred or exchanged for Notes of other authorized denominations by the Holder, in person or by his duly authorized agent, upon surrender of such Note to the Paying Agent/Registrar at the Designated Payment/Transfer Office for cancellation, accompanied by execution of any assignment form on the Notes, or a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender of any Note (other than the single Initial Note referenced herein) for transfer at the Designated Payment/Transfer Office of the Paying Agent/Registrar, one or more new Notes shall be registered and issued to the assignee or transferee of the previous Holder; such Notes to be in authorized denominations, of like Stated Maturity and of a like aggregate principal amount as the Note or Notes surrendered for transfer.

At the option of the Holder, Notes may be exchanged for other Notes of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the Designated Payment/Transfer Office of the Paying Agent/Registrar. To the extent possible, whenever any Notes are surrendered for exchange, the Paying Agent/Registrar shall register and deliver new Notes to the Holder requesting the exchange, to the extent possible within three business days of receipt of the Notes to be exchanged.

All Notes issued in any transfer or exchange of Notes shall be delivered to the Holders at the Designated Payment/Transfer Office of the Paying Agent/Registrar or sent by United States Mail, first class, postage prepaid to the Holders, and, upon the registration and delivery thereof, the same shall be the valid obligations of the District, evidencing the same obligation to pay, and entitled to the same benefits under this Order, as the Notes surrendered in such transfer or exchange.

All transfers or exchanges of Notes shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

Notes cancelled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be "Predecessor Notes," evidencing all or a portion, as the case may be, of the same obligation to pay evidenced by the new Note or Notes registered and delivered in the exchange or transfer therefor. Additionally, the term "Predecessor Notes" shall include any mutilated, lost, destroyed, or stolen Note for which a replacement Note has been issued, registered and delivered in lieu thereof pursuant to the provisions hereof and such new replacement Note shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Note.

New Notes issued in an exchange or transfer of Notes will be delivered to the registered Holder or assignee of the registered Holder promptly after the receipt of the Notes to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered Holder or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one series and maturity and for a like aggregate principal amount as the Notes surrendered for exchange or transfer. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Notes (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest paying date, or (ii) with respect to Notes 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 Holder of the uncalled balance of a Note.

**SECTION 7: Book-Entry Only Transfers and Transactions.** Notwithstanding the provisions contained above relating to the payment, and transfer/exchange of the Notes, and as further provided herein, the District hereby approves and authorizes the use of the "Book-Entry Only" securities clearance, settlement and transfer system provided by The Depository Trust Company (DTC), a limited purpose trust company organized under the laws of the State of New York, in accordance with the operational arrangements referenced in a Blanket Issuer Letter of Representations by and between the District and DTC (the "Depository Agreement").

Pursuant to the Depository Agreement and the rules of DTC, at the option of the Holders the Notes shall be deposited with DTC who shall hold said Notes for its participants (the "DTC Participants"). While the Notes are held by DTC under the Depository Agreement, the Holder of the Notes on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Note (the "Beneficial Owners") being recorded in the records of DTC and DTC Participants.

In the event the Book-Entry-Only System should be discontinued, the Notes will be printed and delivered to the registered Holders thereof and thereafter the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered Holder, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer, all as provided herein.

**SECTION 8: Execution - Registration.** The Notes shall be executed on behalf of the District by the President of its Board of Directors under its seal reproduced or impressed thereon and countersigned by the Secretary of the Board of Directors. The signature of said officers on

the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the District on the dated date shall be deemed to be duly executed on behalf of the District, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of delivery of the Notes to the initial purchaser(s) and with respect to Notes delivered in subsequent exchanges and transfers, all as authorized and provided in the V.T.C.A., Government Code, Chapter 1201. The Paying Agent, acting as registrar of the Notes, shall register the Notes on its records on behalf of the District.

No Note shall be entitled to any right or benefit under this Order, or be valid or obligatory for any purpose, unless there appears on such Note either a certificate of registration substantially in the form provided herein, manually executed by the Comptroller of Public Accounts of the State of Texas, or his duly authorized agent, or a certificate of registration substantially in the form provided herein, manually executed by an authorized officer, employee or representative of the Paying Agent/Registrar, and either such certificate duly signed upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified, registered and delivered.

SECTION 9: Initial Note(s). The Notes herein authorized shall be initially issued as a fully registered note, being one Note, and the initial Note shall be registered in the name of the initial purchaser or the designees thereof. The Initial Note shall be the Note submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the initial purchaser. Immediately after the delivery of the Initial Note on the closing date, the Paying Agent/Registrar shall cancel the Initial Note delivered hereunder and exchange therefor Notes in the form of a separate single fully registered Note for each of the maturities thereof registered in the name of Cede & Co., as nominee of DTC and except as provided herein, all of the outstanding Notes shall be registered in the name of Cede & Co., as nominee of DTC.

(a) Forms Generally. The Notes, the Registration Certificate of the Paying Agent/Registrar, and the form of Assignment to be printed on each of the Notes, shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Order and may have such letters, numbers, or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including insurance legends on insured Notes and any reproduction of an opinion of counsel) thereon as may, consistently herewith, be established by the District or determined by the officers executing such Notes as evidenced by their execution. Any portion of the text of any Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Note.

The definitive Notes and the Initial Note(s) shall be printed, lithographed, or engraved or typewritten, photocopied or otherwise reproduced in any other similar manner, all as determined by the officers executing such Notes as evidenced by their execution thereof.

(b) Form of Definitive Note. The definitive Notes shall be substantially in the following form, with such appropriate insertions, omissions, substitutions and variations as are permitted or required by this Order.

**REGISTERED  
NO.**

\$ \_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
WATER SYSTEM REVENUE NOTES, SERIES 2025**

**Dated Date:** \_\_\_\_\_, 2025      **Interest Rate:** \_\_\_\_\_ %      **Stated Maturity:** February 15, 20\_\_      **CUSIP NO:**

**Registered Owner:**  
**Principal Amount:**

Bolivar Peninsula Special Utility District (hereinafter referred to as the "District"), a political subdivision of the State of Texas, acting pursuant to Chapter 49 of the Texas Water Code, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinabove stated, and to pay interest on the unpaid principal amount hereof from the date of delivery hereof at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months. Principal of this Note is payable at its Stated Maturity to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar ") executing the registration certificate appearing hereon, or its successor. Accrued interest on the unpaid principal amount hereof is payable on August 15 and February 15 in each year, commencing August 15, 2025 until maturity or earlier redemption, to the registered owner of this Note (or one or more Predecessor Notes, as defined in the Order hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the close of business on the last day of the month next preceding such interest payment date, and such interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, premium, if any, and interest on this Note shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

This Note is one of the series specified in its title issued in the aggregate principal amount of \$11,825,000 (herein referred to as the "Notes") for the purpose of providing funds for the cost of acquisition and construction of certain improvements to the District's water system, and to pay costs of issuance, under and in strict conformity with the Constitution and laws of the State of Texas, including Chapter 49 of the Texas Water Code, and pursuant to an Order adopted by the Board of Directors of the District (herein referred to as the "Order").

Reference is hereby made to the Order, a copy of which is on file in the Designated Payment/Transfer Office of the Paying Agent/Registrar, and to all of the provisions of which the owner or holder of this Note by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Notes; the terms and conditions relating to the transfer or exchange of this Note; the conditions upon which the Order may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the District and the Paying Agent/Registrar; the terms and provisions upon which this Note may be discharged at or prior to its maturity, and deemed to be no longer Outstanding thereunder; and for other terms and provisions contained therein. Capitalized terms used herein have the meanings assigned in the Order.

The District reserves the right, at its option, to redeem Notes having stated maturities on and after February 15, 20\_\_ in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), on February 15, 20\_\_ or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Notes are to be redeemed, the District may select the series and maturities of Notes to be redeemed. If less than all the Notes of any series and maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Notes are in Book Entry Only form) shall determine by lot or other customary random selection method the Notes, or portions thereof, within such series and maturity to be redeemed. If a Note (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Note (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall 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.

AT LEAST 30 DAYS prior to a redemption date for the Notes, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar to the registered owners of the Notes 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 WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, AND ANY CONDITIONS STATED IN THE NOTICE HAVING BEEN MET, THE NOTES CALLED FOR REDEMPTION WILL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY NOTE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH NOTE OR PORTION THEREOF WILL CEASE TO ACCRUE. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Notes or portions thereof which are to be so redeemed. If due provision for such payment is made, all as provided above, the Notes or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding

except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Note shall be redeemed a substitute Note having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the District, all as provided in the Note Order.

The District reserves the right in the case of an optional redemption to give notice of its election or direction to redeem Notes conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Notes subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

With respect to any optional redemption of the Notes, unless the prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Notes, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

**[\*\*TO BE INCLUDED ONLY IF TERM NOTES ARE ISSUED:**

THE NOTES OF THIS SERIES maturing on February 15 in the years shown below are subject to mandatory sinking fund redemption prior to maturity in part at random, by lot or other customary random selection method selected by the Paying Agent/Registrar, at par plus accrued interest to the redemption date, and without premium, with funds on deposit in the Interest and Sinking Fund. Such Notes shall be redeemed by the Paying Agent/Registrar on February 15 in each of the years and in the principal amounts, respectively, as are set forth in the following schedule:



IF THE DATE for the payment of the principal of or interest on this Note shall be a Saturday, Sunday, a legal holiday or a day on which banking institutions in the city where the offices for payment of the Paying Agent/Registrar is located are authorized by law or executive Order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.]

This Note, subject to certain limitations contained in the Order, may be transferred on the Security Register only upon its presentation and surrender at the Designated Payment/Transfer Office of the Paying Agent/Registrar, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent/Registrar duly executed by, the registered owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Notes of the same Stated Maturity, of authorized denominations, bearing the same rate of interest, and of the same aggregate principal amount will be issued by the Paying Agent/Registrar to the designated transferee or transferees.

The District and the Paying Agent/Registrar, and any agent of either, shall treat the registered owner whose name appears on the Security Register (i) on the Record Date as the owner entitled to payment of interest hereon, (ii) on the date of surrender of this Note as the owner entitled to payment of principal hereof at its Stated Maturity and (Hi) on any other date as the owner for all other purposes, and neither the District nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary. In the event of nonpayment of interest on a scheduled payment date and for thirty (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 District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

IT IS HEREBY certified, recited, and covenanted that this Note has been duly and validly authorized, issued, sold, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Note have been performed, existed, and been done in accordance with law; that this Note is a special obligation of the District and for the purpose of providing for the payment and security of the Notes, the District has pledged the Net Revenues to be received by the District. AS TO THE PLEDGE OF SUCH NET REVENUES, SUCH PLEDGE IS ON A PARITY WITH THE PLEDGE SECURING THE DISTRICT'S WATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2009A, 2009B and 2009C. Reference is made to the Note Order for a further description of the revenues pledged to the payment of the interest on and principal of the Notes,

the circumstances under which Additional Obligations may be issued, the amount and extent of the security therefor, and a statement of the rights, duties and obligations of the District and the rights of the holders of the Notes, to all provisions of which the holder hereof, by the acceptance of this Note, assents.

THE DISTRICT HAS NO TAXING POWER. THE HOLDER HEREOF SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THIS OBLIGATION OUT OF ANY FUNDS RAISED OR TO BE RAISED BY TAXATION.

IN WITNESS WHEREOF, the Board of Directors of the District has caused this Note to be duly executed under the official seal of the District.

**Bolivar Peninsula Special Utility District**

\_\_\_\_\_  
President, Board Directors

COUNTERSIGNED:

\_\_\_\_\_  
Secretary, Board of Directors

(SEAL)

(c) Form of Registration Certificate of Comptroller of Public Accounts to appear on Initial Note(s) only.

**COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. \_\_\_\_\_**

I hereby certify that this Note has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Note has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_ day of \_\_\_\_\_, 202\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts, State of Texas

(COMPTROLLER'S SEAL)

(d) Form of Certificate of Paving Agent/Registrar to appear on Definitive Notes.

**PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE  
(To be executed if this Note is not accompanied  
by an executed Registration Certificate of the  
Comptroller of Public Accounts of the State of Texas)**

It is hereby certified that this Note has been issued under the provisions of the Order described in the text of this Note; and that this Note has been issued in conversion or replacement

of, or in exchange for, a Note, Notes, or a portion of a Note or Notes of a series which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

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

**BOKF, NA**  
Paying Agent/Registrar

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

(e) Form of Assignment.

**ASSIGNMENT**

For value received, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Please print or type, name, address and zip code of Transferee)

\_\_\_\_\_  
(Please insert Social Securities or Tax Identification Number of Transferee)

the within Note and hereby irrevocably constitutes and appoints \_\_\_\_\_  
attorney to transfer said note on the books kept for registration thereof, with full power of  
substitution in the premises.

DATED: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
Registered Owner

\_\_\_\_\_  
NOTICE: The signature above must  
be guaranteed by a member firm of the  
New York Stock Exchange or a  
commercial bank or trust company.

NOTICE: The signature above must correspond  
to the name of the registered owner as shown on  
the face of this Note in every particular, without  
any alteration, enlargement or change whatsoever.

(f) Insertions for the Initial Note. The initial Note shall be in the form set forth in this Section, except that (i) immediately under the name of the Note, the headings "INTEREST RATE" and "STATED MATURITY" shall both be completed with the words "As shown below" and "CUSIP NO." shall be deleted and (ii) the first paragraph shall be deleted, and the following will be inserted:

“Bolivar Peninsula Special Utility District (hereinafter referred to as the "District"), a political subdivision of the State of Texas, acting pursuant to Chapter 49 of the Texas Water Code,

for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, on February 15 in each of the years, in the principal installments and bearing interest at the per annum rates set forth in the following schedule:

<u>MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
-----------------	-----------------------------	--------------------------

(Information from Section 2 of this Order to be inserted)

and to pay interest on the unpaid principal amount hereof from the date of delivery hereof at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months. Principal of this Note is payable at its Stated Maturity to the registered owner hereof, upon presentation and surrender, at the Designated Payment/Transfer Office of BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar ") executing the registration certificate appearing hereon, or its successor. Accrued interest on the unpaid principal amount hereof is payable on August 15 and February 15 in each year, commencing August 15, 2025 until maturity or earlier redemption, to the registered owner of this Note (or one or more Predecessor Notes, as defined in the Order hereinafter referenced) whose name appears on the "Security Register" maintained by the Paying Agent/Registrar at the close of business on the "Record Date", which is the close of business on the last day of the month next preceding such interest payment date, and such interest shall be paid by the Paying Agent/Registrar by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. All payments of principal of, premium, if any, and interest on this Note shall be without exchange or collection charges to the owner hereof and in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts."

The initial Note shall be numbered "T-1."

SECTION 10: Rate Covenant and Pledge. So long as any Parity Obligations remain outstanding, the District shall fix, charge and collect rates and charges for the use and services of the System which are calculated to be fully sufficient to produce Pledged Revenues of the System in each Fiscal Year at least equal to the amount required to maintain the Interest and Sinking Fund, the Reserve Fund and funds established by Parity Obligations so as to provide for the payment of principal and interest on all Parity Obligations (including the Series 2025 Water System Revenue Notes) then outstanding and to pay the Maintenance and Operation Expenses of the System.

The District will not grant or permit any free service from the System except for buildings and institutions operated by the District.

Proper officers of the District are hereby authorized and directed to cause to be transferred to the Paying Agent/Registrar for the Notes, from funds on deposit in the Interest and Sinking Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Notes as the same accrues or matures; such transfers of funds to be made in such

manner as will cause collected funds to be deposited with the Paying Agent/Registrar on or before each principal and interest payment date for the Notes.

The District hereby pledges and grants a lien on the Pledged Revenues in order to secure the payment of the principal and interest on the Parity Obligations as the same become due. Said lien and pledge are granted equally for the benefit of the holders of all Parity Obligations. The Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund as provided in this Note Order and funds established by Parity Obligations.

Chapter 1208, Government Code applies to the issuance of the Notes and the pledge of Net Revenues granted by the District hereunder, and such pledge, therefore, is valid, effective, and perfected. If Texas law is amended at any time while the Parity Obligations are outstanding and unpaid such that the pledge of Net Revenues granted by the District hereunder is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, then in Order to preserve to the registered Holders the perfection of the security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in such pledge to occur.

SECTION 11: Mutilated - Destroyed - Lost and Stolen Notes. In case any Note shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar shall execute and deliver a replacement Note of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Note, or in lieu of and in substitution for such destroyed, lost or stolen Note, after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Note, and of the authenticity of the ownership thereof and 00 the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All taxes, governmental charges and other expenses associated with such indemnity and with the preparation, execution and delivery of a replacement Note shall be borne by the Holder of the Note mutilated, or destroyed, lost or stolen.

Every replacement Note issued pursuant to this Section shall be a valid and binding obligation and shall be entitled to all the benefits of this Order equally and ratably with all other Parity Obligations; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Notes.

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 Notes.

SECTION 12: Satisfaction of Obligation of District; Defeasance. If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Notes, at the times and in the manner stipulated in this Order, then the pledge of Pledged Revenues levied under this Order and all covenants, agreements, and other

obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Notes or any principal amount(s) thereof shall be deemed to have been paid and no longer outstanding within the meaning and with the effect expressed when payment of principal of and interest on such Notes to their stated maturity or redemption has been made or provided in any manner permitted by applicable law. Under current law, such payment may be accomplished by depositing with the Paying Agent, irrevocably and in trust, any combination of (1) money in an amount sufficient to make such payment and/or (2) Government Securities having such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent for the Notes. "Government Securities" means (A) direct, noncallable obligations of the United State of America, including obligations that are unconditionally guaranteed by the United States of America, (B) noncallable obligations of any agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent, and (C) noncallable obligations of a state or an agency or 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 such refunding notes, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and any other then authorized securities or obligations that may be used to defease obligations such as the Notes under applicable laws of the State. The District has the right, 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 moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Notes. If any of such Notes are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in this Order.

Upon such deposit as described above, the Notes shall no longer be regarded to be outstanding or unpaid for purposes of applying any limitation or indebtedness. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that the right to call the Notes for redemption following their defeasance is not extinguished, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption, (ii) gives notice of the reservation of that right to the owners of the Notes 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.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Notes, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the District or deposited as directed by the District. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Notes and remaining unclaimed for a period of three (3) years after the Stated Maturity of the Notes shall upon the request of the District be remitted to the District against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the District shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 13: Order a Contract - Amendments - Outstanding Notes. This Order shall constitute a contract with the Holders from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Note remains Outstanding except as permitted in this Section. The District may, without the consent of or notice to any Holders, from time to time and at any time, amend this Order in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the consent of Holders holding a majority in aggregate principal amount of the Notes then Outstanding, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Holders of Outstanding Notes, as the case may be, affected, no such amendment, addition, or rescission may (1) make any change in the maturity of any outstanding Notes, (2) reduce the rate of interest borne by any of the outstanding Notes, (3) reduce the amount of principal of, or redemption premium, if any, payable on any outstanding Notes, (4) modify the terms of payment of principal of or interest or redemption premium on outstanding Notes or any of them or impose any condition with respect to such payment or alter the pledge securing their payment, or (6) change the minimum percentage of the principal amount of the Notes necessary for consent to any such amendment.

The term "Outstanding" when used in this Order with respect to Notes means, as of the date of determination, all Notes theretofore issued and delivered under this Order, except:

- (1) those Notes cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
- (2) those Notes deemed to be duly paid by the District in accordance with the provisions hereof; and
- (3) those mutilated, destroyed, lost, or stolen Notes which have been replaced with Notes registered and delivered in lieu thereof as provided in Section 11 hereof.

SECTION 14: Covenants to Maintain Tax-Exempt Status. (a) Definitions. When used in this Section, the following terms shall have the following meanings:

**"Closing Date"** means the date on which the Notes are first authenticated and delivered to the initial purchasers against payment therefor.

**"Code"** means the Internal Revenue Code of 1986, as amended by all legislation, if any, effective on or before the Closing Date.

**"Computation Date"** has the meaning set forth in §1.148-1(b) of the Regulations.

**"Gross Proceeds"** means any proceeds as defined in §1.148-1(b) of the Regulations, and any replacement proceeds as defined in §1.148-1(c) of the Regulations, of the Notes.

**"Investment"** has the meaning set forth in §1.148-1(b) of the Regulations.

**"Nonpurpose Investment"** means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Notes are invested and which is not acquired to carry out the governmental purposes of the Notes.

**"Rebate Amount"** has the meaning set forth in §1.148-1(b) of the Regulations.

**"Regulations"** means any proposed, temporary, or final Income Tax Regulations issued pursuant to Sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Notes. Any reference to any specific Regulation shall also mean, as appropriate, any proposed, temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

**"Yield"** of (1) any Investment has the meaning set forth in §1.148-5 of the Regulations and (2) the Notes has the meaning set forth in §1.148-4 of the Regulations.

(b) Not to Cause Interest to Become Taxable. The District shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which if made or omitted, respectively, would cause the interest on any Note to become includable in the gross income, as defined in §61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the District receives a written opinion of counsel nationally recognized in the field of municipal Note law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Note, the District shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as permitted by §141 of the Code and the Regulations and rulings thereunder, the District shall at all times prior to the last Stated Maturity of Notes:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be refinanced directly or indirectly with Gross Proceeds of the Notes (being the Project), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross



Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government unless such use is solely as a member of the general public, or no payment is made directly or indirectly for such use in an amount exceeding 10% of the debt service on the Notes; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Notes or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than water rates of general application within the District or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the District shall not use Gross Proceeds of the Notes to make or refinance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be "loaned" to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except to the extent permitted by §148 of the Code and the Regulations and rulings thereunder, the District shall not at any time prior to the final Stated Maturity of the Notes directly or indirectly invest Gross Proceeds in any Investment (or use Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Closing Date of all Investments acquired with Gross Proceeds (or with money replaced thereby) (and particularly including amounts deposited into the Escrow Fund), whether then held or previously disposed of, exceeds the Yield of the Notes.

(f) Not Federally Guaranteed. Except to the extent permitted by §149(b) of the Code and the Regulations and rulings thereunder, the District shall not take or omit to take any action which would cause the Notes to be federally guaranteed within the meaning of §149(b) of the Code and the Regulations and rulings thereunder.

(g) Information Report. The District shall timely file the information required by §149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate of Arbitrage Profits. Except to the extent otherwise provided in §148(f) of the Code and the Regulations and rulings thereunder:

(1) The District shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Outstanding Note is discharged. However, to the extent permitted by law, the District may commingle Gross Proceeds of the Notes with other money of the District, provided that the District separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the District shall calculate the Rebate Amount in accordance with rules set forth in §148(f) of the Code and the Regulations and rulings thereunder. The District shall maintain such calculations with its official transcript of proceedings relating to the issuance of the Notes until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Notes by the Purchasers and the loan of the money represented thereby and in Order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the District shall pay to the United States out of the Interest and Sinking Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Notes equals (i) in the case of a Final Computation Date as defined in §1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by §148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by §148(f) of the Code and the Regulations and rulings thereunder.

(4) The District shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under §1.148-3(h) of the Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by §148 of the Code and the Regulations and rulings thereunder, the District shall not, at any time prior to the earlier of the Stated Maturity or final payment of the Notes, enter into any transaction that reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Notes not been relevant to either party.

(j) Elections. The District hereby directs and authorizes the President of the Board of Directors of the District, individually or jointly, to make elections permitted or required pursuant to the provisions of the Code or the Regulations, as they deem necessary or appropriate in connection with the Notes, in the Certificate as to Tax Exemption or similar or other appropriate certificate, form or document.

(k) Notes Not Hedge Notes. (1) The District reasonably expects to spend at least 85% of the spendable proceeds of the Notes within three years after such notes are issued and (2) none of the proceeds of the Notes shall be invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

(l) No Designation as Qualified Tax-Exempt Obligations. The District does not designate the Notes as qualified tax exempt obligations under §265(b) of the Code.

(m) Tax Certificate. The District confirms and agrees to comply with the provisions of the Federal Tax Certificate delivered in connection with the Notes, all of which are incorporated herein by reference, and the provisions and representations in which remain true as of the date hereof.

SECTION 15: Sale of Notes. The sale of the Notes authorized by this Order shall be sold by the District to \_\_\_\_\_ as representative of the Underwriters at a price of \$ \_\_\_\_\_ (representing the par amount of the Notes, less an original issue discount of \$ \_\_\_\_\_ and less an underwriting discount of \$ \_\_\_\_\_), in accordance with the terms of the Purchase Contract presented with this Order. The President and Secretary of the Board of Directors are hereby severally authorized and directed to execute said Purchase Contract for and on behalf of the District and as the act and deed of this Board of Directors and of the District, and the Secretary is authorized to attest said Purchase Contract. The Board of Directors hereby finds that the terms of sale as stated in the Purchase Contract shall be the most advantageous reasonably available.

Proceeds of sale shall be used to pay costs of issuance, and otherwise deposited into a Construction Fund for the Project.

The President of the Board of Directors is hereby authorized to execute a Note Purchase Agreement or other documents necessary to evidence the sale of the Notes to the Underwriter.

Furthermore, the Preliminary Official Statement dated \_\_\_\_\_, 2024 and to be used in connection with the public offering and sale of the Notes is hereby deemed final, confirmed and approved in all respects. The final Official Statement reflecting the terms of sale, shall be and is hereby in all respects approved and the Underwriter is hereby authorized to use and distribute said final Official Statement, in the reoffering, sale and delivery of the Notes to the public. The President and Secretary of the Board of Directors are further authorized and directed to execute and deliver for and on behalf of the District copies of said Official Statement in final form as may be required by the Underwriter, and such Official Statement in the final form and content executed by any one or more of said officials shall be deemed to be approved by the Board of Directors and constitute the Official Statement authorized for distribution and use by the Underwriter.

SECTION 16. Rate Covenant; Operating Fund. The District hereby agrees to fix, change and collect rates and changes for the use and services of the System which are calculated to be fully sufficient to produce Pledged Revenues of the System in an amount sufficient, during each Fiscal Year, to produce Net Revenues sufficient to pay (i) the Operation and Maintenance Expenses of the District, (ii) the Annual Debt Service and (iii) all amounts required to be on deposit in any fund established in this Order, and any order authorizing other Parity Obligations, or any other debt proceedings applicable to the District.

The District will not grant or permit any free service from the System except for buildings and institutions operated by the District.

There is hereby created and there shall be established and maintained on the books of the District and accounted for separate and apart from all other funds of the District, a special fund, to be held by the District's depository bank, entitled the "Bolivar Peninsula Special Utility District Water System Fund" hereinafter called the "Operating Fund". All Gross Revenues of the System (except investment interest and income of the Interest and Sinking Fund created by this Order) shall be credited to the Operating Fund immediately upon receipt and shall be paid in the priority set forth below:

- (i) all Operation and Maintenance Expenses of the System shall be paid from such Gross Revenues credited to the Operating Fund, as a first charge against same;
- (ii) after providing for payment of Operation and Maintenance Expenses as provided above, the District shall next make payment into the respective Interest and Sinking Funds established for (i) the Notes, (ii) Outstanding Parity Debt; and (iii) any Additional Obligations, with such deposits to be on a parity with the deposit made into the Interest and Sinking Fund for the Notes referred to below;
- (iii) the District shall make all payments required into any reserve fund established for (i) the Outstanding Parity Debt; (ii) the Notes; and (iii) any Additional Obligations;
- (iv) the District shall make all deposits into the Operations Reserve Fund or the Mandatory Debt Redemption Fund required by the Outstanding Parity Debt; and
- (v) any remaining funds in the Operating Fund may be used for any lawful purpose of the District.

SECTION 17. Interest and Sinking Fund. For the sole purpose of paying the principal of and interest on all Notes and any Parity Obligations, as the same come due, there is hereby created and there shall be established and maintained with the depository bank, a separate fund to be entitled the "Bolivar Peninsula Special Utility District Water System Revenue Notes, Series 2025 Interest and Sinking Fund" hereinafter called the "Interest and Sinking Fund"). Each year, the District shall deposit into such Interest and Sinking Fund the amount required to pay the principal and interest on the Parity Obligations, as the same become due.

SECTION 18. Reserve Fund. The Reserve Fund shall be funded to the average annual principal and interest debt service requirement of the Parity Obligations, the Notes and the Additional Obligations (the “Required Reserve Amount”). The District shall accumulate said amount in equal monthly installments within 61 months from the date of the Additional Obligations by the deposit in the Reserve Fund of the necessary sums in equal monthly installments following the issuance of the Notes. If and whenever the Reserve Fund is reduced below the Required Reserve Amount, monthly deposits into the Reserve Fund shall be made in an amount equal to 1/61 of the full amount then required to be on deposit in the Reserve Fund and such monthly deposits shall be continued until such time as the Reserve Fund has been restored to the Required Reserve Amount. The Reserve Fund shall be used to pay the principal of and interest on the Parity Obligations, the Notes or any Additional Obligations at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose. Any obligation in which money in the Reserve Fund is so invested shall be kept and held in the official depository bank of the District in escrow and in trust for the benefit of the holders of the Parity Obligations and the Notes and shall be promptly sold and the proceeds of sale applied to payments required to be made from the Reserve Fund.

SECTION 19. Investment of Funds. All funds of the District, including moneys on deposit in any Fund created hereunder, may only be invested in accordance with the laws of the State of Texas, including the Texas Public Funds Investment Act. Such funds shall be collateralized in accordance with the Texas Public Funds Collateral Act for all deposits in excess of the amount insured by the Federal Deposit Insurance Corporation.

SECTION 20. Additional Obligations. The District reserves the right to issue additional parity revenue bonds, to be known as Additional Obligations, which when issued and delivered, shall be payable from and secured by a first lien on and pledge of the Net Revenues of the System, in the same manner and to the same extent as the Notes; and the Notes and all Additional Obligations shall in all respects be on a parity and equal dignity. The Additional Obligations may be issued in one or more installments or series, provided, however, that no installment or series of Additional Obligations shall be issued unless:

- (a) A certificate is executed by the District to the effect that no default exists in connection with any of the covenants or requirements of the order authorizing the issuance of all Parity Obligations then outstanding.
- (b) A certificate is executed by the District to the effect that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be on deposit therein.
- (c) A certificate is executed by an independent certified public accountant, or independent firm or certified public accountants, acting by and through a certified public accountant, signs a written certificate to the effect that, in his or her opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period ending not more than ninety (90) days immediately preceding the month in which the order authorizing the issuance of the proposed Additional Obligations is passed, the Net Revenues were at least 1.25 times an amount equal to the average annual principal and interest requirements of all Parity Obligations and any Additional Obligations which are scheduled to be outstanding after the delivery of the proposed Additional Obligations. It is specifically provided, however, that in calculating the amount of Net Revenues for the purpose of this subsection (c), if there has been any increase in the rates or charges for services of the System which is then in effect, but which was not in effect during all or any part of the entire period for which the Net Revenues are being calculated (hereinafter referred to as the “entire period,”) then the certified public

accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Net Revenues as being the total of (i) the actual Net Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such rates or charges had been in effect during the entire period.

(d) Additional Obligations are scheduled to mature only on February 15, and the interest thereon is scheduled to be paid only on February 15 and August 15.

(e) The order authorizing the issuance of such installment or series of Additional Obligations provides that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased by an additional amount not less than the average annual principal and interest requirements for said Additional Obligations; and that such additional amount shall be so accumulated within 61 months from the date of the Additional Obligations by the deposit in the Reserve Fund of the necessary sums in equal monthly installments; provided, however, that the aggregate of all or any part of said required additional amount in cash immediately after the aggregate amount to be accumulated in the Reserve Fund shall never be required to exceed the average annual principal and interest requirements of all Parity Obligations then outstanding, and for the installment or series of Additional Obligations then proposed to be issued.

(f) All calculations of average annual principal and interest requirements made pursuant to this Section are made as of and from the date of the Additional Obligations then proposed to be issued.

**SECTION 21: Control and Custody of Notes.** The President and Secretary of the Board of Directors of the District are each hereby severally authorized to take and have charge of all necessary records pending review of the Notes by the Attorney General of the State of Texas, including the printing and supply of definitive Notes, and shall take and have charge and control of the Initial Note(s) pending the approval thereof by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery thereof to the initial purchaser.

Furthermore, the President and the Secretary of the Board of Directors, any one or more of said officials, are hereby authorized and directed to furnish and execute such agreements, documents and certifications relating to the District and the issuance, sale and delivery of the Notes, including certifications as to facts, estimates, circumstances and reasonable expectations pertaining to the use, expenditure and investment of the proceeds of the Notes, as may be necessary for the approval of the Attorney General, the registration by the Comptroller of Public Accounts and the delivery of the Notes to the Purchasers, and, together with the District's financial advisor, Note counsel and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Note(s) to the initial purchaser and the initial exchange thereof for definitive Notes.

**SECTION 22: Book-entry Only System.** (a) The permanent Notes shall be initially issued in the form of a separate single certificated fully registered Note for each of the stated maturities set forth in the Pricing Certificate. Upon initial issuance, the ownership of each Note shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"). The Notes shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

(b) With respect to Notes registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the District, the Registrar, and the Paying Agent shall have no responsibility or obligation to any DTC Participant or to any Person on behalf of which a DTC Participant holds an interest in the Notes. Without limiting the immediately preceding sentence, the District, the Registrar, and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Notes, (ii) the delivery to any DTC Participant or any other Person, other than a Noteholder (initially Cede & Co.), as shown in the registration books kept by the Registrar, of any notice with respect to the Notes, including any notice of redemption, or (iii) the payment to any DTC Participant or any other Person, other than a Noteholder, as shown in the registration books kept by the Note Registrar (initially Cede & Co.) of any amount with respect to principal of, premium, if any, or interest on the Notes. The District, the Note Registrar, and the Paying Agent shall treat and consider the Person in whose name each Note is registered in the registration books kept by the Note Registrar (initially Cede & Co.) as the holder and absolute owner of such Note for the purpose of payment of principal, premium, if any, and interest with respect to such Note, for the purpose of giving notices of redemption and other matters with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Notes only to or upon the Order of the respective Note holders, as shown in the registration books kept by the Note Registrar (initially Cede & Co.), and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Notes to the extent of the sum or sums so paid. No Person other than a Noteholder, as shown in the registration books kept by the Note Registrar (initially Cede & Co.), shall receive a certificated Note evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Order. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word "Cede & Co." in this Order shall refer to such new nominee of DTC.

(c) The Letter of Representations in substantially the form provided by DTC, with such changes, omissions, insertions and revisions as the President of the Board of Directors shall approve, is hereby authorized, and the President of the Board of Directors shall execute and deliver such Letter of Representations to DTC. The approval of the President of the Board of Directors of any such changes, omissions, insertions and revisions shall be conclusively established by said person's execution and delivery of the Letter of Representations which shall not in any way impose upon the District any obligation whatsoever with respect to Persons having interests in the Notes other than the Note holders, as shown on the registration books kept by the Registrar. The Registrar shall take all action necessary for all representations of the District in the Letter of Representations with respect to the Paying Agents and the Registrar, respectively, to at all times be complied with.

(i) DTC may determine to discontinue providing its services with respect to the Notes at any time by giving notice to the District and the Registrar and discharging its responsibilities with respect thereto under applicable law.

(ii) The District, in its sole discretion and without the consent of any other Person, may terminate the services of DTC with respect to the Notes if the District determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Notes, or

(B) a continuation of the requirements that the Notes be registered in the registration books kept by the Note Registrar in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of the Notes.

The District shall not discontinue the services of DTC without first giving at least sixty (60) days advance written notice of the same to the Paying Agent/Registrar.

(iii) Upon the termination of the services of DTC with respect to the Notes pursuant to this section, or upon the discontinuance or termination of the services of DTC with respect to the Notes pursuant to this section after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the District, is willing and able to undertake such functions upon reasonable and customary terms, the District is obligated to deliver certificated Notes as described in this Order, and the Notes shall no longer be restricted to being registered in the registration books kept by the Note Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Note Holders transferring or exchanging Notes shall designate, in accordance with the provisions of this Order. Upon discontinuance, for any reason, of DTC's services with respect to the Notes, DTC shall be responsible for providing a list of the DTC Participants (and a contact at each) to the Registrar in order that the DTC Participants may provide the Registrar with a list of the beneficial owners in order that the beneficial owner may receive a certificated Note or notice of the substitute securities depository willing to undertake the functions of DTC as provided in this Order.

In the event the Book-Entry-Only System should be discontinued, the Notes may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. Notes may be assigned by the execution of an assignment form on the respective Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Notes will be delivered by the Paying Agent/Registrar, in lieu of the Notes being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Notes to be canceled, 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 Notes registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Notes surrendered for exchange or transfer. The District and the Paying Agent/Registrar may treat the person in whose name a Note is registered as the absolute owner thereof for all purposes, whether or not such Obligation is overdue, including for the purpose of receiving payment of, or on account of, the principal of, premium, if any, and interest on, such Note.

(d) Notwithstanding any other provision of this Order to the contrary, so long as any Note is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Note and all notices with respect to such Note shall be made and given, respectively, in the manner provided in the Letter of Representations.

SECTION 23: 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 appearing 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 Notes. 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 24: Cancellation. All Notes surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/ Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Notes previously certified or registered and delivered which the District may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Notes held by the Paying Agent/Registrar shall be returned to the District.

SECTION 25: Approving Opinion. The obligation of the Purchasers to accept delivery of the Notes is subject to being furnished a final opinion of Germer, PLLC approving such Notes as to their validity, said opinion to be dated and delivered as of the date of delivery and payment for such Notes.

SECTION 26: CUSIP Numbers. CUSIP numbers may be printed or typed on the Notes deposited with The Depository Trust Company or on printed definitive Notes. It is expressly

provided, however, that the presence or absence of CUSIP numbers on the definitive Notes shall be of no significance or effect as regards the legality thereof and neither the District nor attorneys approving the Notes as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Notes.

SECTION 27: Benefits of Order. Nothing in this Order, expressed or implied, is intended or shall be construed to confer upon any person other than the District, the Paying Agent/Registrar, the Escrow Agent and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Order or any provision hereof, this Order and all its provisions being intended to be and being for the sole and exclusive benefit of the District, the Paying Agent/Registrar and the Holders.

SECTION 28: Inconsistent Provisions. All Orders or orders, or parts thereof, which are in conflict or inconsistent with any provision of this Order are hereby repealed to the extent of such conflict, and the provisions of this Order shall be and remain controlling as to the matters contained herein.

SECTION 29: Governing Law. This Order shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 30: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 31: Construction of Terms. If appropriate in the context of this Order, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine or neuter gender shall be considered to include the other genders.

SECTION 32: Severability. If any provision of this Order or the application thereof to any circumstance shall be held to be invalid, the remainder of this Order and the application thereof to other circumstances shall nevertheless be valid, and the Board of Directors hereby declares that this Order would have been enacted without such invalid provision.

SECTION 33: Incorporation of Findings and Determinations. The findings and determinations of the Board of Directors contained in the preamble hereof are hereby incorporated by reference and made a part of this Order for all purposes as if the same were restated in full in this Section.

SECTION 34: Continuing Disclosure Undertaking. (a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"**EMMA**" means the Electronic Municipal Market Access program of the MSRB.

"**MSRB**" means the Municipal Securities Rulemaking Board.

**"Rule"** means SEC Rule 15c2-12, as amended from time to time or officially interpreted by the SEC.

**"SEC"** means the United States Securities and Exchange Commission.

## **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 — Financial Information of the District in Tables 1 through 5 of the Official Statement related to issuance and sale of the Notes, together with the District's annual audit. The District will update and provide this information within six months after the end of each fiscal year ending in 2025 and thereafter.

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 SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the District, if the District commissions an audit and it is completed by the required time. If audited financial statements cannot be provided, the District will provide unaudited financial information of the type described in the preceding paragraph by the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in the District's annual financial statements, or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

## **Notice of Certain Events**

The District shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Notes: (1) Principal and interest payment delinquencies; (2) Unscheduled draws on debt service reserves reflecting financial difficulties; (3) Unscheduled draws on credit enhancements reflecting financial difficulties; (4) Substitution of credit or liquidity providers, or their failure to perform; (5) 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 Notes, or other material events affecting the tax status of the Notes; (6) Tender offers; (7) Defeasances; (8) Rating changes; (9) Bankruptcy, insolvency, receivership or similar event of the District(); (10) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District.

The District shall notify the MSRB of the occurrence of any of the following events with respect to the Notes, if material, in a timely manner not later than ten business days after the occurrence of the event: (1) Unless described by (5) above, other material notices or determinations

by the Internal Revenue Service with respect to the tax status of the Notes or other material events affecting the tax status of the Notes; (2) Modifications to rights of Note holders; (3) Optional, unscheduled or contingent Note calls; (4) Release, substitution, or sale of property securing repayment of the Notes; (5) Non-payment related defaults; (6) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into 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; (7) Appointment of a successor or additional Paying Agent/Registrar or change in the name of the Paying Agent/Registrar; and (8) Incurrence of a Financial Obligation<sup>(2)</sup> of the District, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders.

(1) For the purposes of the event identified in (9), the event 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 U.S. 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.

(2) "Financial Obligation" shall mean a (i) debt obligation; OD derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

## **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 Notes 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 Notes may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its 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 Notes in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the Parity Obligations consent or any person unaffiliated with the District (such as nationally recognized Note counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Notes. The District may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Notes in the primary offering of the Notes giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it shall 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.

SECTION 35. Events of Default. The following shall constitute an Event of Default hereunder:

(a) The failure by the District to make payment of principal and/or interest due on the Notes and the Outstanding Parity Debt, or the failure by the District to make payment into any fund or funds established hereunder or thereunder, as the same become due.

(b) Default by the District in the observance or performance of any of the other covenants, conditions or obligations of the District hereunder or imposed on the District by law applicable to the Notes.

Upon and following any event of default, any owner of a Note is entitled to seek all legal remedies provided by the Constitution and laws of the State of Texas to compel the District to remedy such default and to prevent further default or defaults. Without in any way limiting the generality of the foregoing, it is expressly provided that any owner of any of the Notes may at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance of all duties required to be performed by the District under this Order, including the making and collection of reasonable and sufficient rates and charges for the use and services of the System, the deposit of the Pledged Revenues, including the Net Revenues of the System, into the special funds herein provided, and the application of such Pledged Revenues in the manner required in this Order. The rights of the Registered Holders hereunder do not include the right to compel acceleration of the maturity of the Notes.

SECTION 36: Public Meeting. It is officially found, determined, and declared that the meeting at which this Order is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Order, was given, all as required by V.T.C.A., Government Code, Chapter 551, as amended.

SECTION 37: Effective Date. This Order shall be in force and effect from and after its passage on the date shown below, pursuant to V.T.C.A., Government Code, §1201.028.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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\_\_\_\_\_, 2025

Re: Bolivar Peninsula Special Utility District (the "District") – \$11,825,000 Water System Revenue Notes, Series 2025 (the "Notes")

WE HAVE ACTED as bond counsel for the District in connection with an issue of notes described as follows:

BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT WATER SYSTEM REVENUE NOTES, SERIES 2025 dated January 1, 2025, in the total authorized aggregate amount of \$11,825,000 (the "Notes"). The Notes mature, bear interest and may be transferred and exchanged as set out in the Notes and in the order adopted by the District on December 10, 2024, authorizing issuance of the Notes (the "Order").

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Notes under the Constitution and laws of the State of Texas, pursuant to which the District is acting, and with respect to the exclusion of interest on the Notes from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We 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 Notes.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Notes on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the District, customary affidavits and certificates of officers, agents and other representatives of the District and other public officials, and other certified showings related to the authorization and issuance of the Notes. We have also examined executed Note No. T-1 of this issue. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION that:

- (A) The transcript of certified proceedings evidence complete legal authority for the issuance of the Notes in full compliance with the Constitution and laws of the State of Texas presently effective and that therefore the Notes constitute valid and legally binding obligations of the District;
- (B) Payment of the Notes is secured by a pledge of the "Pledged Revenues" of the District's water system, as such term is defined in the Order. Under the terms of the Order the

District may grant a pledge on the Pledged Revenues of the District's water system securing other indebtedness now or hereafter issued by the District. Such pledge may be on a parity with the pledge securing payment of the Notes provided the District meets certain requirements set forth in the Order, or may be subordinate to the pledge securing payment of the Notes at the sole option of the District;

- (C) The pledge of Pledged Revenues securing payment of the Notes is on a parity with the pledge securing the District's Water System Revenue Refunding Bonds, Series 2009A, 2009B and 2009C.

THE RIGHTS OF THE HOLDERS of the Notes are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally and may be limited by general principles of equity which permit the exercise of judicial discretion.

IT IS OUR FURTHER OPINION that:

- (A) Interest on the Notes is excludable from gross income of the holders for federal income tax purposes under existing law;
- (B) The Notes are not "private activity bonds" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Notes is not subject to the alternative minimum tax on individuals and corporations, except that interest will be included in the "adjusted net book income" or "adjusted current earnings" of a corporation (other than any S Corporation, regulated investment company, REIT, or REMIC) for purposes of computing its alternative minimum tax and its Superfund "environmental tax" liability;
- (C) The Notes are not bank qualified tax exempt obligations under §265 of the Code.

In expressing our opinions regarding federal income taxation we have relied upon the District's Federal Tax Certificate, and have further assumed that the District complies with its covenants in such certificate and the Order with respect to (i) arbitrage, and (ii) the application of the proceeds to be received from issuance and sale of the Notes.

Our firm was engaged by, and only represents, the District. We have reviewed the information appearing under "PLAN OF FINANCING," "THE NOTES," (except under the subcaptions "Payment Record" and "Remedies in Event of Default") "REGISTRATION, TRANSFER AND EXCHANGE," "INVESTMENT POLICIES," "LEGAL MATTERS" (insofar as such section relates to the legal opinion of Bond Counsel), "TAX MATTERS," "ADDITIONAL FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT, AND COLLATERAL FEDERAL INCOME TAX CONSEQUENCES," "CONTINUING DISCLOSURE OF INFORMATION" (except for information under the subheading "—Compliance with Prior Agreements"), "OTHER PERTINENT INFORMATION —Registration and Qualification of Notes for Sale" and "- Legal Investments and Eligibility to Secure Public Funds in Texas" and "APPENDIX C — Form of Legal Opinion of Bond Counsel" herein and we are of the opinion that the information relating to the Notes and the legal issues contained under such captions is an accurate and fair description of the laws and legal issues addressed therein. We have not independently verified factual information contained in the Official Statement, nor have we conducted an investigation of the affairs of the District for the purpose of passing upon the

accuracy or completeness of the Official Statement. No person is entitled to rely upon our limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained in the Official Statement.

In providing such opinions, we have relied on representations of the District, the District's Financial Advisor and the purchaser of the Notes, with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the purchaser(s), respectively, which we have not independently verified. We have further relied on the certification of the Financial Advisor regarding the mathematical accuracy of certain computations. If such representations or the certifications are determined to be inaccurate or incomplete or the District fails to comply with the foregoing provisions of the Order and the District's tax certificate, interest on the Notes could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs. Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Notes.

Our opinions are based on existing law as of the date hereof, 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 hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Notes. If an audit is commenced, in accordance with its current published procedures, the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted in the Order not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Notes as includable in gross income for federal income tax purposes.

In providing such opinions, we have relied on representations of the District with respect to matters solely within the knowledge of the District which we have not independently verified and have assumed continuing compliance with the covenants in the Notes pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Notes for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or if the District fails to comply with the foregoing provisions of the Order, interest on the Notes could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of the Notes.

Holders of the Notes should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the new "branch profits tax" on their effectively connected earnings and profits (including tax-exempt interest such as interest on the

Notes). For these reasons, holders of the Notes should consult their own tax advisors as to the consequences of investing in the Notes.

Yours very truly,

**GERMER PLLC**

**APPENDIX D**

**DISTRICT'S GENERAL PURPOSE AUDITED FINANCIAL  
STATEMENTS FOR FISCAL YEAR ENDED DECEMBER 31, 2023**

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BOLIVAR PENINSULA SPECIAL  
UTILITY DISTRICT,  
CRYSTAL BEACH, TX

ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2023

BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
CRYSTAL BEACH, TEXAS

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS §  
COUNTY OF Galveston § BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT

I, Bradley Metz, President  
(Name of duly Authorized District Representative)

of the BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 9<sup>th</sup> day of April, 2024 its annual audit report for the fiscal year or period ended Dec. 31, 2023 and that copies of the annual audit have been filed in the district office, located at

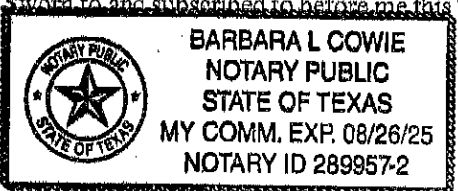
1840 HIGHWAY 87, CRYSTAL BEACH, TEXAS 77650

The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Natural Resource Conservation Commission in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: April 9, 2024

By: Bradley Metz  
(Signature of District Representative)  
Bradley Metz, President

Sworn to and subscribed to before me this 9<sup>th</sup> day of April, 2024.



(Seal)

Barbara L. Cowie  
(Signature of Notary)

My commission expires on August 26, 2025, Notary Public in and for the State of Texas.

## **FINANCIAL SECTION**

# J. R. Edwards & Associates, LLC

## Certified Public Accountants

### INDEPENDENT AUDITOR'S REPORT

April 1, 2024

To the Board of Directors  
Bolivar Peninsula Special Utility District

#### **Opinions**

We have audited the accompanying financial statements of the business-type activities of Bolivar Peninsula Special Utility District (the District), as of and for the year ended December 31, 2023, 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 business-type activities of the District's, as of December 31, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibility of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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

**1465 Cornerstone Court, Ste. A ♦ Beaumont, TX 77706**  
**Phone (409) 924-9100 ♦ Fax (409) 924-0990**

### **Auditor's Responsibilities for the Audit of the Financial Statements, continued**

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

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

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

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Directors  
Bolivar Peninsula Special Utility District

**Other Information**

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

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

*J. R. Edwards & Associates, LLC*

Beaumont, TX

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**  
**Management's Discussion and Analysis**  
**December 31, 2023**

As management of the Bolivar Peninsula Special Utility District we offer readers of the Bolivar Peninsula Special Utility District financial statements this narrative overview and analysis of the financial activities of the Bolivar Peninsula Special Utility District for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the independent auditor's report and the District's financial statements, which follow.

**Financial Highlights**

- The assets of the Bolivar Peninsula Special Utility District exceeded its liabilities as of December 31, 2023, by \$14,481,941 (net position). Of this amount, \$2,233,830 (unrestricted net position) may be used to meet the District's ongoing obligations to customers and creditors.
- The District's total net position increased by \$1,135,325. Unrestricted net position decreased \$1,250,866.
- The District's total revenues increased by \$795,738 to \$6,240,922 and total expenses increased by \$124,620 to \$5,105,597. Revenues increased as a result of continued growth in the District's customer base and an increase in other revenues which included settlement of FEMA projects from prior years. Expenses increased year over year due to the increase in recurring expenses and repairs in the current year.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Bolivar Peninsula Special Utility District's basic financial statements. These basic financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Fund accounting.** 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 Bolivar Peninsula Special Utility District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District has only one type of fund: a proprietary fund.

**Proprietary funds.** Proprietary funds are used to account for the resources of a government's business-type activities. The District maintains one type of proprietary fund, an enterprise fund, to account for its water service operations. The Water Fund is the only fund of the District and is considered, by default, to be a major fund.

**Fund financial statements.** The District is a special-purpose government engaged only in business-type activities i.e. water service operations. The Governmental Accounting Standards Board (GASB) states that special-purpose governments engaged only in business-type activities should present only financial statements required for enterprise funds. The fund financial statements can be found on pages 12-14.

The **Statement of Net Position** presents information on all of the District's 1) assets and deferred outflows and 2) deferred inflows of resources and liabilities, with the difference between the two reported as net

position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The **Statement of Revenues, Expenses, and Changes in Net Position** presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The **Statement of Cash Flows** provides information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. This statement can be an indicator of the government's ability to meet debt requirements as they come due.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 15-24.

**Other information.** In addition to the basic financial statements and accompanying notes, the District presents required supplementary information which can be found on page 25.

### **Financial Statement Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's total net position increased from \$13,346,616 to \$14,481,941. Unrestricted net position decreased by \$1,254,100 from \$3,487,930 to \$2,233,830 at the end of the fiscal year. Unrestricted net position represents assets available to finance the day-to-day operations without constraints established by debt covenants and/or enabling legislation.

BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
MANAGEMENT DISCUSSION & ANALYSIS  
DECEMBER 31, 2023

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT'S NET POSITION  
DECEMBER 31, 2023**

	2023	2022	Dollar Change	Percent Change
Current and other assets	\$ 7,192,975	\$ 6,881,066	\$ 311,909	5%
Capital assets, net	14,069,408	13,569,983	499,425	4%
Total Assets	<u>21,262,383</u>	<u>20,451,049</u>	<u>811,334</u>	<u>4%</u>
Other liabilities (current)	1,788,257	1,606,199	182,058	11%
Long-term liabilities (non-current)	4,992,185	5,498,234	(506,049)	-9%
Total Liabilities	<u>6,780,442</u>	<u>7,104,433</u>	<u>(323,991)</u>	<u>-5%</u>
Net Position:				
Net investment in capital assets	8,574,408	7,649,983	924,425	12%
Restricted	3,673,703	2,208,703	1,465,000	66%
Unrestricted	2,233,830	3,487,930	(1,254,100)	-36%
Total Net Position	<u>\$ 14,481,941</u>	<u>\$ 13,346,616</u>	<u>\$ 1,135,325</u>	<u>9%</u>

Program revenues increased from the prior year by \$477,235 as a result of continued growth in the District's customer base. Other revenues increased due to some insurance refunds, and emergency management funds.

Program expenses which include water service expenses increased by \$172,437 due to an increase in water purchases and LNVA commitment. Interest expenses decreased by \$12,930 due to the retirement of outstanding debt in the current year.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT'S  
CHANGE IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2023	2022	Dollar Change	Percent Change
Revenues				
Program revenues				
Charges for services	\$ 5,899,346	\$ 5,422,111	\$ 477,235	9%
General revenues				
Investment income	156,057	23,073	132,984	576%
Other	185,519	-	185,519	100%
Total Revenues	<u>6,240,922</u>	<u>5,445,184</u>	<u>795,738</u>	<u>15%</u>
Expenses				
Program expenses				
Water services	4,372,548	4,200,111	172,437	4%
General expenses				
Interest on long-term debt	181,601	194,531	(12,930)	-7%
Depreciation and amortization	551,448	586,335	(34,887)	-6%
Total Expenses	<u>5,105,597</u>	<u>4,980,977</u>	<u>124,620</u>	<u>3%</u>
Increase (Decrease) in Net Position	1,135,325	464,207	671,118	145%
Net Position - Beginning of Year	<u>13,346,616</u>	<u>12,882,409</u>	<u>464,207</u>	<u>4%</u>
Net Position - End of Year	<u>\$ 14,481,941</u>	<u>\$ 13,346,616</u>	<u>\$ 1,135,325</u>	<u>9%</u>



**Budgetary Highlights**

The District adopts an operating budget each year outlining an operating plan for the year. The budget plan for fiscal year 2023 was to balance the budget and provide capital for repairs and improvements to the District’s infrastructure, e.g. water lines and tanks. The final budget was completed and approved with a forecasted increase in net position of \$793,453 before depreciation expense. The following comments and schedule provide an explanation of budget variances for the year.

Actual operating revenues were higher than budget by \$793,453. The District’s customer base experienced growth consistent with 2022. Actual operating expenses were lower than budget by \$194,090 because of over-budgeted expenses for the water operations expenses, more specifically, recurring and repair expense.

The District’s increase in net position of \$1,135,325 was more than the final forecasted increase of \$793,453 by \$341,872.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
CONDENSED BUDGET TO ACTUAL COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<u>OPERATING REVENUES</u>				
Water Operations	\$ 5,506,600	\$ 5,506,600	\$ 6,084,865	\$ 578,265
TOTAL OPERATING REVENUES	<u>5,506,600</u>	<u>5,506,600</u>	<u>6,084,865</u>	<u>578,265</u>
<u>OPERATING EXPENSES</u>				
Water Operations	4,566,638	4,566,638	4,372,548	(194,090)
TOTAL OPERATING EXPENSES	<u>4,566,638</u>	<u>4,566,638</u>	<u>4,372,548</u>	<u>(194,090)</u>
<u>OPERATING INCOME</u>	<u>939,962</u>	<u>939,962</u>	<u>1,712,317</u>	<u>772,355</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Gain on sale of assets				
Interest on investments	40,000	40,000	156,057	116,057
Interest expense	(186,509)	(186,509)	(181,601)	4,908
Depreciation	-	-	(551,448)	(551,448)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(146,509)</u>	<u>(146,509)</u>	<u>(576,992)</u>	<u>(430,483)</u>
CHANGE IN NET POSITION - BUDGET BASIS	<u>\$ 793,453</u>	<u>\$ 793,453</u>	<u>1,135,325</u>	<u>\$ 341,872</u>

**Capital Asset and Debt Administration**

**Capital assets.** The Bolivar Peninsula Special Utility District’s investment in capital assets as of December 31, 2023, amounts to \$14,069,408 net of accumulated depreciation. This investment in capital assets includes land, buildings, and water improvements other than buildings, and machinery and equipment. The following schedule reflects changes in capital assets for the year ended December 31, 2023.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT'S CAPITAL ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Land and easements	\$ 1,756,072	\$ 1,756,072	\$ -
Construction in progress	972,995	-	972,995
Intangible assets	38,596	38,596	
Depreciable assets	<u>20,743,670</u>	<u>20,664,743</u>	<u>78,927</u>
Total Capital Assets	23,511,333	22,459,411	1,051,922
Less accumulated depreciation and amortiation	<u>9,441,925</u>	<u>8,889,428</u>	<u>552,497</u>
Capital Assets net of accumulated depreciation and amortization	<u>\$ 14,069,408</u>	<u>\$ 13,569,983</u>	<u>\$ 499,425</u>

The increase in capital assets net of accumulated depreciation and amortization is due to current year capital improvements and construction in progress incurred during 2023. Additional information on the District’s capital assets can be found in Note 5.

**Long-term debt.** The District has sufficient reserves established for debt service requirements. The District’s projected growth in customers and minimally increased rates are forecasted to support the District’s annual debt service requirements.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT'S  
LONG-TERM DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Series 2009A Bond	\$ 650,000	\$ -	\$ 125,000	\$ 525,000
Series 2009B Bond	3,900,000	-	160,000	3,740,000
Series 2009C Bond	<u>1,370,000</u>	<u>-</u>	<u>140,000</u>	<u>1,230,000</u>
Total	<u>5,920,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ 5,495,000</u>

The District has long-term debt in the amount of \$5,495,000 as of year-end which is a decrease of \$425,000 from the prior year. This debt represents the District’s obligation to the Texas Water Development Board (TWDB) for Water System Revenue Refunding Bonds Series 2009A, 2009B, and 2009C.

**Long-term debt, continued**

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

The District entered into a water supply contract agreement with the Lower Neches Valley Authority (LNVA) in 2000. As part of the agreement, LNVA built the infrastructure and transmission lines needed to transmit water to the District, and LNVA funded the project by entering into a loan agreement with TWDB. The District agreed to reimburse LNVA for the actual cost of the associated debt service. These bonds are not carried on the accounting records of the District, but are made obligations of the District by the Water Supply Contract. Additional information on the District’s commitments including amortization on the remaining commitment can be found in Note 10.

	Beginning Balance	Additions	Deletions	Ending Balance
LNVA Commitment	\$ 14,130,000	\$ -	\$ 700,000	\$ 13,430,000
Total	<u>\$ 14,130,000</u>	<u>\$ -</u>	<u>\$ 700,000</u>	<u>\$ 13,430,000</u>

**Economic Factors and Next Year’s Budgets and Rates**

On average since 2011, the District’s revenue has increased annually approximately \$160,000. The District expects its customer base to experience continued growth; however, the rate of growth may decline. The District’s growth can be affected by many external factors such as restoration of the Bolivar Peninsula, fear of natural disaster, and the overall economy of the region.

Operations for the 2023 year generated approximately 123% of the revenue reported for the year 2007, the year before Hurricane Ike devastated Bolivar Peninsula. The District’s customer base of 6,409 is approximately 110% of the customer base at the end of year 2007.

The District’s debt service requirement increased in 2023 and will continue to increase annually until individual bond series mature. To meet these increasing requirements and provide funding for future capital improvements, the District increased water rates in 2015.

**Estimated Monthly Water Charges for 5/8" Residential Meter**

(TCEQ Regulatory Fee Not Included)

<u>Gallons Used</u>	<u>Effective Rate</u>
2,000	\$ 60.00 *
5,000	70.50
10,000	89.00
20,000	129.00
30,000	171.50
40,000	214.00
50,000	256.50

\* Minimum monthly charge

The District is confident in its financial stability. The stable outlook reflects the Board of Director's historical commitment to maintaining sound reserves and adequate planning, which provides stability during times of economic uncertainty or downturn due to natural disasters. This stability will allow the District to continue to provide services for the continued growth of the Bolivar Peninsula.

**Requests for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the General Manager at P.O. Box 1398, Crystal Beach, Texas 77650.

## **BASIC FINANCIAL STATEMENTS**

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITON  
DECEMBER 31, 2023**

<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,737,018
Accounts receivable	
Trade receivables	420,683
Inventory	223,567
Prepays	104,909
Restricted Investments:	
Operations Reserve	2,283,319
Debt Service	1,390,384
Customer deposits	1,033,095
Capital assets:	
Land and Easements	1,756,072
Other capital assets, net of accumulated depreciation	12,313,336
TOTAL ASSETS	<u>21,262,383</u>
<u>LIABILITIES</u>	
Accounts payable	110,449
Accrued liabilities	29,392
Interest payable	67,487
Customer overpayments	41,785
Customer deposits	1,033,095
Debt payable - current	506,049
Debt payable - noncurrent	4,992,185
TOTAL LIABILITIES	<u>6,780,442</u>
<u>NET POSITION</u>	
Net investment in capital assets	8,571,174
Restricted for:	
Operations reserve	2,283,319
Debt service	1,390,384
Unrestricted	2,237,064
TOTAL NET POSITION	<u>\$ 14,481,941</u>

The notes to the financial statements are an integral part of this statement

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>REVENUES/CHARGES FOR PROGRAM SERVICES</u>	
Service fees	\$ 5,899,346
Other revenues	185,519
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TOTAL REVENUES/CHARGES FOR PROGRAM SERVICES	6,084,865
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<u>DIRECT EXPENSES</u>	
Personnel	952,455
Professional services	56,638
Purchased and contract services	40,278
Consumables supplies and materials	1,822,564
Recurring expenses and repairs	1,499,565
Depreciation and amortization	552,496
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TOTAL DIRECT EXPENSES	4,923,996
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OPERATING INCOME/EXCESS (DEFICIENCY) OF CHARGES FOR PROGRAM SERVICES OVER DIRECT EXPENSES	1,160,869
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<u>OTHER FINANCING SOURCES (USES) / GENERAL REVENUES AND INDIRECT EXPENSES</u>	
Interest revenue	156,057
Interest expense	(181,601)
TOTAL OTHER FINANCING SOURCES (USES)/GENERAL REVENUES AND INDIRECT EXPENSES	(25,544)
	<hr/>
CHANGE IN NET POSITION	1,135,325
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NET POSITION - DECEMBER 31, 2022	13,346,616
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NET POSITION - DECEMBER 31, 2023	\$ 14,481,941
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The notes to the financial statements are an integral part of this statement

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>	
Customer receipts	\$ 5,896,715
Payments to employees	(960,251)
Payments to suppliers	(3,444,559)
Other receipts (payments)	185,519
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>1,677,424</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED</u>	
<u>FINANCING ACTIVITIES</u>	
Principal paid on capital debt	(425,000)
Interest paid on capital debt	(186,509)
Disposition of capital assets	-
Purchase of capital assets	(1,051,922)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,663,431)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest income	156,057
Investments in CDs	(1,145,679)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(989,622)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(975,629)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>2,712,647</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,737,018</u>
Supplemental Disclosure:	
Interest paid during year	\$ (181,601)
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
OPERATING INCOME:	\$ 1,160,869
ADJUSTMENTS:	
Settlement Proceeds	
Depreciation expense	552,496
(Increase) Decrease in:	
Accounts receivable	(44,584)
Prepaid expenses	(5,116)
Due from other govt.	-
Inventory	(92,159)
Increase (Decrease) in:	
Accounts payable	72,809
Accrued liabilities	(7,796)
Other Liabilities	-
Due to other govts.	-
Customer deposits	46,150
Customer overpayments	(4,197)
TOTAL ADJUSTMENTS	<u>517,603</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>\$ 1,678,472</u>

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



**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The combined financial statements of the Bolivar Peninsula Special Utility District (the “District”) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

The Bolivar Peninsula Special Utility District (District) was organized on September 5, 2000 under Article XVI, Section 59 of the Texas Constitution and Texas Water Code Chapter 65. The predecessor entity, The Bolivar Peninsula Water Supply Corporation converted and transferred all assets, liabilities and operations to the District as of end of business December 31, 2000 under provisions of Texas Water Code Chapters 13, 49, 65 and Title 30 TAC Section 293.11. Operations commenced on January 1, 2001.

The District provides water supply for general farm use, business and domestic purposes to its customers residing in the communities of Port Bolivar, Crystal Beach, Gilchrist and High Island located on the Bolivar Peninsula in Galveston County, Texas.

The accounting policies of the District conform to generally accepted accounting policies as applicable to governmental entities. The following is a summary of these significant policies.

The District has adopted Governmental Accounting Standards Board Statement No. 14, “The Financial Reporting Entity.” In accordance with this statement, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

B. Fund Financial Statements

The fund financial statements (i.e., the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows) report information on all of the nonfiduciary activities of the government.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Fund Financial Statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Investment earnings and other items not properly included among program revenue are reported instead as *general revenue*.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The District has the following major proprietary fund:

Enterprise Funds – Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises when the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed through user charges. The predominant functions of the District’s operations are maintained in the Water Fund. The Water Fund is accounted for as an enterprise activity.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes earnings on investments.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the Water Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses. The District does not have a formal written policy for recognizing revenue and expenses as operating or non-operating transactions.

D. Cash and Cash Equivalents

Cash and equivalents consist primarily of short term highly liquid cash investments including petty cash, checking accounts and savings accounts that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of change in value because of changes in interest rates. Cash and equivalents do not include short term investments, such as money market funds, short term government bonds or other investments.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

E. Investments

The District's investment policy authorizes suitable investments for the District. These include direct obligations of the United States or its agencies that are non-callable with a maximum stated maturity of 5 years, certificates of deposit issued by an approved depository bank which have a stated maturity of less than 5 years and are either insured by the FDIC or a collateral agreement, and certain approved investment pools.

Investments are reported at fair value which is determined by using selected bases. Short term investments and cash (those with maturity of less than 3 months) are reported at cost. Longer term investments, such as government and agency obligations are reported at the trading price, which approximates fair market value.

It is the District's policy that deposits and investments in excess of FDIC insurance or those investments not directly held in the U.S. Government Securities be secured by collateral that is at least 105% of the aggregate market value of the deposit or investment, including any accrued interest, less the amount insured by the Federal Deposit Insurance Corporation.

F. Budget

The District is required by state law to adopt an annual budget. The budget is to be approved by the Board of Directors and may be amended or modified as needed during the year. Budgetary accounting is followed as a means of controlling spending by the Board of Directors and management.

G. Inventories

Inventories consist of materials and supplies used by the District that are recorded at cost (or market when cost is not obtainable and market approximates cost). The District uses the periodic method of maintaining inventory. The District performs periodic physical inventory counts at which time, the District will recognize obsolete or worthless inventory.

H. Capital Assets

Capital assets, which include property, plant equipment and infrastructure assets, are reported in the fund financial statements. Capital assets are defined by the primary government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Vehicles	3 – 5 years
Furniture, fixtures and office equipment	5 – 10 years
Machinery and equipment	7 – 10 years
Buildings and improvements	10 – 25 years
Water system	10 – 40 years

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

I. GASB 87 Leases

In the fiscal year 2022, GASB 87 pronouncements were implemented by the District. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with capital assets, in the government-wide financial statements. The District recognizes these lease assets and liabilities with an initial, individual value of \$5,000 or more.

J. Net Position

The District maintains three classifications of net position: Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. Restricted Net Position is further classified by the purposes for which the restriction exists (i.e. Operations reserve and Debt Service). When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's informal policy is to first apply restricted resources.

K. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of management's estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net position during the reported period. Actual results could differ from these estimates.

L. Subsequent Events

Bolivar Peninsula Special Utility District has evaluated subsequent events through April 1, 2024, the date on which the financial statements were available for issue.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

Deposits

Deposits are carried at cost, which approximates fair value. The District's cash deposits at December 31, 2023 are as follows:

- (A) Cash – Moody Bank: At December 31, 2023, the carrying amount of deposits was \$2,209,728 and the bank balances were \$2,404,392.
- (B) Cash – Texas First Bank: At December 31, 2023, the carrying amount of deposits was \$245,107 and the bank balances were \$245,107.
- (C) Cash – TexSTAR: At December 31, 2023, the carrying amount of deposits was \$3,583,082 and the bank balance was \$3,583,082.
- (D) Cash – Sunbelt Securities: At December 31, 2023, the carrying amount of deposits was \$441,000 and the bank balance was \$441,000.

The District maintains a petty cash balance of \$900.

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Investments

Authorized investments include those eligible securities outlined in Chapter 2256 of the Texas Government Code. Based on the market conditions and timing, the Investment Committee may restrict or prohibit the purchase of specific securities. Investments currently include certificates of deposits with maturities exceeding three months. Since the District has no certificates of deposit with maturities exceeding 12 months, the District reports its investments at cost.

(E) Investments – Moody Bank: At December 31, 2023, the carrying amount of investments and investment balances per the bank were \$897,241.

(F) Investments – TexStar: At December 31, 2023, the carrying amount of investments and investment balances per the bank were \$2,881,646.

The District’s deposits and investments that are represented by specific identifiable investment securities are classified as to credit risk by three categories described below. These three levels of risk are:

- Category 1 Insured or registered, or securities held by the District or by its agent in the District’s name.
- Category 2 Uninsured and unregistered, with securities held by the counterpart’s trust department or agent in the District’s name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the District’s name, including the portion carrying amount of any repurchase agreement that exceeds the market value of the underlying securities..

Based on these three levels of risk, all of the District’s cash deposits as of December 31, 2023, are classified as category 1.

As of December 31, 2023, the District’s cash deposits and investments are secured as follows:

Financial Institution	Cash Deposits & Investments				
	Carrying Value	Bank Balance	FDIC Insurance	*Pledged Securities	Unsecured Balances
Moody Bank	\$ 2,209,728	\$ 2,209,728	\$ 250,000	\$ 7,457,740	\$ (5,498,012)
Texas First Bank	245,107	245,107	250,000	-	\$ (4,893)
Total with Pledged Securities	\$ 2,454,835	\$ 2,454,835	\$ 500,000	\$ 7,457,740	\$ (5,502,905)
Sunbelt Securities	\$ 441,000	\$ 441,000	N/A	N/A	
TexSTAR	\$ 2,782,646	\$ 2,782,646	N/A	N/A	\$ -
Total Deposits & Investments	\$ 5,678,481	\$ 5,678,481	\$ 500,000	\$ 7,457,740	\$ (5,502,905)

\* Pledged securities are securities measured at fair value held by the financial institution in the name of the District to secure the District's deposits in excess of FDIC.

**NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)**

Of the two Banks used by the District, Moody exceed the threshold of the \$250,000 FDIC Insurance. The total of the District's time and savings deposits as well as demand deposits held with Moody Bank equal \$2,209,728 as of December 31, 2023. The total of the District's time and savings deposits are insured by FDIC up to \$250,000. Therefore, \$1,959,728 of the District's funds are held by the bank uninsured by FDIC. Because of the outstanding depository agreement with Moody Bank, the bank holds securities in the name of the District as collateral for the \$1,959,728 uninsured deposits, in the amount of \$7,457,740, producing an excess collateral of \$5,498,012. The total of the District's time and savings deposits as well as demand deposits held with Texas First Bank equal \$245,107 as of December 31, 2023, and are fully collateralized by the \$250,000 FDIC.

The deposits with TexSTAR are \$2,782,646. TexSTAR is administered by Hilltop Securities and JP Morgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The District has two CDs at Sunbelt Securities that hold \$441,000.

**NOTE 3 - ACCOUNTS RECEIVABLE**

Accounts receivable consist of the accounts due from customers for water and other provided services. The District bills all customers monthly, for services provided. Funds paid for, in advance of billing, by customers are shown as customer overpayments on the statements of net position.

**NOTE 4 - RESTRICTED ASSETS**

Certain proceeds of revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond covenants. The Texas Water Development Board amended Resolution No, 09-75 on December 7, 2017, so that the District may use the reserve fund balances for capital projects that are included in the District's Board-approved Capital Improvement Plan.

**NOTE 5 - CAPITAL ASSETS**

Depreciation and amortization expense of \$552,496 was charged to functions/programs of the Water Fund (business-type activities). A summary of changes in the District's capital assets for the year 2023 follows:

BOLIVAR PENINSULA SPECIAL UTILITY DSTRIC  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2023

**NOTE 5 – CAPITAL ASSETS (CONTINUED)**

	Balance December 31,2022	Additions	Transfers/ Deletions	Balance December 31,2023
<b><u>Business Type Activities</u></b>				
Capital assets, not being depreciated:				
Land and easements	\$ 1,756,072	\$ -	\$ -	\$ 1,756,072
Construction in progress	-	972,995	-	972,995
Total Capital Assets, not being depreciated:	<u>1,756,072</u>	<u>972,995</u>	<u>-</u>	<u>2,729,067</u>
Capital assets, being depreciated:				
Buildings	953,766	-	-	953,766
Improvements other than buildings	18,648,483	-	-	18,648,483
Machinery and equipment	533,594	8,830	-	542,424
Vehicles	523,568	70,097	-	593,665
Right of use asset	5,332	-	-	5,332
Intangible costs	38,596	-	-	38,596
Total Capital Assets, being	<u>20,703,339</u>	<u>78,927</u>	<u>-</u>	<u>20,782,266</u>
Less accumulated depreciation:				
Buildings	298,284	27,691	-	325,975
Improvements other than buildings	7,740,796	457,372	-	8,198,168
Machinery and equipment	452,077	21,364	-	473,441
Vehicles	358,627	45,020	-	403,647
Right of use asset	1,049	1,049	-	2,098
Intangible costs	38,596	-	-	38,596
Total Accumulated Depreciation	<u>8,889,429</u>	<u>552,496</u>	<u>-</u>	<u>9,441,925</u>
Total Capital Assets, being depreciated, net	<u>11,813,910</u>	<u>(473,569)</u>	<u>-</u>	<u>11,340,341</u>
Capital Assets, net	<u>\$ 13,569,982</u>	<u>\$ 499,426</u>	<u>\$ -</u>	<u>\$ 14,069,408</u>

**NOTE 6 – GASB 87 LEASES**

The District has entered in to a lease agreement as a lessee. The lease allows the District the right to use copy machines over the term of the lease. The District is required to make monthly payments with no interest. The lease term is 61 months. The balance at December 31, 2023 is \$3,234.

**NOTE 7 – CHANGES IN LONG-TERM DEBT**

The District issues revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds currently authorized are as follows:

\$1,200,000 Bolivar Peninsula Special Utility District Water System Revenue Refunding Bonds, Series 2009A, due in annual installments from \$5,000 to \$140,000 through February of 2027, interest rates ranging from 2.10% to 3.40%. Funded from water system fees. These proceeds were used to refund the Series 2005A Revenue Bonds in February 2010.

\$5,070,000 Bolivar Peninsula Special Utility District Water System Revenue Refunding Bonds, Series 2009B, due in annual installments from \$5,000 to \$455,000 through February 2038, interest rates ranging from 2.55% to 3.45%. Funded from water system fees. These proceeds were used to refund the Series 2007 Revenue Bonds in February 2010.

\$2,360,000 Bolivar Peninsula Special Utility District Water System Revenue Refunding Bonds, Series 2009C, due in annual installments from \$5,000 to \$275,000 through February 2028, interest

**NOTE 7 – CHANGES IN LONG-TERM DEBT (CONTINUED)**

rates ranging from 2.55% to 3.20%. Funded from water system fees. These proceeds were used to refund the Series 2007A Revenue Bonds in February 2010.

The annual requirements to amortize outstanding bonds as of December 31, 2023 are as follows:

Year Ending December 31,	Debt		Right-To-Use Lease		Total
	Principal	Interest	Principal	Interest	
2024	505,000	172,031	1,049		678,080
2025	555,000	155,486	1,050		711,536
2026	555,000	137,946	1,135		694,081
2027	565,000	120,034			685,034
2028	465,000	103,520			568,520
2026 & thereafter	2,850,000	573,336			3,423,336
	<u>\$ 5,495,000</u>	<u>\$ 1,262,353</u>	<u>\$ 3,234</u>		<u>\$ 6,760,587</u>

Long-term liability activity for the year ended December 31, 2023 was as follows:

<u>Long-Term Debt</u>	Beginning			Ending	Due Within
	Balance	Additions	Deductions	Balance	One Year
Series 2009A Bond	650,000	-	125,000	525,000	125,000
Series 2009B Bond	3,900,000	-	160,000	3,740,000	165,000
Series 2009C Bond	1,370,000	-	140,000	1,230,000	215,000
Right-to-use Lease Assets	4,283	-	1,049	3,234	1,049
	<u>\$ 5,924,283</u>	<u>\$ -</u>	<u>\$ 426,049</u>	<u>\$ 5,498,234</u>	<u>\$ 506,049</u>

In addition to maintaining the Debt Service Fund as well as the Debt Reserve Fund, the District was required (prior to closing on the Series 2009 bonds) to establish an Operations Reserve Fund for extraordinary expenditures. The Funds are to be structured to accumulate a six-month reserve of the District’s average budgeted operating expenses for the fiscal year and is to be used for extraordinary operations, repairs and capital expenditures. The Fund must be fully funded within twenty-four months from the issuance of TWDB Resolution 09-75 (June 2009). In January 2010, the District initially funded the Operations Reserve Fund by transferring \$150,000 from the general operating account. In February 2010, the District deposited (with TWDB approval) the unspent bond proceeds of \$245,000 from the Series 2005 and 2007 bonds. As of December 31, 2022, the reserve is fully funded. The Texas Water Development Board on December 7, 2017, amended Resolution 09-75 to read that the fully funded bond reserve fund may be used to call the Series 2009-2009C Water System Revenue Refunding Bonds, the District’s contractual obligations to the Lower Neches Valley Authority’s outstanding Water Supply Contract Revenue Taxable Bonds Series 2000. The Mandatory Debt Redemption Fund may also be used for capital projects that are included in the District’s Board-approved Capital Improvement Plan.



**NOTE 7 – NET POSITION**

The District’s net position as of December 31, 2023 consists of the following:

	<u>2023</u>	<u>2022</u>
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	\$ 8,574,408	\$ 7,649,983
Restricted for:		
Operations reserve	2,283,319	1,142,062
Debt service	1,390,384	1,066,641
Unrestricted	<u>2,233,830</u>	<u>3,487,930</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 14,481,941</u></b>	<b><u>\$ 13,346,616</u></b>

**NOTE 8 – PROPERTY TAXES**

Pursuant to the provisions of Chapter 65 of the Texas Water Code, the District is prohibited from assessing or collecting property taxes.

**NOTE 9 – RETIREMENT PLANS**

The District has adopted a 401(a) tax sheltered annuity plan. This 401(a) plan covers all eligible employees who have met certain service requirements. Participating employees may elect to contribute up to 20% of their compensation to a maximum contribution of \$18,000 (or \$21,000 if age 50 and older). The District matches each employee’s contribution up to 5% of the employee’s salary. District contributions related to the plan totaled \$34,166 for the current period. The District does not participate in the public retirement system. All employees are covered by Social Security.

**NOTE 10 – COMMITMENTS**

The District entered into a Water Supply Contract agreement with the Lower Neches Valley Authority (LNVA). As part of the agreement, the District committed to purchase surface water from LNVA, through the year 2035, at a variable market rate to be determined later. LNVA built the infrastructure and transmission lines needed to transmit this water at a net estimated cost of \$20,520,000. LNVA entered into a loan agreement for the required funds. The District agreed to reimburse LNVA for the actual cost of the associated debt service by making payments over a 30 year period with a 0% interest rate and an estimated annual payment of \$690,000.

Although the LNVA transferred the transmission line from High Island to Singing Sands and other portions of the infrastructure to the District in February 2007, the District continues to be obligated for the full reimbursement. This project was completed in the Spring of 2005 with the initial payments for infrastructure fees commencing in August 2005.

The LNVA restructured the related debt after Hurricane Ike. Under the new agreement, District payments will increase from \$400,000 up to \$1,400,000 annually from 2015 to 2035. The District does not carry this debt on its books and records; however, the District is solely obligated to the debt.

**NOTE 10 – COMMITMENTS, (CONTINUED)**

<u>Year Ending December 31,</u>	<u>LNVA Commitment</u>
2024	725,000
2025	725,000
2026	780,000
2027	800,000
2028	1,000,000
2027 & thereafter	9,400,000
	<u>13,430,000</u>

**NOTE 11 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets errors and omissions; injuries to employees; and natural disasters. Most of these risks are protected by insurance. There were no significant reductions in coverage in the past fiscal year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**BUDGET AND ACTUAL - PROPRIETARY FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)
<u>OPERATING REVENUES</u>				
Service fees	\$ 5,441,000	\$ 5,441,000	\$ 5,899,346	\$ 458,346
Other revenues	65,600	65,600	185,519	119,919
<b>TOTAL OPERATING REVENUES</b>	<u>5,506,600</u>	<u>5,506,600</u>	<u>6,084,865</u>	<u>578,265</u>
<u>OPERATING EXPENSES</u>				
Personnel	946,135	946,135	952,455	(6,320)
Professional services	37,000	37,000	56,638	(19,638)
Purchased and contract services	65,500	65,500	40,278	25,222
Consumable supplies and materials	1,773,000	1,773,000	1,822,564	(49,564)
Recurring expenses and repairs	1,745,003	1,745,003	1,499,565	245,438
<b>TOTAL OPERATING EXPENSES</b>	<u>4,566,638</u>	<u>4,566,638</u>	<u>4,371,500</u>	<u>195,138</u>
<u>OPERATING INCOME - BUDGET BASIS</u>	<u>939,962</u>	<u>939,962</u>	<u>1,713,365</u>	<u>773,403</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>				
Interest on investments	40,000	40,000	156,057	116,057
FEMA Adjustment	-	-	-	-
Interest expense	(186,509)	(186,509)	(181,601)	4,908
Depreciation	-	-	(552,496)	(552,496)
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>(146,509)</u>	<u>(146,509)</u>	<u>(578,040)</u>	<u>(431,531)</u>
<b>CHANGE IN NET POSITION - BUDGET BASIS</b>	<u>\$ 793,453</u>	<u>\$ 793,453</u>	1,135,325	<u>\$ 341,872</u>
<b>CHANGE IN NET POSITION - GAAP BASIS</b>			1,135,325	
<b>NET POSITION - DECEMBER 31, 2022</b>			<u>13,346,616</u>	
<b>NET POSITION - DECEMBER 31, 2023</b>			<u>\$ 14,481,941</u>	

The notes to the financial statements are an integral part of this statement

## **TEXAS SUPPLEMENTARY INFORMATION**

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. **Services Provided by the District:**

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

2. **Retail Rates Based on 5/8" Meter**  Retail Rates Not Applicable

Most prevalent type of meter (if not a 5/8"): 3/4"

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
				\$ 3.50	2,001 to 6,000
				3.75	6,001 to 10,000
				4.00	10,001 to 20,000
				4.25	20,001 to 50,000
WATER:	\$ <u>60.00</u>	<u>2,000</u>		<u>4.50</u>	<u>Above 50,001</u>

WASTEWATER: \$ N/A

SURCHARGE: \$ N/A

District employs winter averaging for wastewater usage? Yes  No

Total water charges per 10,000 gallons usage (including surcharges) \$89.45

3. **Retail Service Providers:** Number of retail water and/or wastewater\* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted:

	<u>Active Connections</u>	<u>Active ESFC</u>	<u>Inactive Connections (ESFC)**</u>
Single Family	<u>6,126</u>	<u>-</u>	<u>-</u>
Multi-Family	<u>-</u>	<u>-</u>	<u>-</u>
Commercial	<u>254</u>	<u>-</u>	<u>-</u>
Other - recreational centers, government and VFD	<u>35</u>	<u>-</u>	<u>-</u>
<b>TOTAL</b>	<u><u>6,415</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
 SERVICES AND RATES (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2023

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3. **Retail Service Providers:** Number of retail water and/or wastewater\* connections within the District as of the fiscal year end. Provide actual numbers and single family equivalents (ESFC) as noted (Continued):

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

\*\* "Inactive" means that water and wastewater connections were made, but service is not being provided.

4. **Total water consumption during the fiscal year (in thousands):**

Gallons pumped into system: 422,553

Gallons billed to customer: 313,488

5. **Standby Fees:** Does the District assess standby fees? Yes \_\_\_\_\_ No X

For the most recent full fiscal year, FYE \_\_\_\_\_

Debt Service:	Total levy	\$ _____
	Total collected	\$ _____
	Percentage collected	_____ %
Operation and Maintenance:	Total levy	\$ _____
	Total collected	\$ _____
	Percentage Collected	_____ %

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? Yes \_\_\_\_\_ No X

6. **Anticipated sources of funds to be used for debt service payments in the District's following fiscal year:**

	<u>Amount</u>
a. Debt Service Tax Receipts	\$ _____ -
b. Surplus Construction Funds	\$ _____ -
c. Water and/or Wastewater Revenue	\$ <u>677,075</u>
d. Standby Fees	\$ _____ -

(Continued)

BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
 SERVICES AND RATES (CONTINUED)  
 FOR THE YEAR ENDED DECEMBER 31, 2023

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6. **Anticipated sources of funds to be used for debt service payments in the district's following fiscal year (Continued):**

	<u>Amount</u>
e. Debt Service Fund Balance To Be Used	\$ <u>          -</u>
f. Interest Revenues	\$ <u>          -</u>
g. Other (Describe)	\$ <u>          -</u>
_____	<u>          -</u>
_____	<u>          -</u>
<b>TOTAL ANTICIPATED FUNDS TO BE USED</b>	<b>\$ <u>  677,075</u></b>

7. **Location of District:**

County(ies) in which district is located.           Galveston          

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

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

City(ies) in which district is located.                      

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

Entirely            Partly   X   Not at all           

ETJ's in which district is located.           Galveston                     Texas City          

Is the general membership of the Board appointed by an office outside the district?

Yes            No   X  

If Yes, by whom?



**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
DECEMBER 31, 2023**

Annual Requirments for Bond Series 2009A  
Issued \$1,200,000\*

Fiscal Years Ending December 31	February 15, Interest	February 15, Principal	August 15, Interest	Total Principal and Interest
2024	8,638	125,000	6,638	140,276
2025	6,638	130,000	4,525	141,163
2026	4,525	130,000	2,380	136,905
2027	2,380	140,000	-	142,380
	<u>\$ 22,181</u>	<u>\$ 525,000</u>	<u>\$ 13,543</u>	<u>\$ 560,724</u>

\* District received commitments from the Texas Water Development Board through the Texas Water Development Board Drinking Water State Revolving Fund through Resolution No. 03-82 in the amount of \$6,080,000 and Resolution No. 04-91 in the amount of \$3,755,000. Series 2005A bonds represented \$1,300,000 of the financing commitment provided through TWDB Resolution No. 04-91. On February 5, 2010, the existing bonds were retired by the issuance of the \$1,200,000 Water System Revenue Refunding Bonds, Series 2009A.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
DECEMBER 31, 2023**

Annual Requirements for Bond Series 2009B  
Issued \$5,070,000\*

Fiscal Years Ending December 31	February 15, Interest	February 15, Principal	August 15, Interest	Total Principal and Interest
2024	62,021	165,000	59,464	286,485
2025	59,464	170,000	56,829	286,293
2026	56,829	180,000	53,994	290,823
2027	53,994	185,000	51,080	290,074
2028	51,080	190,000	48,040	289,120
2029	48,040	195,000	44,871	287,911
2030	44,871	200,000	41,571	286,442
2031	41,571	210,000	38,054	289,625
2032	38,054	215,000	34,453	287,507
2033	34,453	225,000	30,684	290,137
2034	30,684	230,000	26,831	287,515
2035	26,831	240,000	22,811	289,642
2036	22,811	435,000	15,525	473,336
2037	15,525	445,000	7,849	468,374
2038	7,849	455,000	-	462,849
	<u>\$ 594,077</u>	<u>\$ 3,740,000</u>	<u>\$ 532,056</u>	<u>\$ 4,866,133</u>

\* District received commitments from the Texas Water Development Board through the Texas Water Development Board Drinking Water State Revolving Fund through Resolution No. 03-82 in the amount of \$6,080,000 and Resolution No. 04-91 in the amount of \$3,755,000. Series 2007 bonds represented \$5,180,000 of the financing commitment provided through TWDB Resolution No. 03-82. On February 5, 2010, the existing bonds were retired by the issuance of the \$5,070,000 Water System Revenue Refunding Bonds, Series 2009B.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
DECEMBER 31, 2023**

Annual Requirements for Bond Series 2009C  
Issued \$2,360,000\*

Fiscal Years Ending December 31	February 15, Interest	February 15, Principal	August 15, Interest	Total Principal and Interest
2024	19,324	215,000	15,991	250,315
2025	15,991	255,000	12,039	283,030
2026	12,039	245,000	8,180	265,219
2027	8,180	240,000	4,400	252,580
2028	4,400	275,000	-	279,400
	<u>\$ 59,934</u>	<u>\$ 1,230,000</u>	<u>\$ 40,610</u>	<u>\$ 1,330,544</u>

\* District received commitments from the Texas Water Development Board through the Texas Water Development Board Drinking Water State Revolving Fund through Resolution No. 03-82 in the amount of \$6,080,000 and Resolution No. 04-91 in the amount of \$3,755,000. Series 2007A bonds represented \$2,455,000 of the financing commitment provided through TWDB Resolution No. 04-91. On February 5, 2010, the existing bonds were retired by the issuance of the \$2,360,000 Water System Revenue Refunding Bonds, Series 2009C.

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
DECEMBER 31, 2023**

Total Outstanding Bonds				
Fiscal Years Ending December 31	February 15, Interest	Principal	August 15, Interest	Total Principal and Interest
2024	89,983	505,000	82,094	677,077
2025	82,093	555,000	73,393	710,486
2026	73,393	555,000	64,554	692,947
2027	64,554	565,000	55,480	685,034
2028	55,480	465,000	48,040	568,520
2029	48,040	195,000	44,871	287,911
2030	44,871	200,000	41,571	286,442
2031	41,571	210,000	38,054	289,625
2032	38,054	215,000	34,453	287,507
2033	34,453	225,000	30,684	290,137
2034	30,684	230,000	26,832	287,516
2035	26,832	240,000	22,811	289,643
2036	22,811	435,000	15,525	473,336
2037	15,522	445,000	7,849	468,371
2038	7,849	455,000	-	462,849
	<u>\$ 676,190</u>	<u>\$ 5,495,000</u>	<u>\$ 586,211</u>	<u>\$ 6,757,401</u>

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM DEBT  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	2009A Bond Issue	2009B Bond Issue	2009C Bond Issue	Total
Interest rates	2.10% - 3.40%	2.55% - 3.45%	2.55% - 3.2%	
Dates interest payable	2/15:8/15	2/15:8/15	2/15:8/15	
Maturity dates	2/15/2027	2/15/2038	2/15/2028	
Beginning bonds, outstanding	650,000	3,900,000	1,370,000	5,920,000
Bonds sold during fiscal year	-	-	-	-
Bonds retired during fiscal year	125,000	160,000	140,000	425,000
Ending bonds, outstanding	<u>\$ 525,000</u>	<u>\$ 3,740,000</u>	<u>\$ 1,230,000</u>	<u>\$ 5,495,000</u>
Interest paid during fiscal year	\$ 17,607	\$ 124,848	\$ 39,146	\$ 181,601

Paying agent's name and city

Series 2009A - Wells Fargo Bank Texas, NA, Houston, Texas  
Series 2009B - Wells Fargo Bank Texas, NA, Houston, Texas  
Series 2009C - Wells Fargo Bank Texas, NA, Houston, Texas

Bond Authority:	Tax Bonds	Other Bonds	Refunding Bonds
Amount Authorized by Board	\$ -	\$ -	\$ 9,470,000
Amount Issued	-	-	9,470,000
Remaining to be Issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest and Sinking Fund Cash and Temporary Investment Balance as of December 31, 2023:	\$ 104,877
Reserve Fund Cash and Temporary Investment Balance as of December 31, 2023:	\$ 1,142,062
Average Annual Debt Service Payment for Remaining Term of all Debt:	\$ 450,628

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - PROPRIETARY FUND**  
**FIVE YEARS ENDED DECEMBER 31, 2023**

	AMOUNTS				
	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
<b><u>OPERATING REVENUES</u></b>					
Charges for service	\$ 5,899,346	\$ 5,144,073	\$ 4,611,242	\$ 4,122,731	\$ 4,056,534
Other revenue	185,519	278,038	73,270	76,628	40,020
<b>TOTAL OPERATING REVENUES</b>	<b>6,084,865</b>	<b>5,422,111</b>	<b>4,684,512</b>	<b>4,199,359</b>	<b>4,096,554</b>
<b><u>DIRECT EXPENSES</u></b>					
Personnel	952,455	849,985	934,287	823,701	826,835
Professional fees	56,638	100,041	114,478	18,395	21,567
Purchased and contract services	40,278	46,455	15,185	7,308	8,376
Consumables supplies and materials	1,822,564	1,653,367	1,655,377	1,623,940	1,386,446
Recurring operating expenses	1,499,565	1,550,263	1,194,536	1,042,928	997,623
Depreciation and amortization	552,496	586,335	579,641	571,893	569,844
<b>TOTAL DIRECT EXPENSES</b>	<b>4,923,996</b>	<b>4,786,446</b>	<b>4,493,504</b>	<b>4,088,165</b>	<b>3,810,691</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,160,869</b>	<b>635,665</b>	<b>191,008</b>	<b>111,194</b>	<b>285,863</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>					
Interest income	156,057	23,073	40,089	91,335	39,932
Other income (FEMA Adjustment)	-	-	104,717	-	142,661
Interest expense	(181,601)	(194,531)	(205,395)	(225,879)	(241,871)
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(25,544)</b>	<b>(171,458)</b>	<b>(60,589)</b>	<b>(134,544)</b>	<b>(59,278)</b>
<b>NET INCOME (LOSS)</b>	<b>1,135,325</b>	<b>464,207</b>	<b>130,419</b>	<b>(23,350)</b>	<b>226,585</b>

PERCENT OF TOTAL OPERATING REVENUES

12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
96.95	94.87	98.44	98.18	99.02
3.05	5.13	1.56	1.82	0.98
100.00	100.00	100.00	100.00	100.00
15.65	15.68	19.94	19.61	20.18
0.93	1.85	2.44	0.44	0.53
0.66	0.86	0.32	0.17	0.20
29.95	30.49	35.34	38.67	33.84
24.64	28.59	25.50	24.84	24.35
9.08	10.81	12.37	13.62	13.91
80.92	88.28	95.92	97.35	93.02
19.08	11.72	4.08	2.65	6.98
2.56	0.43	0.86	2.17	0.97
-	-	2.24	-	3.48
			(5.38)	(5.90)
(0.42)	(3.16)	(1.29)	(3.20)	(1.45)
18.66	8.56	2.78	(0.56)	5.53

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
SCHEDULE OF PROPRIETARY FUND OPERATING EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<b>Personnel Expenses</b>	\$ 952,455
<b>Professional Fees:</b>	
Auditing	15,700
Legal	33,613
Engineering	7,325
<b>Purchased Services for Resale:</b>	
Chemicals and supplies	231,715
Bulk water and wastewater service purchases	1,492,104
<b>Contracted Services:</b>	
Other contracted services	40,278
<b>Utilities</b>	102,363
<b>Telephone</b>	37,447
<b>Depreciation and amortization</b>	552,496
<b>Repairs and maintenance</b>	203,582
<b>Administrative Expenditures:</b>	
Office supplies	6,736
Insurance	129,938
Other administrative expenditures	<u>1,118,244</u>
<b>TOTAL EXPENDITURES</b>	<u><u>4,923,996</u></u>



**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
INSURANCE COVERAGE  
FOR THE YEAR ENDED DECEMBER 31, 2023**

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Insurer Name</u>	<u>Policy Clause Co-Insurance</u>
Real and Personal Property	\$ 3,038,215	National Union Fire	None
General Liability	1,000,000 3,000,000	National Union Fire	Occurrence Aggregate
Crime - Fidelity	100,000	National Union Fire	N/A
Automobile Liability	1,000,000	National Union Fire	N/A
Workers Compensation	1,000,000	Deep East Texas	N/A
Director / Officer Liability	1,000,000 3,000,000	National Union Fire	Occurrence Aggregate
Mechanical Breakdown	896,916	National Union Fire	N/A
Miscellaneous Equipment	306,500	National Union Fire	N/A

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
SCHEDULE OF TEMPORARY INVESTMENTS  
DECEMBER 31, 2023**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balances End of Year
<u>Proprietary Fund</u>				
Certificate of Deposit	949764BH6	4.95%	4/24/2024	\$ 220,000
Certificate of Deposit	904198BZ0	5.00%	4/25/2024	220,000
Certificate of Deposit	60000590	4.20%	8/10/2024	897,241
TOTAL CERTIFICATES OF DEPOSIT				<u>\$ 1,337,241</u>

**BOLIVAR PENINSULA SPECIAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
DECEMBER 31, 2023**

Complete District Mailing Address:  
Bolivar Peninsula Special Utility District  
1840 Hwy 87  
Crystal Beach, Texas 77650

District Business Telephone Number:  
(409) 684-3515

Names and Address:	Term of Office	Salary or Fees	Expense Reimbursement	Title	Resident of District
<b>BOARD OF DIRECTORS:</b>					
Bradley Metz P.O. Box 2564 Crystal Beach, TX 77650	11-23 to 11-26	-	-	President	Yes
Mark DeSantis P.O. Box 41 Port Bolivar, TX 77650	11-23 to 11-26	-	-	Vice President	Yes
Mark Ivey P.O. Box 2213 Crystal Beach, TX 77650	11-23 to 11-24	-	-	Treasurer	Yes
Delburn Hutchinson P.O. Box 1006 Crystal Beach, TX 77650	11-21 to 11-24			Director	Yes
Dean Crooks 12525 I-10 East Orange, TX 77630	11-22 to 11-25			Director	Yes
Michael Hoover PO Box 2579 Crystal Beach, TX 77650	11-22 to 11-25	-	-	Director	Yes
Maria Skewis P.O. Box 1711 Crystal Beach, TX 77650	11-21 to 11-24			Director	Yes
Perry Manvel P.O. Box 2140 Crystal Beach, TX 77650	11-21 to 11-24			Director	Yes

Names and Address:	Term of Office	Salary or Fees	Expense Reimbursement	Title	Resident of District
<b>BOARD OF DIRECTORS (CONTINUED):</b>					
Hollis Gassen P.O. Box 2615 Crystal Beach, TX 77650	11-20 to 11-23	-	-	Retired	Yes
Marcus Dickerson 1160 Tallow Cir Sour Lake, TX 77659	11-21 to 11-24	-	-	Retired	Yes
<b>KEY PERSONNEL:</b>					
Sheila Cunningham 11005 Arbor Wood Beaumont, TX 77705		105,728	-	General Manager	Yes
Barbara Cowie P.O. Box 1590 Crystal Beach, TX 77650		105,594	-	Office Manager	Yes
Clifford Howard P.O. Box 1256 Crystal Beach, TX 77650		92,785	-	Systems Manager	Yes
Donald Crawford P.O. Box 491 Stowell, TX 77661		82,192		Field Manager	No
Richie Rodriguez P.O. Box 522 Port Bolivar, TX 77650		61,300		Plant Maanger	Yes

Names and Address:	Term of Office	Salary or Fees	Expense Reimbursement	Title	Resident of District
<b>CONSULTANTS:</b>					
Germer PLLC Guy Goodson, Attorney 550 Fannin, Suite 700 Beaumont, TX 77701		20,678	-	Attorneys	No
J. R. Edwards & Associates 1465 Cornerstone Court, Ste. A Beaumont, TX 77706		15,500	-	Accountants	No
LJA Engineering, Inc. Dept. 803 P.O. Box 4346 Houston, TX 77210-4346		79,424		Engineer	No
Schaumburg & Polk, Inc. 8865 College St., Ste. 100 Beaumont, TX 77707		39,005		Engineer	No

## **COMPLIANCE SECTION**

# J. R. Edwards & Associates, LLC

## Certified Public Accountants

April 1, 2024

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors  
Bolivar Peninsula Special Utility District  
Crystal Beach, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the aggregate remaining fund information of Bolivar Peninsula Special Utility District (the District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 1, 2024.

#### **Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an

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Phone (409) 924-9100 ♦ Fax (409) 924-0990

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

*J.R. EDWARDS & ASSOCIATES, LLC*





