

**NOTICE OF SALE
AND
BIDDING INSTRUCTIONS
ON**

\$7,000,000*
BEEVILLE WATER SUPPLY DISTRICT
(Bee County, Texas)
UNLIMITED TAX BONDS, SERIES 2021

Bids Due Wednesday, January 13, 2021 at 10:00 AM, Central Time

THE BONDS WILL BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

THE SALE

BONDS OFFERED FOR SALE AT COMPETITIVE BIDDING . . . The Beeville Water Supply District (the "District") is offering for sale its \$7,000,000* Unlimited Tax Bonds, Series 2021 (the "Bonds"). Bids may be submitted only by electronic bids.

The District and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of electronic bids.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Notice of Sale, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

ELECTRONIC BIDDING PROCEDURE . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Bidders must submit, by 10:00 AM on the date of the bid opening, SIGNED Official Bid Forms to Victor Quiroga, Jr., Specialized Public Finance Inc., 10010 San Pedro Ave., Suite 301, San Antonio, Texas 78216. Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

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

If any provisions of this Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from Parity Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Notice of Sale and the Official Bid Form.

NO BIDS BY FACSIMILE: BIDS BY FACSIMILE WILL NOT BE ACCEPTED.

NO BIDS BY TELEPHONE: BIDS BY TELEPHONE WILL NOT BE ACCEPTED

PLACE AND TIME OF BID OPENING . . . The bids for the Bonds will be publicly opened and read in the office of the Financial Advisor at 10:00 AM, Central Time, Wednesday, January 13, 2021.

AWARD OF THE BONDS . . . The District's Board of Directors will take action to award the Bonds (or reject all bids) at a meeting scheduled to convene at 7:00 PM, Central Time, on the date of the bid opening. Upon awarding the Bonds, the District will also adopt the resolution authorizing the Bonds (the "Resolution") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Resolution to which resolution reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

WITHDRAWAL OF THE BIDS . . . Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for ten hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

EXTENSION OF SALE DATE . . . The District reserves the right to extend the date and/or time for the receipt of bids by giving notice by Bond Buyer Wire Service not later than 3:00 PM, Central Time on Tuesday, January 12, 2021 of the new date and time of receipt of bids. Such notice shall be considered an amendment to this Notice of Sale.

THE BONDS

DESCRIPTION . . . The Bonds will be dated January 1, 2021 (the “Dated Date”). Interest will accrue from the date of initial delivery of the Bonds and will be due on March 1, 2021, and each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity. The Bonds will mature on September 1 in each year as follows:

MATURITY SCHEDULE*

(9/1) Maturity	Principal Amount*	(9/1) Maturity	Principal Amount*
2021	\$235,000	2031	\$350,000
2022	245,000	2032	360,000
2023	255,000	2033	375,000
2024	265,000	2034	390,000
2025	275,000	2035	405,000
2026	285,000	2036	425,000
2027	300,000	2037	440,000
2028	310,000	2038	460,000
2029	320,000	2039	475,000
2030	335,000	2040	495,000

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2028, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

SERIAL BONDS AND/OR TERM BONDS . . . Bidders may provide that all of the Bonds be issued as serial Bonds or may provide that any two or more consecutive annual principal amounts be combined into one or more term Bonds (the “Term Bonds”). In the event the successful bidder designates principal amounts of the Bonds to be combined into one or more Term Bonds each such Term Bond will be subject to mandatory sinking fund redemption in accordance with the provisions of the Resolution.

BOOK-ENTRY-ONLY SYSTEM . . . The District intends to utilize the book-entry-only system of The Depository Trust Company (“DTC”). See “THE BONDS – BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar shall be UMB Bank, N.A., Houston, Texas (see “THE BONDS – PAYING AGENT/REGISTRAR” in the Official Statement).

SOURCE OF PAYMENT . . . The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without limitation as to rate or amount.

Further details regarding the Bonds are set forth in the Official Statement.

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

CONDITIONS OF THE SALE

TYPE OF BIDS AND INTEREST RATES . . . **The Bonds will be sold in one block on an “All or None” basis, and at a price of not less than 100% of their par value and not more than 102% of their par value.** Bidders are invited to name the rate(s) of interest to be borne by the Bonds, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/100 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. The high bidder will be required to submit reoffering yields and dollar prices prior to award. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds of one maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

POST BID MODIFICATION OF PRINCIPAL AMOUNTS . . . After selecting the winning bid, the aggregate principal amount of the Bonds and the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in \$5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustment within four (4) hours after the opening of bids. Purchaser’s compensation will be based upon the final par amount after any adjustment thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount of par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustment of the aggregate principal amount of the Bonds and/or the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to “CONDITIONS OF THE SALE – BASIS FOR AWARD” herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

BASIS FOR AWARD . . . Subject to the District’s right to reject any or all bids and to waive any irregularities except time of filing, the sale of the Bonds will be awarded to the bidder or syndicate account manager whose name first appears on the Official Bid Form (the “Purchaser”) making a bid that conforms to the specifications herein and which produces the lowest net effective interest rate to the District.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the District with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

ESTABLISHING THE ISSUE PRICE FOR THE BONDS . . . The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining “competitive sale” for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the District receives bids from **at least three underwriters** of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (**the “Competitive Sale Requirement”**).

In the event that the bidding process does not satisfy the Competitive Sale Requirement, Bids **will not be subject to cancellation** and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (**the “First Price Maturity”**) have been sold to the Public on the Sale Date (**the “10% Test”**) (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% Test) and (ii) agrees to hold-the- offering-price of each maturity of the Bonds that does not satisfy the 10% Test (**“Hold-the-Price Maturity”**), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District’s municipal advisor, Specialized Public Finance Inc. (the “District’s Financial Advisor”) the appropriate certification as to the Bonds’ “issue price” (the “Issue Price Certificate”) substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions, at least 5 business days before the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale and Bidding Instructions:

(i) “Public” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party,

(ii) “Underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) “Related Party” means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) “Sale Date” means the date that the Bonds are awarded by the District to the winning bidder.

All actions to be taken by the District under this Notice of Sale and Bidding Instructions to establish the issue price of the Bonds may be taken on behalf of the District by the District’s Financial Advisor, and any notice or report to be provided to the District may be provided to the District’s Financial Advisor.

The District will consider any bid submitted pursuant to this Notice of Sale and Bidding Instructions to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the District when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295 (“TEC FORM 1295”) . . . In accordance with Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the “TEC Form 1295”) to the District as prescribed by the Texas Ethics Commission (“TEC”), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the District to complete the award. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is name of the governmental entity (*Beeville Water Supply District, Texas*) and box 3 is the identification number assigned to this contract by the District (*Beeville WSD ULTB 2021*) and description of the goods or services (*Purchase of the Beeville Water Supply District Unlimited Tax Bonds, Series 2021*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the District to complete the TEC Form 1295 electronically at <https://www.ethics.state.tx.us/main/file.htm>, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the District. The completed and signed TEC Form 1295 must be sent by email, to the District's financial advisor at victor@spfmuni.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.** Upon receipt of the final written award, a non-exempt winning bidder must submit the TEC Form 1295 with original signatures by email to Bond Counsel as follows: sibarra@mphlegal.com.

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the District, the Interested Party Disclosure Act and the TEC 1295 provide that such declaration is made "under oath and under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed TEC Form 1295 is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein. Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

COMPLIANCE WITH LAW PROHIBITING CONTRACTS WITH COMPANIES THAT BOYCOTT ISRAEL AND CERTAIN COMPANIES ENGAGED IN BUSINESS WITH IRAN, SUDAN OR FOREIGN TERRORIST ORGANIZATIONS . . . To the extent the winning bid for the Bonds represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, the Purchaser will be required to verify in the Official Bid Form, for purposes of Chapter 2271 of the Texas Government Code, as amended, that at the time of execution and delivery of its bid, neither the Purchaser nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended and to the extent such Section does not contravene applicable federal or State law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The Purchaser understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with the Purchaser or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

Pursuant to Chapter 2252 of the Texas Government Code, as amended, the Purchaser will be required to verify that neither the Purchaser nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, or other affiliates of the same are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, as amended, and to the extent such Section does not contravene applicable federal or State law and excludes the Purchaser, any syndicate member listed on the Official Bid Form and each parent company, wholly-or majority-owned subsidiaries, and other affiliates, of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The

Purchaser understands “affiliate” to mean an entity that (i) controls, is controlled by, or is under common control with the Purchaser or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

At the request of the District, the bidder agrees to execute further written certification as may be necessary or convenient for the District to establish compliance with these laws.

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

GOOD FAITH DEPOSIT . . . The winning bidder will be required to provide a deposit in the amount of \$140,000 to the District as bid security by 5:00 p.m. Central Time on Wednesday, January 13, 2021. The bid security may be provided to the District (i) via wire transfer (the District or its financial advisor, Specialized Public Finance Inc., will provide wire instructions to the winning bidder), or (ii) in the form of a certified or cashier’s check made payable to the order of District in the amount of the deposit set forth above. The wire option will be retained by the District and: (a) will be applied, without allowance for interest, against the purchase price when the Bonds are delivered to and paid for by such winning bidder or (b) will be retained by the District as liquidated damages if the winning bidder defaults with respect to the terms of its bid or (c) will be returned to the winning bidder if the Bonds are not issued by the District for any reason which does not constitute a default by the winning bidder. If the check option is utilized, the check will be (a) returned uncashed to the winning bidder when the Bonds are delivered to and paid for by such winning bidder, (b) cashed by the District as liquidated damages if the winning bidder defaults with respect to the terms of its bid or (c) returned uncashed to the winning bidder if the Bonds are not issued by the District for any reason which does not constitute a default by the winning bidder.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

CUSIP NUMBERS . . . It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York, prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Bonds shall be paid by the Purchaser.

DELIVERY OF BONDS . . . Delivery will be accomplished by the issuance of one Initial Certificate (also called the “Bond” or “Bonds”), either in typed or printed form, in the aggregate principal amount of \$7,000,000*, payable in stated installments to the Purchaser, signed by the Board President and Board Secretary, approved by the Attorney General of Texas, and registered and manually signed by the Texas Comptroller of Public Accounts. Upon delivery of the Initial Certificate, it shall be immediately cancelled and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., and deposited with DTC in connection with DTC’s book-entry-only system. Delivery will be at a principal office of the Paying Agent/Registrar. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that delivery of the Bonds can be made on or about February 2, 2021, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Bonds by 10:00 AM, Central Time, on February 2, 2021, or thereafter on the date the Bond is tendered for delivery, up to and including February 2, 2021. If for any reason the District is unable to make delivery on or before February 2, 2021, the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty days. If the Purchaser does not elect to extend its offer within six days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the District’s reasonable control.

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

CONDITIONS TO DELIVERY . . . The obligation of the Purchaser to take up and pay for the Bonds is subject to the Purchaser's receipt of (a) the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel for the District ("Bond Counsel") and (b) the no-litigation certificate, all as further described in the Official Statement. In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986 relating to the exemption of interest on the Bonds from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (no later than the close of business on the business day following the award of the bid) a certification as to their "issue price" substantially in the form and to the effect attached hereto or accompanying this Notice of Sale and Bidding Instructions. In the event the successful bidder will not reoffer the Bonds for sale, such certificate may be modified in a manner approved by the District. In no event will the District fail to deliver the Bonds as a result of the Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate not later than the close of business on the business day following the award of the bid, if its bid is accepted by the District. It will be the responsibility of the Purchaser to institute such syndicate reporting requirements to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINION . . . The Bonds are offered when, as and if issued, subject to the approval of the Attorney General of the State of Texas. Delivery of and payment for the Bonds is subject to the receipt by the Purchaser of opinions of Bond Counsel, to the effect that the Bonds are valid and binding obligations of the District (except as the enforceability may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion) and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Official Statement.

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

NO-LITIGATION CERTIFICATE . . . On the date of delivery of the Bonds to the Purchaser, the District will deliver to the Purchaser a certificate, as of the same date, to the effect that to the best of the District's knowledge no litigation of any nature is pending or, to the best of the certifying officials' knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds or the title of the present officials of the District.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The District will designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" in the Preliminary Official Statement).

GENERAL

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

BLUE SKY LAWS . . . By submission of its bid, the Purchaser represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Bonds in accordance with the securities law of the states in which the Bonds are offered or sold. The District agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Bonds or obtaining an exemption from registration in any state where such action is necessary, provided, however, that the District shall not be obligated to execute a general or special consent to service of process in any such jurisdiction.

NOT AN OFFER TO SELL . . . This Notice of Sale and Bidding Instructions does not alone constitute an offer to sell the Bonds, but is merely notice of the sale of the Bonds. The offer to sell the Bonds is being made by means of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement. Prospective purchasers are urged to carefully examine the Official Statement to determine the investment quality of the Bonds.

RATING . . . The underlying, unenhanced rating on the Bonds is “A-” by S&P Global Ratings (“S&P”).

MUNICIPAL BOND INSURANCE . . . In the event the Bonds are qualified for municipal bond insurance and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any downgrade by a rating agency of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS.”

THE OFFICIAL STATEMENT AND COMPLIANCE WITH SEC RULE 15C2-12 . . . The District has prepared the accompanying Official Statement and, for the limited purpose of complying with SEC Rule 15c2-12, deems such Official Statement to be final as of its date within the meaning of such Rule for the purpose of review prior to bidding. To the best knowledge and belief of the District, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Bonds. Representations made and to be made by the District concerning the absence of material misstatements and omissions in the Official Statement are addressed elsewhere in this Notice of Sale and Bidding Instructions and in the Official Statement.

The District will furnish to the Purchaser, acting through a designated senior representative, in accordance with instructions received from the Purchaser, within seven (7) business days from the sale date copies of the Official Statement reflecting interest rates and other terms relating to the initial reoffering of the Bonds. The cost of any Official Statement in excess of the number specified shall be prepared and distributed at the cost of the Purchaser. The Purchaser shall be responsible for providing in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award. Except as noted above, the District assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement in connection with the offering or reoffering of the subject securities.

CONTINUING DISCLOSURE AGREEMENT . . . The District will agree in the Resolution to provide certain periodic information and notices of specified events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Resolution containing the agreement described under such heading.

On the date of the sale, the Board of Directors will, in the Resolution authorizing the issuance of the Bonds, confirm its approval of the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Bonds by the Purchaser.

/s/ Mr. William Stockton
President, Board of Directors
Beeville Water Supply District, Texas

ATTEST:

/s/ Ms. Jody Alaniz
Secretary, Board of Directors
Beeville Water Supply District, Texas

December 23, 2020

OFFICIAL BID FORM

Board of Directors
 Beeville Water Supply District, Texas
 400 North Washington Street
 Beeville, Texas 78102-3938

January 13, 2021

Members of the Board of Director:

Reference is made to your Official Statement and Notice of Sale and Bidding Instructions, dated December 23, 2020, of \$7,000,000* BEEVILLE WATER SUPPLY DISTRICT, UNLIMITED TAX BONDS, SERIES 2021, both of which constitute a part hereof.

For your legally issued Bonds, in the aggregate principal amount of \$7,000,000*, we will pay you a price of \$ _____, representing _____% of the par value. Such Bonds mature September 1, in each of the years and in the amounts and interest rates shown below:

(September 1) Maturity	Principal Amount*	Interest Rate	(September 1) Maturity	Principal Amount*	Interest Rate
2021	\$235,000	%	2031	\$350,000	%
2022	245,000	%	2032	360,000	%
2023	255,000	%	2033	375,000	%
2024	265,000	%	2034	390,000	%
2025	275,000	%	2035	405,000	%
2026	285,000	%	2036	425,000	%
2027	300,000	%	2037	440,000	%
2028	310,000	%	2038	460,000	%
2029	320,000	%	2039	475,000	%
2030	335,000	%	2040	495,000	%

Of the principal maturities set forth in the table above, Term Bonds have been created as indicated in the following table (which may include multiple Term Bonds, one Term Bond or no Term Bond if none is indicated). For those years which have been combined into Term Bonds, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Bond maturity date shall mature in such year. The Term Bonds created are as follows:

Term Bonds Maturing September 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %
_____	_____	\$ _____	_____ %

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

NET EFFECTIVE INTEREST RATE _____ %

*See "CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS." Preliminary, subject to change.

In the event the Bonds are qualified for municipal bond insurance and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any downgrade by a rating agency of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS."

The Initial Bonds shall be registered in the name of _____, which will, upon payment for the Bonds, be cancelled by the Paying Agent/Registrar. The Bonds will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the book-entry-only system.

A wire transfer or a cashiers or certified check to the District in the amount of \$140,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

We agree to accept delivery of the Bonds utilizing the book-entry-only system through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, UMB Bank, N.A., Houston, Texas, not later than 10:00 AM, Central Time, on February 9, 2021, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale and Bidding Instructions. It will be the obligation of the purchaser of the Bonds to complete the DTC Eligibility Questionnaire.

The undersigned hereby verifies that, at the time of execution and delivery of this bid, to the extent this Official Bid Form is a contract for goods or services, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, as amended, and to the extent such Section does not contravene applicable federal or State law. As used in the foregoing verification, "boycotts Israel" and "boycott Israel" means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands "affiliate" to mean an entity that (i) controls, is controlled by, or is under common control with the bidder or any syndicate member listed on this Official Bid Form and (ii) exists to make a profit.

By submission of this bid, and as a condition of the award and delivery of the Bonds, the undersigned hereby represents that, neither the bidder nor any syndicate member listed on this Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, as amended, and posted on any of the following pages of such officer's internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, as amended, and to the extent such Section does not contravene applicable federal or State law and excludes the bidder, any syndicate member listed on this Official Bid Form and each parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands "affiliate" to mean any entity that (i) controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and (ii) exists to make a profit.

At the request of the District, the undersigned agrees to execute further written certification as may be necessary or convenient for the District to establish compliance with these laws.

The undersigned agrees to complete, execute, and deliver to the District, at least five business days prior to delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the District and Bond Counsel.

The undersigned certifies that the Purchaser [is]/[is not] exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Name of Purchaser or Manager

Authorized Representative

Phone Number

Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Beeville Water Supply District, this the 13th day of January, 2021.

ATTEST:

Vice President, Board of Directors
Beeville Water Supply District, Texas

President, Board of Directors
Beeville Water Supply District, Texas

ISSUE PRICE CERTIFICATE

(Sales where at least 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters (“Purchaser”), with respect to the purchase at competitive sale of the Unlimited Tax Bonds, Series 2021 issued by the Beeville Water Supply District (“Issuer”) in the principal amount of \$7,000,000* (“Bonds”), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser’s reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the “Expected Offering Prices”) to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

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

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

For purposes of this Issue Price Certificate, the term “Underwriter” means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

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

EXECUTED and DELIVERED as of this _____, 2021.

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

ISSUE PRICE CERTIFICATE

(Form of Certificate if less than 3 bids are received from underwriters)

The undersigned, as the underwriter or the manager of the syndicate of underwriters (“Purchaser”), with respect to the purchase at competitive sale of the Unlimited Tax Bonds, Series 2021 issued by Beeville Water Supply District (“Issuer”) in the principal amount of \$7,000,000* (“Bonds”), hereby certifies and represents, based on its records and information, as follows:

(a) [Other than the Bonds maturing in _____ (“Hold-the-Price Maturities”), the][The] first prices at which at least ten percent (“Substantial Amount”) of the principal amount of each maturity of the Bonds having the same credit and payment terms (“Maturity”) was sold to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter (“Public”) are their respective initial offering prices, as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(Add (b) and (c) only if winning bidder designates one or more maturities as Hold-the-Price Maturities)

(b) On or before the first day on which there is a binding contract in writing for the sale of the Bonds (“Sale Date”), the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective initial offering prices, as set forth in Schedule A hereto (“Initial Offering Price”).

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for each such Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells at least ten percent of a Hold-the-Price-Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Maturity.

For purposes of this Issue Price Certificate, the term “Underwriter” means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

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

EXECUTED and DELIVERED as of this _____, 2021.

[NAME OF PURCHASER], as Purchaser

By: _____

Name: _____

*See “CONDITIONS OF THE SALE – POST BID MODIFICATION OF PRINCIPAL AMOUNTS.” Preliminary, subject to change.

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

PRELIMINARY OFFICIAL STATEMENT
Dated December 23, 2020

NEW ISSUE - BOOK-ENTRY-ONLY

Unenhanced Rating: S&P: “A-” Underlying
See “OTHER INFORMATION - Rating”

In the opinion of Bond Counsel, interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.

THE BONDS WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

\$7,000,000*
BEEVILLE WATER SUPPLY DISTRICT
(Bee County, Texas)
UNLIMITED TAX BONDS, SERIES 2021

Dated Date: January 1, 2021

Due: September 1, as shown on inside cover

Interest accrues from the Date of Initial Delivery (defined below)

AUTHORITY FOR ISSUANCE . . . The \$7,000,000* Beeville Water Supply District Unlimited Tax Bonds, Series 2021 (the “Bonds”) are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas (the “State”), including Chapter 6905, as amended, Texas Special District Local Laws Code, a bond election held in the District on May 4, 2019, the approving order of the Texas Commission on Environmental Quality (the “TCEQ”), and a Resolution (the “Resolution”) to be adopted by the Board of Directors of the Beeville Water Supply District (the “District” or “Issuer”) on January 13, 2021 authorizing the issuance of the Bonds.

The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without limitation as to rate or amount. (See “THE BONDS - Security and Source of Payment”).

PAYMENT TERMS . . . Interest on the Bonds will accrue from the date of their initial delivery to the Purchaser (defined below), will be payable on March 1 and September 1 of each year commencing March 1, 2021, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds. See “THE BONDS – Book-Entry-Only System” herein. The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas (see “THE BONDS – Paying Agent/Registrar”).

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (1) construct and equip extensions and improvements to wastewater and water supply facilities serving the City of Beeville, and (2) pay for professional services related to the cost of issuance of the Bonds.

CUSIP PREFIX: 077158
MATURITY SCHEDULE & CUSIP SUFFIX
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the “Purchaser”) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas (see APPENDIX C - “Form of Bond Counsel’s Opinion”).

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on February 2, 2021 (the “Date of Initial Delivery”).

BIDS DUE WEDNESDAY, JANUARY 13, 2021 AT 10:00 AM CENTRAL TIME

***See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS. 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.

\$7,000,000*
BEEVILLE WATER SUPPLY DISTRICT
(Bee County, Texas)
UNLIMITED TAX BONDS, SERIES 2021

MATURITY SCHEDULE*

CUSIP Prefix: 077158⁽¹⁾

Serial Bonds

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount*</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Yield</u>	<u>CUSIP</u> <u>Suffix⁽¹⁾</u>
2021	\$235,000			
2022	245,000			
2023	255,000			
2024	265,000			
2025	275,000			
2026	285,000			
2027	300,000			
2028	310,000			
2029	320,000			
2030	335,000			
2031	350,000			
2032	360,000			
2033	375,000			
2034	390,000			
2035	405,000			
2036	425,000			
2037	440,000			
2038	460,000			
2039	475,000			
2040	495,000			

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as “term” Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Resolution, which provisions will be included in the final Official Statement.

*Preliminary, subject to change.

⁽¹⁾CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. None of the District, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

(The remainder of this page intentionally left blank.)

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Mr. William Stockton President	26	2022	Financial Advisor Edward Jones
Mr. John Galloway Vice President	2	2022	Business Owner Funeral Home
Mr. Jody Alaniz Director	1	2024	Business Owner Automobile Garage
Mr. Dwight Head Director	(1)	2024	Agricultural Engineer M&E Consultants
(Vacant)			

⁽¹⁾ Mr. Head was sworn to serve the remainder of the previous Board of Director, Mr. Buddy Hardy, who passed away October 2020.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service with the District
Mr. John Benson	City Manager	6 months
Mr. Frank Warner	City Attorney	30
Ms. Kristine Horton	Finance Director	7
Ms. Gabriela Hernandez	City Secretary	6½

CONSULTANTS AND ADVISORS

Bond Counsel McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Auditors Beyer & Co., Certified Public Accountants
Pleasanton, Texas

Financial Advisor Specialized Public Finance Inc.
San Antonio, Texas

For additional information regarding the District, please contact:

Mr. John Benson City Manager City of Beeville 400 N. Washington Beeville, Texas 78102 Phone: (361) 358-4641 Facsimile: (361) 358-7355 john.benson@beevilletx.org	or	Mr. Victor Quiroga, Jr. Managing Director Specialized Public Finance Inc. 10010 San Pedro Ave., Suite 301 San Antonio, Texas 78216 Phone: (210) 239-0204 Facsimile: (210) 239-0126 victor@spfmuni.com
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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “Rule”), this document constitutes an “official statement” of the District with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of the information permitted by Subsection (b)(1) of the Rule.

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

The information set forth or included in this Official Statement has been provided by the District or obtained from other sources believed by the District to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the District described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

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

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement, nor any other statement made in connection with the offer or sale of the Bonds, is to be construed as constituting an agreement with the Purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information.

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION WAS PROVIDED BY DTC.

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The cover page hereof, this page, the schedule and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Beeville Water Supply District (the “District” or “Issuer”) is located in Bee County, Texas is a conservation and reclamation district created under Chapter 432 Acts of the 66th Legislature, Regular Session, 1979, of the laws of the State of Texas (now codified as Chapter 6905, Texas Special District Local Laws Code, as amended), all pursuant to Article 16, Section 59 of the Texas Constitution. The area of the District encompasses approximately 3,085 acres including all of the City of Beeville, Texas. (See “APPENDIX B - General Information Regarding the Beeville Water Supply District and Bee County, Texas”)(see “INTRODUCTION – Description of the District”).
THE BONDS	The \$7,000,000* Beeville Water Supply District Unlimited Tax Bonds, Series 2021 (the “Bonds”) are issued as serial Bonds maturing September 1 in the years 2021 through 2040, unless the Purchaser of the Bonds designates two or more consecutive maturities as term Bonds (see “THE BONDS – Description of the Bonds”).
AUTHORITY FOR ISSUANCE	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas (the “State”), including Chapter 6905, Texas Special District Local Laws Code, as amended, the approving order of the Texas Commission on Environmental Quality (the “TCEQ”), and a resolution (the “Resolution”) to be adopted by the Board of Directors of the Issuer on January 13, 2021 authorizing the issuance of the Bonds.
DATE OF INITIAL DELIVERY	It is expected that the Bonds will be available for delivery through DTC on February 2, 2021.
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the Date of Initial Delivery and is payable on March 1, 2021, and September 1 and March 1 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds”).
SECURITY FOR THE BONDS	The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without limitation as to rate or amount.
OPTIONAL REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional Redemption”). In the event any of the Bonds are structured as “term” Bonds, such term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Resolution, which provisions will be included in the final Official Statement.
TAX EXEMPTION	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.
QUALIFIED TAX-EXEMPT BONDS	The Bonds will be designated as “qualified tax-exempt obligations for financial institutions. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.

*Preliminary, subject to change.

USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used to (1) construct and equip extensions and improvements to wastewater and water supply facilities serving the City of Beeville, and (2) pay for professional services related to the cost of issuance of the Bonds.
MUNICIPAL BOND INSURANCE	In the event the Bonds are qualified for municipal bond insurance and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any downgrade by a rating agency of the bond insurance provider shall not relieve the Purchaser of its obligation under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS.”
RATING	The underlying, unenhanced rating on the Bonds is “A-” by S&P Global Ratings (“S&P”) (see “OTHER INFORMATION – Rating”).
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds 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 Bonds (see “THE BONDS – Book-Entry-Only System”).
PAYMENT RECORD	The Issuer has never defaulted in payment of its bonded indebtedness.

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**PRELIMINARY OFFICIAL STATEMENT
RELATING TO

\$7,000,000*
BEEVILLE WATER SUPPLY DISTRICT
(Bee County, Texas)
UNLIMITED TAX BONDS, SERIES 2021**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the Beeville Water Supply District (the "District" or "Issuer") of \$7,000,000* Beeville Water Supply District Unlimited Tax Bonds, Series 2021 (the "Bonds"). The Bonds are being issued pursuant to the laws of the State of Texas, including Chapter 6905, Texas Special District Local Laws Code, as amended, an election held in the District on May 4, 2019, the approving order from the Texas Commission on Environmental Quality (the "TCEQ"), and a resolution (the "Resolution") to be adopted by the Board of Directors of the Issuer on January 13, 2021. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution, except as otherwise indicated herein. The term "Purchaser" used herein means the initial purchaser of the Bonds, as determined resulting from the submission on January 13, 2021, of the winning bid for the Bonds.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the final Official Statement pertaining to the Bonds will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets System ("EMMA"). See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The Issuer is a conservation and reclamation district created under Chapter 432 Acts of the 66th Legislature, Regular Session, 1979, of the laws of the State of Texas (now codified as Chapter 6905, Texas Special District Local Laws Code, as amended), all pursuant to Article XVI section 59 of the Texas Constitution.. The Issuer covers approximately 3,085 acres.

INFECTIOUS DISEASE OUTBREAK – COVID-19 . . . The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on June 26, 2020 of Executive Order GA-28, as amended on July 2, 2020 which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, childcare services, youth camps, recreational programs, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-28 continued restrictions on nursing homes, state supported living centers, assisted living facilities, or long-term care facilities unless to provide critical assistance. A subsequent Executive Order, GA-29, listed the requirements and exceptions for face coverings. Executive Orders GA-28 (as amended) and GA-29 remain in place until amended, rescinded, or superseded by the Governor.

*Preliminary, subject to change.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the District and its surrounding area. The City of Beeville experienced a 4% (unaudited) decrease in sales tax revenues for fiscal year 2019. The City, in the current budget, implemented budget cuts of approximately 5% in City departments and eliminated unfilled employment positions to mitigate any continued effects of the Pandemic. These negative impacts may reduce or otherwise negatively affect future property values and/or the collection of sales taxes, charges, and other fees within the District.

The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the District. A reduction in the collection of taxes may negatively impact the District's overall financial condition.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated January 1, 2021, and mature on September 1 in each of the years and in the amounts shown on page 2. Interest on the Bonds will accrue from the date of their initial delivery to the Purchaser, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 1, 2021 and on each September 1 and March 1 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds 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 Bonds. See "THE BONDS – Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are being issued pursuant to the Constitution and the State of Texas, including Chapter 6905, Texas Special District Local Laws Code, as amended, the approving order of the Texas Commission on Environmental Quality (the "TCEQ"), and a resolution (the "Resolution") to be adopted by the Board of Directors of the Issuer.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds will constitute direct obligations of the District, payable as to principal and interest from ad valorem taxes levied annually against all taxable property located within the District, without limitation as to rate or amount.

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (1) construct and equip extensions and improvements to wastewater and water supply facilities serving the City of Beeville, and (2) pay for professional services related to the cost of issuance of the Bonds.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2028, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2027, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (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.

MANDATORY SINKING FUND REDEMPTION . . . In the event two or more consecutive maturities of the Bonds are structured as "Term Bonds", such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions in the Resolution, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bond 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. The notice with respect to an optional redemption of Bonds may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) 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 an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. **ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND**

OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Bonds 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, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice.

Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bond 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 Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "THE BONDS – Book-Entry-Only System" herein.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Resolution has been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds 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 Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DEFEASANCE . . . General. The Resolution provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Resolution provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for Defeasance 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.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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 Bonds. Because the Resolution 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 Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Purchaser take any responsibility for the accuracy thereof.

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 Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District, the Financial Advisor, nor the Purchaser.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Houston, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and 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 as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds 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.

Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds 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 Bonds 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 Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of an Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the 15th day of the preceding month.

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 ("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 Holder of a Bond 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.

BONDHOLDERS' REMEDIES . . . The Resolution establishes specific events of default with respect to the Bonds. If the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in the Resolution, the failure to perform which materially, adversely affects the rights of the holders including but not limited to their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for 30 days after the District has received written notice of such defaults, the Resolution provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Resolution and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's governmental immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or covenants in the Resolution. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The District is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Resolution provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the District under the Resolution. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

AMENDMENTS TO THE RESOLUTION . . . In the Resolution, the District has reserved the right to amend the Resolution without the consent of any owners for the purpose of amending or supplementing such Resolution as may be required (i) by the provisions of such Resolution, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission, or (iii) in connection with any other change which is not to the prejudice of the Registered Owners.

The Resolution further provides that the owners of the Bonds aggregating in principal amount 51% of such outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Resolution if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the applicable owners in original principal amount of the then outstanding Bonds no amendment may be made for the purpose of (i) extending the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, (ii) giving any preference to any Bond over any other Bond, (iii) extending any waiver of default to subsequent defaults, or (iv) reducing the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission. Reference is made to the Resolution for further provisions relating to the amendment thereof.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Bee County Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – Issuer and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See APPENDIX A, Table 1, for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased, or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. See APPENDIX, Table 1, for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

PERSONAL PROPERTY . . . Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . . Certain goods that are acquired in or imported into the state to be forwarded outside the State, and are detained in the State for one hundred seventy-five days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within one hundred seventy-five days (“goods-in-transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax goods-in-transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax goods-in-transit. Goods-in-transit and Freeport Property do not include oil, natural gas or petroleum products, and goods-in-transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the goods-in-transit or Freeport Property exemptions for items of personal property

OTHER EXEMPT PROPERTY . . . Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. At the time of the creation of the TIRZ, a “base value” for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See “AD VALOREM PROPERTY TAXATION – District Application of Property Tax Code” for descriptions of any of the District’s tax abatement agreements. See APPENDIX A, Table 1, for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional

penalty of up to twenty percent (20%) of the delinquent tax, penalty, and interest collected if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

DISTRICT’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

INTEREST AND SINKING FUND TAX . . . The District is authorized to levy an annual ad valorem tax, without legal limitation as to rate and amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the Issuer may hereafter issue, and to pay the expenses of assessing and collecting such taxes.

MAINTENANCE TAX . . . The District currently has no statutory authority to levy and collect an annual ad valorem tax for maintenance of the District’s improvements.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the District’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the District’s tax-supported debt obligations, including the Bonds.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

ISSUER AND TAXPAYER REMEDIES . . . Under certain circumstances, the District and its taxpayers may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the District may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year “minimum eligibility amount”, as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (See “– Public Hearing and Maintenance and Operation Tax Rate Limitations”). The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

DISTRICT APPLICATION OF TAX CODE . . . The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$5,000.

The Bee County Tax Assessor-Collector collects taxes for the District (the “Tax Assessor/Collector”).

The District has not adopted a tax freeze for citizens who are disabled or are 65 years of age or older.

Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The Tax Assessor/Collector’s office does permit split payments; discounts are allowed.

INVESTMENTS

The District invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Board of Directors of the District. Both State law and the District's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas 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 of Texas 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) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the District selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) Bonds of deposit or share Bonds (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits or; (ii) where the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas 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 of Texas that is selected by the District; (iii) the broker or the depository institution selected by the District arranges for the deposit of the funds in Bonds of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (iv) the full amount of the principal and accrued interest of each of the Bonds of deposit is insured by the United States or an instrumentality of the United States; and (v) the District appoints the depository institution selected under (ii) above, an entity 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 Bonds of deposit issued for the account of the District; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations permitted by the PFIA, and require the securities being purchased by the District or cash held by the District to be 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; (11) 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 (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name 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 (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) 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; (13) commercial paper with a stated maturity of 365 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; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. 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 below.

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.

Under State 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 and 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 PFIA. 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 State 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 District Council detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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) State law. No person may invest District funds without express written authority from the District Council.

Under State 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 record in such rule, order, ordinance or resolution 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 family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (4) require the registered principal of firms seeking to sell securities to 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 entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (6) 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 repurchase agreement, (7) restrict the investment in non-money market 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, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer 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*

TABLE 1

As of September 30, 2020, the Issuer’s investable funds in the amount of \$1,097,195.96 were invested in the following categories:

<u>Type of Investment</u>	<u>Amount</u>
BWSD Debt Service Checking Account	\$843,692.49
BWSD Capital Projects Checking Account	250,708.97
BWSD Operating Checking Account	<u>2,794.50</u>
	\$1,097,195.96

As of such date, the market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the District are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

*Unaudited.

TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds 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, as amended (the “Code”). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

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

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

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

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

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from

those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing 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 THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or 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 interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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

The Issuer expects that the Bonds will be designated, as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the Issuer’s continuing disclosure obligation, because the Issuer does not currently have outstanding more than \$10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule 15c2-12) and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, in the Resolution, the Issuer has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Issuer is required to observe the agreement for so long as it remains an “obligated person” with respect to the Bonds, within the meaning of the Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). Under the agreement, the Issuer will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the “MSRB”).

ANNUAL REPORTS . . . The Issuer 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 Issuer of the general type included in this Official Statement that is customarily prepared by the Issuer and publicly available, which currently consists of an annual audited financial statement. The Issuer will update and provide this information within twelve months after the end of each fiscal year ending in and after 2020. The Issuer will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by the Rule. The updated information will include audited financial statements, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Issuer will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the Issuer may be required to employ from time to time pursuant to State law or regulation.

The Issuer’s current fiscal year end is September 30. Accordingly, it must provide financial statements by March 31 in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The Issuer will also provide timely notices of certain events to the MSRB. The Issuer will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the Issuer (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the Issuer, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the Issuer, any of which reflect financial difficulties. In addition, the Issuer will provide timely notice of any failure by the Issuer to provide annual financial information in accordance with its agreement described above under “Annual Reports”.

AVAILABILITY OF INFORMATION FROM MSRB . . . The Issuer has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The Issuer has agreed to update information and to provide notices of specified events only as described above. The Issuer 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 Issuer makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Bonds at any future date. The Issuer disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the Issuer to comply with its agreement.

The Issuer may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Resolution that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The Issuer may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The Issuer complied with its continuing disclosure agreement in FY 2015. Beginning in 2016, the Issuer was no longer obligated to file annual disclosure.

LEGAL MATTERS

LEGAL OPINION . . . Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed the information relating to the Bonds and the Resolution contained under the captions: "THE BONDS" (exclusive of subcaptions "- Book-Entry-Only System" and "- Bondholders' Remedies"), "TAX MATTERS", "LEGAL MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "- Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas," "APPENDIX C - Form of Bond Counsel's Opinion" contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion 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.

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OTHER INFORMATION

RATING . . . The underlying, unenhanced rating on the Bonds is “A-” by S&P Global Ratings (“S&P”). A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds 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 Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating at least an “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

NO-LITIGATION CERTIFICATE . . . The District will furnish to the Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Vice President of the Board of Directors, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE . . . The obligation of the Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL PURCHASER . . . After requesting competitive bids for the Bonds, the District accepted the bid from _____ (the “Purchaser”) to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of \$_____. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the

Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies of the District 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 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.

MISCELLANEOUS . . . The financial data and other information contained herein 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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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 Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Bonds, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

This Official Statement will be approved by the Board of Directors of the District 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, as amended.

ATTEST:

Vice President
Board of Directors
Beeville Water Supply District

President
Board of Directors
Beeville Water Supply District

APPENDIX A

Financial Information for the Beeville Water Supply District

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2020 Total Market Value	\$684,291,124
Less:	
Disabled Veteran 100%	\$6,400,550
Disabled Veteran	1,259,000
Optional Over-65	4,801,810
Surviving Spouse of a Service Member	78,670
Real Exempt Property	116,977,230
\$500 Inc. Real Personal	9,430
Real/Personal Abatements	801,160
Mineral Abatements	1,382,770
Real Protest Value	52,810,590
Productivity Loss	2,087,440
10% Cap Loss	<u>3,931,080</u>
2020 Net Taxable Assessed Valuation	\$493,751,394

Note: The above figures were taken from the Bee County Appraisal District Office which is compiled during the initial phase of the tax year and are subject to change.

GENERAL OBLIGATION BONDED DEBT

(As of December 15, 2020)

General Obligation Debt Outstanding:

Unlimited Tax Debt⁽¹⁾:

The Bonds ⁽¹⁾	<u>\$7,000,000</u>
Total Unlimited Tax Debt ⁽¹⁾	\$7,000,000
Total General Obligation Debt ⁽¹⁾	\$7,000,000
Unaudited, General Obligation Interest and Sinking Fund Balance as of September 30, 2020	\$767,657
2020 Net Taxable Assessed Valuation	\$493,751,394
Ratio of Total General Obligation Debt to 2020 Net Taxable Assessed Valuation ⁽¹⁾	1.42%

⁽¹⁾ Preliminary, subject to change.

Area of District:	3,085 Acres
Estimated Population:	12,863 in Year 2020
Per Capita 2020 Net Taxable Assessed Valuation:	\$38,385
Per Capita 2020 General Obligation Debt:	\$544

ESTIMATED GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS⁽¹⁾

[Includes the Bonds]

Fiscal Year Ending 9/30	Current Total Debt Service	The Bonds ⁽¹⁾			Combined Debt Service ⁽¹⁾
		Principal	Interest ⁽²⁾	Total	
2021	\$0	\$235,000	\$280,000	\$515,000	\$515,000
2022		245,000	270,600	515,600	515,600
2023		255,000	260,800	515,800	515,800
2024		265,000	250,600	515,600	515,600
2025		275,000	240,000	515,000	515,000
2026		285,000	229,000	514,000	514,000
2027		300,000	217,600	517,600	517,600
2028		310,000	205,600	515,600	515,600
2029		320,000	193,200	513,200	513,200
2030		335,000	180,400	515,400	515,400
2031		350,000	167,000	517,000	517,000
2032		360,000	153,000	513,000	513,000
2033		375,000	138,600	513,600	513,600
2034		390,000	123,600	513,600	513,600
2035		405,000	108,000	513,000	513,000
2036		425,000	91,800	516,800	516,800
2037		440,000	74,800	514,800	514,800
2038		460,000	57,200	517,200	517,200
2039		475,000	38,800	513,800	513,800
2040		495,000	19,800	514,800	514,800
	\$0	\$7,000,000	\$3,300,400	\$10,300,400	\$10,300,400

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ Interest calculated at an assumed rate for purposes of illustration only.

TAX ADEQUACY

2020 Net Taxable Assessed Valuation		\$493,751,394
Maximum Annual Debt Service Requirements for Fiscal Year Ending:	9/30/2027	\$517,600 *
Indicated Interest and Sinking Fund Tax Rate		\$0.1093
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	96%	\$517,996 *

Note: See "Tax Data" herein.

*Preliminary, subject to change.

INTEREST AND SINKING FUND MANAGEMENT INDEX

Unaudited, General Obligation Interest and Sinking Fund Balance as of September 30, 2020	\$767,657
2020 Interest and Sinking Fund Tax Levy at 96% Collections Produce	390,388
Total Available for Debt Service	\$1,158,045
Less: General Obligation Debt Service Requirements, Fiscal Year Ending: September 30, 2021	515,000 *
Balance at Fiscal Year Ended September 30, 2021	\$643,045 *

*Preliminary, subject to change.

ESTIMATED GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE*

[Includes the Bonds]

Fiscal Year Ending 9/30	Currently Outstanding Obligations Principal Repayment Schedule	The Bonds Principal Repayment Schedule*	Combined Principal Repayment Schedule*	Obligations Remaining Outstanding End of the Year*	Percent of Principal Retired*
2021	\$0	\$235,000	\$235,000	\$6,765,000	
2022		245,000	245,000	6,520,000	
2023		255,000	255,000	6,265,000	
2024		265,000	265,000	6,000,000	
2025		275,000	275,000	5,725,000	18.21%
2026		285,000	285,000	5,440,000	
2027		300,000	300,000	5,140,000	
2028		310,000	310,000	4,830,000	
2029		320,000	320,000	4,510,000	
2030		335,000	335,000	4,175,000	40.36%
2031		350,000	350,000	3,825,000	
2032		360,000	360,000	3,465,000	
2033		375,000	375,000	3,090,000	
2034		390,000	390,000	2,700,000	
2035		405,000	405,000	2,295,000	67.21%
2036		425,000	425,000	1,870,000	
2037		440,000	440,000	1,430,000	
2038		460,000	460,000	970,000	
2039		475,000	475,000	495,000	
2040		495,000	495,000	0	100.00%
	\$0	\$7,000,000	\$7,000,000		

**Preliminary, subject to change.*

TAXABLE ASSESSED VALUATION FOR YEARS 2016-2020

TABLE 2

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent (%)
2016	\$471,698,550	\$35,869,510	8.23%
2017	472,310,200	\$611,650	0.13%
2018	485,933,220	13,623,020	2.88%
2019	483,348,600	-2,584,620	-0.53%
2020	493,751,394	10,402,794	2.15%

Note: The above figures were taken from the Bee County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

PRINCIPAL TAXPAYERS

TABLE 3

Name	Type of Property	2020 Net Taxable Assessed Valuation	% of Total 2020 Assessed Valuation
AEP Texas Inc.	Electric Utility	\$10,628,350	2.15%
Halliburton Energy Services	Oil&Gas	8,398,040	1.70%
Wal-Mart Stores Texas LP	Retail Center	7,494,920	1.52%
Beeville Investment Partners	Apartments	6,570,560	1.33%
H.E. Butt Grocery Company	Grocery Store	6,297,410	1.28%
Beeville Oak Hill 148 LLC	Apartments	5,597,810	1.13%
Wal-Mart Stores Texas LP	Retail Center	5,190,740	1.05%
MCN Beeville LLC	Apartments	5,071,620	1.03%
Eagles Landing Equity Fund LLC	Real Estate	4,918,060	1.00%
SCD HBV LLC	Hotel	3,335,380	0.68%
Total (12.86% of 2020 Net Taxable Assessed Valuation)		\$63,502,890	12.86%

Note: The above information was taken from the Bee County Tax Assessor-Collector's Office.

TAX DATA

TABLE 4

Taxes are due October 1 and become delinquent after January 31. No split payments or discounts are allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 15% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax	% Collections	Year
		Rate	Total	Ended
2016	\$471,698,550	\$0.0000	0.00	9/30/2017
2017	472,310,200	0.0000	0.00	9/30/2018
2018	485,933,220	0.0000	0.00	9/30/2019
2019	483,348,600	0.14113	96.05*	9/30/2020
2020	493,751,394	0.0824	(In Process)	9/30/2021

Note: The above figures were taken from the Bee County Appraisal District which is compiled during the initial phase of the tax year and are subject to change, the Issuer's 2019 Annual Financial Report, the Bee County Tax Assessor-Collector's Office and information from the Issuer.

*Unaudited, as of September 30, 2019.

TAX RATE DISTRIBUTION

TABLE 5

Tax Year	2020	2019	2018	2017	2016
I & S Fund	\$0.0824	\$0.1411	\$0.0000	\$0.0000	\$0.0000

Note: The above information was taken from the Bee County Appraisal District.

GENERAL FUND

TABLE 6

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer’s audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	\$159,718	\$115,828	\$71,179	\$344,348	\$693,061
Revenues	\$2,453	\$1,232	\$619	\$533	\$118
Expenditures	47,432	77,342	73,969	341,703	369,678
Excess (Deficit) of Revenues Over Expenditures	(\$44,980)	(\$76,110)	(\$73,351)	(\$341,169)	(\$369,559)
Other Financing Sources (Uses):					
Operating Transfers In	\$254,613	\$120,000	\$118,000	\$68,000	\$0
Operating Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses):	\$254,613	\$120,000	\$118,000	\$68,000	\$0
Fund Balance - End of Year*	\$369,352	\$159,718	\$115,828	\$71,179	\$323,502

Note: The above information was provided by the Issuer.

*The District estimates the unaudited General Fund balance at FYE 9/30/2020 is \$1,133,294.

DEBT SERVICE FUND

TABLE 7

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer’s audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Fund Balance - Beginning of Year	\$281,301	\$264,041	\$323,637	\$318,258	\$308,616
Revenues	\$12,369	\$17,396	\$24,633	\$384,880	\$385,316
Expenditures	180,082	136	84,229	379,501	375,674
Excess (Deficit) of Revenues Over (Under) Expenditures	(\$167,713)	\$17,260	(\$59,596)	\$5,379	\$9,642
Other Financing Sources (Uses):					
Capital Leases	\$0	\$0	\$0	\$0	\$0
Operating Transfers In	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0
Total Other Financing Sources (Uses):	\$0	\$0	\$0	\$0	\$0
Fund Balance - End of Year*	\$113,588	\$281,301	\$264,041	\$323,637	\$318,258

Note: The above information was taken from the Issuer’s Annual Reports dated September 30, 2015 – 2019.

*The District estimates the unaudited Debt Service Fund balance at FYE 9/30/2020 is \$767,657.

OVERLAPPING DEBT DATA AND INFORMATION

(As of November 30, 2020)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete.

Furthermore, certain of the entities below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	Overlapping	Overlapping
Bee County	\$24,130,000	26.18%	\$6,317,234
Beeville Independent School district	12,306,261	63.83%	7,855,086
Beeville, City of	11,385,000	99.45%	11,322,383
Coastal Bend College	2,454,000	24.89%	610,801
Total Gross Overlapping Debt			\$26,105,503
Beeville Water Supply district	\$7,000,000 *	100.00%	\$7,000,000 *
Total Direct and Overlapping Debt			\$33,105,503 *
Ratio of Direct and Overlapping Debt to the 2020 Net Taxable Assessed Valuation			6.70% *
Per Capita Direct and Overlapping Debt			\$10,731 *

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*The Bonds. Preliminary, subject to change.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2020 Assessed Valuation	2020 Tax Rate
Bee County	\$1,809,050,123	0.6954
Beeville Independent School istrict	834,302,137	1.1917
Beeville, City of	491,122,741	0.6638
Coastal Bend College	1,914,710,463	0.1671

Source: The Bee County Appraisal District.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount		
			Authorized	Issued To-Date	Unissued
Bee County	None				
Beeville Independent School District	None				
Beeville, City of	None				
Coastal Bend College	None				
Beeville Water Supply District	05/04/19	Water and Wastewater Improvements	\$10,000,000	\$7,000,000 *	\$3,000,000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

*The Bonds. Preliminary, subject to change.

APPENDIX B

General Information Regarding the Beeville Water Supply District, the City of Beeville and Bee County, Texas

BEEVILLE WATER SUPPLY DISTRICT

Location:

1. The District is located entirely in Bee County in the City of Beeville, approximately 50 miles northwest of Corpus Christi and approximately 90 miles southeast of San Antonio.

Existing Water Supply Facilities:

1. **Ground Water:** The District does not utilize ground water.
2. **Surface Water:** Pursuant to the Water Supply Agreement between the District and the City of Corpus Christi, dated March 3, 1982, Corpus Christi sells untreated water to the District from Lake Corpus Christi. The District constructed an intake, treatment plant, pump station, and transmission line with proceeds from its first bond issue. The District provides treatment, storage, and pressure facilities necessary to meet the demands within the District. Under the terms of the agreement, Corpus Christi agrees to sell untreated water equal to the amount of water used by the District in the previous 12 month period plus ten percent or the average amount in its highest previous three years plus ten percent, whichever is greater, to the District.

The District sells potable water to the City of Beeville, which owns and operates the water distribution system within the District.

Inventory of Water Supply Facilities:

1. Table of Capacity:

Facility	Existing Capacity	Total Capacity	TCEQ Criteria	District's % Share (ESFC Capacity)
Surface Water	6.0 MGD	6.0 MGD	360 gpd/ESFC	(100%) 16,667
Ground Storage	1,923,000 gal	1,923,000 gal	200 gal/ESFC	(100%) 9,615
Elevated Storage	1,202,000 gal	1,202,000 gal	100 gal/ESFC	(100%) 12,020
Booster Pump	2 x 5,000 gpm	10,000 gpm	2 gpm/ESFC ⁽¹⁾	(100%) 5,500
Water Intake	3 x 2,500 gpm	5,000 gpm	0.6 gpm/ESFC	(100%) 8,333

Note: The District's water supply facilities are able to meet peak daily demand pursuant to 30 TAC 290.45(b)(1)(D)(iii) and has sufficient capacity for the ESFCs being served by the system.

Existing Wastewater Treatment Facilities:

The City of Beeville ("City") owns and operates a wastewater treatment plant serving all areas within the District. The District entered into a Project and Funding Agreement with the City regarding financing of rehabilitation of the Moore Street Wastewater Treatment Plant which serves the District,

Permits:

The City's plant operates under TPDES permit #WQ0010124002-001 with a permitted capacity of 3.0 MGD. The permit is for discharge to Poesta Creek.

CITY OF BEEVILLE AND BEE COUNTY, TEXAS

Beeville, Texas. The City of Beeville, Texas (the "City") is located approximately 90 miles southeast of San Antonio and 50 miles northwest of Corpus Christi at the intersection of U.S. Highways 59 and 181.

Bee County, Texas. Bee County, Texas (the "County") is a south Texas county named in honor of Colonel Barnard E. Bee who served as secretary of war during the days of the Texas Republic. Two correctional facilities, Chase Field Facility and McConnell Unit, are located in the county and employ over 2000 persons. The Regional Headquarters for the Texas Department of Criminal Justice is also located in Bee County.

County Seat: Beeville

Mineral: Oil and gas. Industry: oil production, hunting leases, government, gas production and agriculture. Agricultural: grain sorghum, cotton, corn and beef cattle.

Oil & Gas 2019: The oil production for this county accounts for 0.02% of the total state production. The county ranks 131 out of all the counties in Texas for oil production. The gas production for this county accounts for 0.15% of the total state production. The county ranks 62 out of all the counties in Texas for gas production.

Oil Production: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2018	Oil	216,629 BBL	-3.54
	2019	Oil	208,804 BBL	-3.61
Casinghead: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2018	Casinghead	244,753 MCF	-24.52
	2019	Casinghead	229,838 MCF	-6.09
Gas Well Production: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2018	GW Gas	9,851,441 MCF	-13.55
	2019	GW Gas	8,135,198 MCF	-17.42
Condensate: (Texas Railroad Commission)	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>% Change from Previous Year</u>
	2018	Condensate	78,760 BBL	-25.92
	2019	Condensate	59,203 BBL	-24.83

Retail Sales & Effective Buying Income:	Year	2018	2017	2016
Retail Sales		\$157.0M	\$203.4M	\$493.0M
Effective Buying Income (EBI)		\$526.5M	\$518.2M	\$540.9M
County Median Household Income		\$400,876	\$40,041	\$40,870
State Median Household Income		\$61,175	\$57,227	\$55,352
% of Households with EBI below \$25K		27.5%	28.9%	11.4%
% of Households with EBI above \$25K		67.5%	66.7%	66.8%

Employment Data:	2020		2019		2018	
	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>
1st Quarter:	8,986	\$83.9M	8,926	\$80.3M	8,889	\$84.9M
2nd Quarter:	8,373	\$79.8M	8,934	\$83.2M	8,916	\$80.1M
3rd Quarter:	N/A	N/A	8,807	\$82.0M	8,858	\$81.1M
4th Quarter:	N/A	N/A	8,890	\$95.4M	8,955	\$83.4M

Major Colleges and Universities: Coastal Bend College:	Year	Total	Fall Enrollment
	2018	1	4,580
	2019	1	4,850

Labor Force Statistics	Bee County		Texas		United States	
	<u>Oct. 2019</u>	<u>Oct. 2020</u>	<u>Oct. 2019</u>	<u>Oct. 2020</u>	<u>Oct. 2019</u>	<u>Oct. 2020</u>
Total Civilian Labor Force	9,884	10,011	14,161,315	14,094,292	164,576,000	161,053,000
Total Employment	9,461	9,016	13,686,986	13,144,000	159,067,000	150,433,000
Total Unemployment	423	995	474,329	950,292	5,510,000	10,620,000
Percent Unemployed	4.3	9.9	3.3	6.7	3.3	6.6

Sources: Jones-Heroy & Associates, Inc., Texas Municipal Reports, published by the Municipal Advisory Council of Texas and Demographics USA County Edition and Texas Labor Market Review. Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.

APPENDIX C

Form of Bond Counsel's Opinion

February __, 2021

**BEEVILLE WATER SUPPLY DISTRICT
UNLIMITED TAX BONDS, SERIES 2021
DATED AS OF JANUARY 1, 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

AS BOND COUNSEL FOR THE BEEVILLE WATER SUPPLY DISTRICT (the "District") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution authorizing the issuance of the Bonds (the "Resolution"), (ii) one of each of the executed Bonds, and (iii) the District's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Report, and we have further relied on, and assumed compliance by the District with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the District to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.



EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (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 whether or not the Service will commence an audit of the Bonds. 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 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 Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX D

Excerpts from the Issuer's Audited Financial Statements for the Year Ended September 30, 2019

BEEVILLE WATER SUPPLY DISTRICT

ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2019

Beeville Water Supply District
Annual Financial Report
For the Fiscal Year Ended September 30, 2019

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FINANCIAL SECTION

BEYER & Co.
CERTIFIED PUBLIC ACCOUNTANTS

Wayne R. Beyer, C.P.A.

P.O. Box 366 / 442 West Oaklawn
Pleasanton, Texas 78064
Phone: (830) 569-8781 ~ Fax: (830) 569-6776
E-mail: beyerandco@sbcglobal.net

111 North Odem
Sinton, Texas 78387

Please reply to Pleasanton address

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Beeville Water Supply District

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Beeville Water Supply District, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Beeville Water Supply District, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to 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.

Beyer & Co.

BEYER & COMPANY
Certified Public Accountants
April 9, 2020

Management's Discussion and Analysis

As management of the Beeville Water Supply District, we offer readers of the Beeville Water Supply District's financial statements this narrative overview and analysis of the financial activities of the Beeville Water Supply District for the fiscal year ended September 30, 2019.

Financial Highlights

- . The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$5,227,915 (net position). Of this amount, \$13,222 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- . The District's total net position decreased by \$270,469. This decrease is attributable to a depreciation expense of \$292,504.

Overview of the Financial Statements

This annual report consists of two parts – management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting operations in more detail than the government-wide statements.
- The *proprietary funds* statements offer short-term and long-term financial information about the water and sewer activities of the District.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how it has changed. Net position – the District's assets and deferred outflows of resources, less its liabilities and deferred inflows of resources – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, the reader needs to consider additional non-financial factors such as changes in the water and sewer revenues and expenses.

In the government-wide financial statements, all of the District's activities are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law or by bond covenants.

The District has one kind of fund:

- *Proprietary funds* – Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide statements. There is one type of proprietary fund used here:
- *Enterprise funds* account for goods and services provided to those outside the District, generally on a user-charge basis.

Notes to the Financial Statements – The notes provide disclosures and additional information that are essential to a full understanding of the financial information presented in the government-wide and fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Beeville Water Supply District, assets exceeded liabilities by \$5,227,915 at the close of the most recent fiscal year.

By far the largest portion of the Beeville Water Supply District's net position (92 percent) reflects its investment in capital assets (e.g., land, utility systems, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The Beeville Water Supply District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Beeville Water Supply District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

BEEVILLE WATER SUPPLY DISTRICT NET POSITION

	Business-Type Activities		Total	
	2019	2018	2019	2018
Current and Other Assets	\$53,329	\$67,617	\$53,329	\$67,617
Restricted Assets:	359,718	324,783	359,718	324,783
Capital Assets:	4,821,011	5,113,515	4,821,011	5,113,515
	<u>5,234,058</u>	<u>5,505,915</u>	<u>5,234,058</u>	<u>5,505,915</u>
 Total Assets	 <u>\$5,234,058</u>	 <u>\$5,505,915</u>	 <u>\$5,234,058</u>	 <u>\$5,505,915</u>
 Other Liabilities	 6,143	 7,531	 6,143	 7,531
Total Liabilities	<u>6,143</u>	<u>7,531</u>	<u>6,143</u>	<u>7,531</u>
 Invested in Capital Assets, Net of Related Debt	 4,821,011	 5,113,515	 4,821,011	 5,113,515
Restricted	393,682	358,633	393,682	358,633
Unrestricted	13,222	26,236	13,222	26,236
Total Net Position	<u>\$5,227,915</u>	<u>\$5,498,384</u>	<u>\$5,227,915</u>	<u>\$5,498,384</u>

An additional portion of the Beeville Water Supply District's net position (8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is \$13,222 and may be used to meet the District's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Beeville Water Supply District reported a positive balance in the business-type activities. For the prior fiscal year, the Beeville Water Supply District reported a positive balance in the business-type activities.

The District's total net position decreased by \$270,469. This decrease is attributable to a depreciation expense of \$292,504.

Business-Type Activities:

Business-type activities decreased the Beeville Water Supply District's net position by \$270,469. This decrease is attributable to a depreciation expense of \$292,504.

- . Ad Valorem Taxes for business-type activities increased by \$4,123.
- . Total expenses decreased by \$31,444.
- . The District received a contribution from the City of Beeville of \$54,613.

**BEEVILLE WATER SUPPLY DISTRICT
CHANGE IN NET POSITION**

	Business-Type Activities		Total	
	2019	2018	2019	2018
Revenues:				
Program Revenues:				
Charges for Services	\$18	\$27,211	\$18	\$27,211
Operating Grants and Contributions	0	30,000	0	30,000
General Revenues:				
Maintenance and Operations Taxes	8,325	4,202	8,325	4,202
Unrestricted Investment Earnings	6,593	5,040	6,593	5,040
Total Revenue	14,936	66,453	14,936	66,453
Expenses:				
Utility	340,018	371,462	340,018	371,462
Total Expenses	340,018	371,462	340,018	371,462
Increase in Net Position Before Transfers and Special Items	(325,082)	(305,009)	(325,082)	(305,009)
Transfers	54,613		54,613	0
Increase in Net Position	(270,469)	(305,009)	(270,469)	(305,009)
Net Position at 09/30/2018	5,498,384	5,803,393	5,498,384	5,803,393
Net Position at 09/30/2019	\$5,227,915	\$5,498,384	\$5,227,915	\$5,498,384

The District's total net position decreased by \$270,469. This decrease is attributable to a depreciation expense of \$292,504.

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government			
Business-Type Activities:			
Water	\$340,018	\$18	\$0
Total Business-Type Activities	\$340,018	\$18	\$0

Revenues by Source - Business-Type Activities

	<u>REVENUES</u>	<u>%</u>
Charges for Services	\$18	0%
Maintenance and Operations Taxes	8,325	56%
Unrestricted Investment Earnings	6,593	44%
	\$14,936	100%

Financial Analysis of the Government's Funds

As noted earlier, the Beeville Water Supply District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Proprietary funds:

The Beeville Water Supply District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net position of the utility fund at the end of the year amounted to \$13,222. The decrease in net position was \$270,469. Other factors concerning the finances of this fund have already been addressed in the discussion of the Beeville Water Supply District's business-type activities.

Capital Asset and Debt Administration

Capital assets:

The Beeville Water Supply District's investment in capital assets for its business-type activities as of September 30, 2019, amounts to \$4,821,011 (net of accumulated depreciation). This investment in capital assets includes land and utility systems. The total decrease in the Beeville Water Supply District's investment in capital assets for the current fiscal year was \$292,504 or 5.72 percent.

Major capital asset events during the current fiscal year included the following: None

**BEEVILLE WATER SUPPLY DISTRICT
CAPITAL ASSETS (Net of Depreciation)**

	Business-Type Activities		Total	
	2019	2018	2019	2018
Construction in Progress	0	0	0	0
Distribution System	4,821,011	5,113,515	4,821,011	5,113,515
Total	<u>\$4,821,011</u>	<u>\$5,113,515</u>	<u>\$4,821,011</u>	<u>\$5,113,515</u>

Additional information on the Beeville Water Supply District's capital assets can be found in note II C on page 23 of this report.

Long-term debt:

There was no long-term debt.

Future Outlook

The District expects its finances to remain approximately the same as in the past. Inflation will play a factor but will affect both revenues and expenditures equally. The major event planned in the future is Water System Construction.

Requests for Information

This financial report is designed to provide a general overview of the Beeville Water Supply District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Finance Department, Beeville Water Supply District, 400 N. Washington, Beeville, Texas 78102.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BEEVILLE WATER SUPPLY DISTRICT
 STATEMENT OF NET POSITION
 SEPTEMBER 30, 2019

	Primary Government	
	Business-Type Activities	Total
<i>ASSETS</i>		
Cash and Cash Equivalents	\$19,364	\$19,364
Receivables (Net of Allowance for Uncollectibles)	33,965	33,965
Restricted Assets:		
Cash and Cash Equivalents	359,718	359,718
Total Capital Assets Being Depreciated, Net		
Infrastructure	4,821,011	4,821,011
Total Assets	<u>\$5,234,058</u>	<u>\$5,234,058</u>
<i>LIABILITIES:</i>		
Accounts Payable	\$6,143	\$6,143
Total Liabilities	<u>6,143</u>	<u>6,143</u>
<i>LIABILITIES:</i>		
Net Position		
Invested in Capital Assets, Net of Related Debt	4,821,011	4,821,011
Restricted for:		
Construction	356,129	356,129
Debt Service	37,553	37,553
Unrestricted	13,222	13,222
Total Net Position	<u>\$5,227,915</u>	<u>\$5,227,915</u>

The accompanying notes are an integral part of this statement.

BEEVILLE WATER SUPPLY DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)	Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in
				Business-Type Activities	Total
Primary Government					
Business-Type Activities:					
Beeville Water Supply District Corporation	340,018	18		(340,000)	(340,000)
Total Business-Type Activities	340,018	18	0	0	(340,000)
Total Primary Government	\$340,018	\$18	\$0	\$0	(340,000)
General Revenues					
Taxes					
Property				8,325	8,325
Unrestricted Investment Earnings				6,593	6,593
Transfers				54,613	54,613
Total General Revenues and Transfers				69,531	69,531
Change in Net Position				(270,469)	(270,469)
Net Position - Beginning				5,498,384	5,498,384
Net Position - Ending				\$5,227,915	\$5,227,915

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

BEEVILLE WATER SUPPLY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Beeville Water Supply District Fund		Totals
	Current Year	Prior Year	Current Year
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$19,364	\$33,767	\$19,364
Accounts Receivables (Net of Allowance for Uncollectibles)	33,965	33,850	33,965
Total Current Assets	53,329	67,617	53,329
Noncurrent Assets			
Restricted Assets:			
Cash and Cash Equivalents - Debt Service	113,588	281,301	113,588
Cash and Cash Equivalents - Construction	246,130	43,482	246,130
Total Restricted Assets	359,718	324,783	359,718
Noncurrent Assets			
Capital Assets			
Infrastructure	11,428,413	11,428,413	11,428,413
Total Capital Assets	11,428,413	11,428,413	11,428,413
Less Accumulated Depreciation			
Total Capital Assets (Net of Accumulated Depreciation)	(6,607,402)	(6,314,898)	(6,607,402)
	4,821,011	5,113,515	4,821,011
Total Noncurrent Assets	4,821,011	5,113,515	4,821,011
TOTAL ASSETS	\$5,234,058	\$5,505,915	\$5,234,058

(continued)

(continued)

	Business-Type Activities Enterprise Funds		
	Beeville Water Supply District		Totals
	Fund		
	Current Year	Prior Year	Current Year
LIABILITIES, FUND EQUITY AND OTHER CREDITS			
Liabilities			
Current Liabilities (Payable from Current Assets)			
Accounts Payable	\$6,143	\$7,531	\$6,143
Total Current Liabilities (Payable from Current Assets)	6,143	7,531	6,143
Total Current Liabilities	6,143	7,531	6,143
Total Liabilities	6,143	7,531	6,143
Invested in Capital Assets, Net of Related Debt	4,821,011	5,113,515	4,821,011
Restricted for Debt Service - Expendable	37,553	225,151	37,553
Restricted for Construction - Expendable	356,129	133,482	356,129
Unrestricted	13,222	26,236	13,222
Total Net Position	\$5,227,915	\$5,498,384	\$5,227,915

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

BEEVILLE WATER SUPPLY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Beeville Water Supply District		Totals
	Fund		
	Current Year	Prior Year	Current Year
OPERATING REVENUES:			
Charges for Services - Water			
Charges for Services - Sewer			
Miscellaneous	18	27,211	18
Total Operating Revenues	18	27,211	18
OPERATING EXPENSES:			
Personal Services			
Supplies			
Other Services and Charges	47,514	77,478	47,514
Depreciation	292,504	293,984	292,504
Total Operating Expenses	340,018	371,462	340,018
 Operating Income (Loss)	 (340,000)	 (344,251)	 (340,000)
NON-OPERATING REVENUES (EXPENSES):			
Interest Income	6,593	5,040	6,593
Property Taxes	8,325	4,202	8,325
Total Non-Operating Revenues (Expenses)	14,918	9,242	14,918
 Income Before Transfers	 (325,082)	 (335,009)	 (325,082)
Transfers In (Out) - Net	54,613	30,000	54,613
 Change in Net Position	 (270,469)	 (305,009)	 (270,469)
Total Net Position - Beginning	5,498,384	5,803,393	5,498,384
Total Net Position - Ending	\$5,227,915	\$5,498,384	\$5,227,915

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

BEEVILLE WATER SUPPLY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Business-Type Activities		
	Enterprise Funds		
	Beeville Water Supply District		Totals
	Fund		
	Current Year	Prior Year	Current Year
Cash Flows from Operating Activities			
Receipts from Customers and Users	(\$97)	\$36,578	(\$97)
Payments to Suppliers	(48,902)	(65,088)	(48,902)
Payments to Employees	0	0	0
Net Cash Provided (Used) by Operating Activities	(48,999)	(28,510)	(48,999)
Cash Flows from Non-Capital and Related Financing Activities			
Tax Revenues	8,325	4,202	8,325
Subsidy from Federal Grant			
Transfers In/Out	54,613	30,000	54,613
Net Cash Provided (Used) by Non-Capital and Related Financing Activities	62,938	34,202	62,938
Cash Flows from Capital and Related Financing Activities			
Purchases of Capital Assets	0	(27,192)	0
Net Cash Provided (Used) by Capital and Related Financing Activities	0	(27,192)	0
Cash Flows from Investing Activities			
Interest Received	6,593	5,040	6,593
Net Cash Provided (Used) by Investment Activities	6,593	5,040	6,593
Net Increase (Decrease) in Cash Equivalents	20,532	(16,460)	20,532
Cash and Cash Equivalents at Beginning of Year	358,550	375,010	358,550
Cash and Cash Equivalents at End of Year	\$379,082	\$358,550	\$379,082
Unrestricted	\$19,364	\$33,767	\$19,364
Restricted	359,718	324,783	359,718
Total	\$379,082	\$358,550	\$379,082

(continued)

(continued)

	Business-Type Activities		
	Enterprise Funds		
	Beeville Water Supply District Fund		Totals
	Current Year	Prior Year	Current Year
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	(\$340,000)	(\$344,251)	(\$340,000)
Adjustments to Reconcile to Net Cash Flow			
Non-Cash Items Included in Net Income			
Depreciation	292,504	293,984	292,504
Changes in Current Items			
Decrease (Increase) in Accounts Receivable	(115)	9,367	(115)
Decrease (Increase) in Due to/from Other Funds		34,000	
Increase (Decrease) in Accounts Payable	(1,388)	(21,610)	(1,388)
Net Cash Provided (Used) by Operating Activities	<u>(\$48,999)</u>	<u>(\$28,510)</u>	<u>(\$48,999)</u>
Noncash Investing, Capital, and Financing Activities:			
Federal Grants	None	None	None

BEEVILLE WATER SUPPLY DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

I. Summary of significant accounting policies

Reporting entity

Beeville Water Supply District was incorporated June 15, 1979 under Article 1434 A, of the Revised Civil Statutes of Texas of 1925, as amended, and as supplement by the Texas Non-Profit Corporate Act, Article 1396-1.01, et seq., of the Revised Civil Statutes of Texas. The District also applies all relevant Government Accounting Standards Board (GASB) pronouncements. The following is a summary of the more significant policies.

Basis of Accounting/Measurement Focus

A. Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Business-Type Activities for the District accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the District are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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

B. Proprietary Fund Financial Statements

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the Utility Fund (Water and Sewer) are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major proprietary funds:

The utility fund accounts for the activities of the District’s water operations.

C. Assets, liabilities, and net assets or equity

1. Deposits and investments

The government's cash and cash equivalents are cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury. Investments for the government are reported at fair value.

For purposes of the Statement of Cash Flows, the District considered all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All cash and investments of the proprietary fund types are pooled with the District's pooled cash and investments.

2. Receivables and payables

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 1 percent of current outstanding property taxes at September 30, 2019, and 10 percent of delinquent outstanding property taxes at September 30, 2019. Property is appraised and a lien on such property becomes enforceable as of January 1, subject to certain procedures for rendition, appraisal, appraisal review and judicial review. Traditionally, property taxes are levied October 1, of the year in which assessed or as soon thereafter as practicable. Taxes are due and payable when levied since that is when the District bills the taxpayers. The District begins to collect the taxes as soon as the taxpayers are billed.

3. Restricted assets

The restricted assets at September 30, 2019 were \$113,588 for debt service and \$246,130 for Construction.

4. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., utility systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<i>Assets</i>	<i>Years</i>
Infrastructure	10-50

5. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

6. Restricted Net Position

The restricted net position at September 30, 2019 consists of \$37,553 for debt service and \$356,129 for Construction.

7. Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

8. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

9. Fund balance flow assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

II. Detailed notes on all funds

A. Deposits and investments

Legal and Contractual Provisions Governing Deposits and Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is not in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments:

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The District's depository contract is with the City of Beeville. The District addresses the following risks:

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2019, the government's bank balance of \$358,469 in the District depository (Prosperity Bank) was not exposed to custodial credit risk because it was fully insured and collateralized with securities held by the pledging financial institution's trust department or agent, in the government's name. The fair market value of the securities pledged is \$14,397,272 and the FDIC coverage is \$250,000. The book balance of the District's bank balances at September 30, 2019 is \$379,082.

As of September 30, 2019, the District had the following investments: None

B. Receivables

Receivables as of year-end for property taxes, including the applicable allowances for uncollectible accounts, are as follows:

	Beeville Water Supply District	
	District	Total
<u>Receivables</u>		
Taxes		
Property	\$37,611	\$37,611
Gross Receivables	<u>37,611</u>	<u>37,611</u>
Less: Allowance for Uncollectibles	<u>3,646</u>	<u>3,646</u>
Net Total Receivables	<u>\$33,965</u>	<u>\$33,965</u>

C. Capital assets

Capital asset activity for the year ended September 30, 2019 was as follows:

Proprietary Funds:	Beginning			Ending
Capital assets not being depreciated:	Balances	Increases	Decreases	Balances
Land	\$0			\$0
Construction in Progress	0			\$0
Total capital assets not being depreciated:	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital assets being depreciated:				
Building and Improvements	0			0
Machinery, Equipment and Vehicles	0			0
Distribution System	11,428,413			11,428,413
Total capital assets being depreciated:	<u>11,428,413</u>	<u>0</u>	<u>0</u>	<u>11,428,413</u>
Less: Accumulated Depreciation for:				
Building and Improvements	0			0
Machinery, Equipment and Vehicles	0			0
Distribution System	6,314,898	292,504		6,607,402
Total Accumulated Depreciation	<u>6,314,898</u>	<u>292,504</u>	<u>0</u>	<u>6,607,402</u>
Total Capital Assets Depreciated, Net	<u>5,113,515</u>	<u>(292,504)</u>	<u>0</u>	<u>4,821,011</u>
Proprietary Fund Activities capital assets, Net	<u>\$5,113,515</u>	<u>(\$292,504)</u>	<u>\$0</u>	<u>\$4,821,011</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Business-Type Activities	
Beeville Water Supply District	<u>\$292,504</u>
Total Depreciation Expense - Business-Type Activities	<u>\$292,504</u>

D. Interfund receivables, payables, and transfers

There was no due to/from other funds at September 30, 2019.

There were no interfund fund transfers for the year ended September 30, 2019.

E. Leases

The District had no Operating Leases for the year ended September 30, 2019. Rent expenditures were \$0 for the year ended September 30, 2019. Sublease rental income was \$0 for the year ended September 30, 2019.

F. Long-term debt

There was no long-term debt.

III. Other information

A. Risk management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate.

	Year Ended September 30, 2019	Year Ended September 30, 2018
Unpaid Claims, beginning of fiscal year	\$0	\$0
Incurred Claims (including IBNRs)	0	0
Claim Payments	0	0
Unpaid Claims, end of fiscal year	<u>\$0</u>	<u>\$0</u>

B. Related party transaction

There were no related party transactions.

C. Subsequent events

There were no subsequent events requiring disclosure.

D. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The District is not a defendant in any lawsuit.

E. Pension Plan

The government does not have a pension plan.

F. Texas Water Development Board Notes

The 2019 activity for the Bond Reserve Fund and the Interest and Sinking Fund is as follows:

	DEBT SERVICE FUND	TOTAL
BALANCE AT OCTOBER 1, 2018	\$281,301	\$281,301
AD VALOREM TAXES	8,209	8,209
INTEREST INCOME	4,142	4,142
OTHER INCOME	18	18
MISCELLANEOUS EXPENSE	(82)	(82)
TRANSFER TO OTHER FUNDS (NET)	(180,000)	(180,000)
BALANCE AT SEPTEMBER 30, 2019	<u>\$113,588</u>	<u>\$113,588</u>
 TOTAL 2019 AD VALOREM TAXES	 \$8,325	
ADD: DEPRECIATION	292,504	
LESS: 2019 OPERATING EXPENSES	(340,018)	
LESS: 2019 DEBT SERVICE REQUIREMENT	0	
 (OVERAGE)/COVERAGE	 <u>(\$39,189)</u>	