

OFFICIAL STATEMENT  
Dated December 17, 2024

**Ratings:**  
**S&P (insured/underlying): “AA”/“A+”**  
**Insurance: BAM**  
**(See “BOND INSURANCE” and**  
**OTHER INFORMATION –**  
**Ratings” herein)**

**NEW ISSUE - Book-Entry-Only**

In the opinion of Special Tax 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, including the alternative minimum tax on certain corporations.

**THE BONDS HAVE NOT BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS**



**\$12,000,000**  
**CADDO BASIN SPECIAL UTILITY DISTRICT**  
**(Hunt and Collin Counties, Texas)**  
**UTILITY SYSTEM REVENUE BONDS, SERIES 2025**

**Dated Date: December 15, 2024;**  
**Interest to Accrue from the Date of Initial Delivery**

**Due: September 1, as shown on page 2**

**PAYMENT TERMS . . .** Interest on the \$12,000,000 Caddo Basin Special Utility District Utility System Revenue Bonds, Series 2025 (the “Bonds”) will accrue from the date of initial delivery of the Bonds, will be payable September 1 and March 1 of each year commencing September 1, 2025, 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. **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”). The initial Paying Agent/Registrar is Wilmington Trust, N.A., Buffalo, New York (see “THE BONDS - Paying Agent/Registrar”).

**AUTHORITY FOR ISSUANCE...**The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65, Texas Water Code, as amended, and the order (the “Order”) passed by the Board of Directors of the Caddo Basin Special Utility District (the “District”) on December 17, 2024. The Bonds are special obligations of the District, payable solely from and, together with the outstanding Previously Issued Bonds, equally and ratably secured by a first lien on and pledge of the “Net Revenues” resulting from the ownership and operation of the District’s “System” (defined herein). The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District or the System, except with respect to the Net Revenues. See “SELECTED PROVISIONS OF THE RESOLUTION” herein. **Holders of the Bonds will never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.** See “THE BONDS – Authority for Issuance” and “THE BONDS – Security for the Bonds”.

**PURPOSE . . .** Proceeds of the Bonds will be used (i) to acquire, construct, and equip its water system, including an elevated water storage tank, a high service pump station, and an underground concrete storage tank, together with any related water lines, yard piping, pumps, valves, fittings, electrical controls and wiring, SCADA, backup generator, and related infrastructure improvements; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds. See “THE BONDS - Purpose”.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company. See “BOND INSURANCE”.

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**CUSIP PREFIX: 127212**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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**LEGALITY...** The Bonds are offered for delivery when, as and if issued and received by the initial purchaser(s) (the “Purchaser” or “Initial 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, Dallas, Texas (see APPENDIX C, “Form of Bond Counsel’s Opinion”).

**DELIVERY...** The Bonds are expected to be available for delivery through DTC on January 16, 2025.

## MATURITY SCHEDULE

Principal Amount	September 1 Maturity	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
\$ 350,000	2025	6.000%	3.250%	CN6
180,000	2026	6.000%	3.150%	CP1
190,000	2027	6.000%	3.050%	CQ9
200,000	2028	6.000%	3.050%	CR7
215,000	2029	6.000%	3.100%	CS5
225,000	2030	6.000%	3.150%	CT3
240,000	2031	5.000%	3.200%	CU0
250,000	2032	4.000%	3.300%	(2) CV8
260,000	2033	4.000%	3.350%	(2) CW6
270,000	2034	4.000%	3.400%	(2) CX4
285,000	2035	4.000%	3.500%	(2) CY2
295,000	2036	4.000%	3.600%	(2) CZ9
305,000	2037	4.000%	3.700%	(2) DA3
320,000	2038	4.000%	3.800%	(2) DB1
385,000	2039	4.000%	3.900%	(2) DC9
400,000	2040	4.000%	4.000%	DD7
415,000	2041	4.000%	4.050%	DE5
435,000	2042	4.000%	4.090%	DF2
450,000	2043	4.000%	4.130%	DG0
470,000	2044	4.000%	4.160%	DH8
490,000	2045	4.000%	4.182%	DJ4
505,000	2046	4.000%	4.176%	DK1
530,000	2047	4.000%	4.172%	DL9
550,000	2048	4.000%	4.167%	DM7
570,000	2049	4.000%	4.163%	DN5
595,000	2050	4.000%	4.159%	DP0
615,000	2051	4.000%	4.156%	DQ8
640,000	2052	4.000%	4.153%	DR6
670,000	2053	4.000%	4.150%	DS4
695,000	2054	4.000%	4.147%	DT2

## (Interest accrues from date of initial delivery)

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- (2) The initial reoffering yields indicated above represent the lower of the yields resulting when priced to the first call date, September 1, 2031.

**REDEMPTION** . . . The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2031, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption”).

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.*

*The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the District Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.*

*Neither the District nor the Purchasers make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been provided by DTC. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau, and are included solely for the convenience of the owners of the Bonds. Neither the District nor the Purchasers shall be responsible for the selection or correctness of the CUSIP numbers shown on the inside cover page.*

**BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”) MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM, SUPPLIED BY BAM AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY”.**

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

**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**..... Caddo Basin Special Utility District (the "District") is the successor entity to Hopewell Water Supply Corporation (the "Corporation"). The Corporation was organized and incorporated February 15, 1967. On December 14, 1988, the Texas Water Commission (now the Texas Commission on Environmental Quality) approved conversion of the Corporation to the Caddo Basin Special Utility District. A confirmation election was held in the District on May 6, 1989 and passed by a vote of 94 to 14. At the time the Hopewell Water Supply Corporation was dissolved and all assets and liabilities and equity of the Corporation were transferred to the newly created District.

The District is governed by a Board of seven Directors. The District comprises approximately 250 square miles in an area, located in Hunt and Collin Counties, and contained within its boundaries, territory within the extraterritorial jurisdiction of the City of Caddo Mills as well as territory that includes all or part of the unincorporated communities of Clinton, Floyd, Hendrix, Kingston, Kellogg, Merit, Nevada, Pleasant Valley, and Wagner, Texas (see "INTRODUCTION – Description of the Bonds").

**THE BONDS** ..... The \$12,000,000 Caddo Basin Special Utility District Utility System Revenue Bonds, Series 2025 are issued as serial bonds maturing September 1, 2025 through and including September 1, 2054 (see "THE BONDS - Description of the Bonds").

**PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the date of initial delivery, and is payable September 1, 2025, and each March 1 and September 1 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Redemption").

**AUTHORITY FOR ISSUANCE** ..... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65, Texas Water Code, as amended, and the order (the "Order") passed by the Board of Directors of the District on December 17, 2024. The Bonds are special obligations of the District (see "THE BONDS - Authority for Issuance").

**SECURITY FOR THE BONDS** ..... The Bonds are special obligations of the District, payable solely from and, together with the outstanding Previously Issued Bonds, equally and ratably secured by a first lien on and pledge of the "Net Revenues" resulting from the ownership and operation of the District's "System" (defined herein). The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the District or the System, except with respect to the Net Revenues. See "SELECTED PROVISIONS OF THE RESOLUTION" herein. **Holders of the Bonds will never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.** See "THE BONDS – Authority for Issuance" and "THE BONDS – Security for the Bonds".

**REDEMPTION** ..... The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2031, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (see "THE BONDS – Redemption").

**TAX EXEMPTION**..... In the opinion of Bond Counsel, 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 the caption "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

**USE OF PROCEEDS** ..... Proceeds of the Bonds will be used (i) to acquire, construct, and equip its water system, including an elevated water storage tank, a high service pump station, and an underground concrete storage tank, together with any related water lines, yard piping, pumps, valves, fittings, electrical controls and wiring, SCADA, backup generator, and related infrastructure improvements; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds. See "THE BONDS - Purpose".

**RATINGS** ..... The Bonds have been rated “AA” (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. The Bonds underlying rating is “A+” by S&P without regard to credit enhancement (see “OTHER INFORMATION – Ratings”). See “BOND INSURANCE” and “BOND INSURANCE RISKS” herein.

**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 District has never defaulted in payment of its bonds.

For additional information regarding the District, please contact:

Caddo Basin Special Utility District  
Kevin Wendland  
General Manager  
156 County Road 1118  
Greenville, Texas 75401  
(903) 527-3504

or

Specialized Public Finance Inc.  
Steven A. Adams, CFA  
Paul N. Jasin  
4925 Greenville, Suite 1350  
Dallas, Texas 75206  
(214) 373-3911

*The remainder of this page left blank intentionally.*

**DISTRICT OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>Board of Directors</u>	<u>Term Expires</u>	<u>Length of Service to the District</u>
Jerry Leinart President	May, 2027	32 Years
Charlie Patterson Vice President	May, 2027	27 Years
Elwood Jones Secretary/Treasurer	May, 2027	35 Years
Ronnie Clack Director	May, 2025	6 Years
Bear Boyle Director	May, 2025	3 Years
Kirk Hammack Director	May, 2025	3 Years
Kenneth Pendergrass Director	May, 2027	1 Year

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service to the District</u>
Kevin Wendland	General Manager	40 Years
Michelle Metcalf	Business Manager	30 Years

**CONSULTANTS AND ADVISORS**

Auditors ..... Rutherford, Taylor & Company, P.C.  
Greenville, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

District’s Financial Advisor.....Specialized Public Finance Inc.  
Dallas, Texas

**OFFICIAL STATEMENT  
RELATING TO**

**\$12,000,000  
CADDO BASIN SPECIAL UTILITY DISTRICT  
UTILITY SYSTEM REVENUE BONDS, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$12,000,000 Caddo Basin Special Utility District Utility System Revenue Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (as hereinafter defined), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE ORDER").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Caddo Basin Special Utility District (the "District" or "Issuer") 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., Dallas, Texas.

**DESCRIPTION OF THE DISTRICT** . . . The District is the successor entity to Hopewell Water Supply Corporation (the "Corporation"). The Corporation was organized and incorporated February 15, 1967. On December 14, 1988, the Texas Water Commission (now the Texas Commission on Environmental Quality) approved conversion of the Corporation to the Caddo Basin Special Utility District. A confirmation election was held in the District on May 6, 1989 and passed by a vote of 94 to 14. At that time the Hopewell Water Supply Corporation was dissolved and all assets and liabilities and equity of the Corporation were transferred to the newly created District. The District is governed by a Board of seven directors. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters.

The District comprises approximately 250 square miles in area located in Hunt and Collin Counties and contains within its boundaries territory within the extraterritorial jurisdiction of the City of Caddo Mills as well as territory that includes all or part of the unincorporated communities of Clinton, Floyd, Hendrix, Kingston, Kellogg, Merit, Nevada, Pleasant Valley, and Wagner, Texas.

**THE BONDS**

**PURPOSE** . . . Proceeds of the Bonds will be used (i) to acquire, construct, and equip its water system, including an elevated water storage tank, a high service pump station, and an underground concrete storage tank, together with any related water lines, yard piping, pumps, valves, fittings, electrical controls and wiring, SCADA, backup generator, and related infrastructure improvements; (ii) to fund a debt service reserve fund; and (iii) to pay certain other costs related to the issuance of the Bonds.

**DESCRIPTION OF THE BONDS** . . . The Bonds are dated December 15, 2024, and mature on September 1 in each of the years and in the amounts shown on page two hereof. Interest will accrue from the date of initial delivery of the Bonds, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on September 1 and March 1, commencing September 1, 2025, 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.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon prior redemption, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System" below.

**AUTHORITY FOR ISSUANCE** . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 65, Texas Water Code, as amended, and the Order passed by the Board of Directors of the District on December 17, 2024.

**SECURITY FOR THE BONDS . . .** The Bonds are special obligations of the District payable, both as to principal and interest, solely from and, together with the outstanding Previously Issued Bonds (identified and defined below), secured by a first lien on and pledge of the Net Revenues of the District's utility system (the "System"). The Net Revenues are defined in the Order as the Gross Revenues (defined below) of the System after deducting the System Operating and Maintenance Expenses (defined below). The Bonds are further secured by amounts on deposit in the Reserve Fund (see "SUMMARY OF CERTAIN PROVISIONS OF THE ORDER"). **The District has no taxing powers and has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.**

The term "Gross Revenues" means, with respect to the System and for any defined period, all income and revenues derived from the operations and ownership of the System, excluding, however, meter deposits, gifts, or grants in aid of construction and similar kinds of receipts and moneys restricted as to use or expenditure.

The term "Operating and Maintenance Expenses" means, for any defined period, all reasonable costs of operating and maintaining the System, including all salaries, labor, materials, utility charges and other costs and expenses which, according to generally accepted accounting principles or by statute, are treated as, or deemed to be, operating and maintenance expenses as opposed to capital expenditures of costs, including payments under contracts for the purchase of water supply. Depreciation charges and payments into and from the Bond Fund and Reserve Fund referenced herein and maintained for the payment and security of Bonds Similarly Secured and similar funds maintained for obligations payable from and secured by a lien on and pledge of the Net Revenues shall never be considered as Operating and Maintenance Expenses.

**RESERVE FUND REQUIREMENT . . .** As additional security, a Reserve Fund is required to be maintained in an amount equal to the maximum annual principal and interest requirement (calculated on a Fiscal Year basis and determined as of the date of issuance of the last series of Bonds Similarly Secured then Outstanding) for all Bonds Similarly Secured Outstanding (the "Required Reserve"). By reason of the issuance of the Bonds, the Required Reserve to be accumulated and maintained in the Reserve Fund is \$855,025.00. The District will deposit the sum of \$492,258.03 to the Reserve Fund from bond proceeds to fund the Required Reserve (see "SUMMARY OF CERTAIN PROVISIONS OF THE ORDER – Reserve Fund").

**ADDITIONAL BONDS . . .** In addition to the right to issue bonds of inferior lien as authorized by law, the District reserves the right to issue or incur bonds or other contractual obligations in the future that are secured on a parity with the Bonds (the "Additional Bonds," and, together with the Bonds and the Previously Issued Bonds, the "Bonds Similarly Secured"). Additional Bonds will be secured by and payable from a first lien on and pledge of the Net Revenues of the System on a parity with all other Bonds Similarly Secured; provided, however, that no Additional Bonds may be issued unless the conditions specified therefor in the Order are met, including (1) the officer of the District then having the primary responsibility for the financial affairs of the District shall have executed a certificate to the effect (a) that, to the best of his knowledge and belief, the District is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the District payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations, and (b) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein; (2) the Additional Bonds shall be scheduled to mature or be payable as to principal on March 1 or September 1 (or both) in each year the same are to be outstanding or during the term thereof; and (3) the District has secured a certificate or opinion of a certified public accountant to the effect that, according to the books and records of the District, the Net Revenues, for the last completed Fiscal Year, or for a twelve consecutive month period ending not more than ninety (90) days preceding the month the order authorizing the issuance of the Additional Bonds is adopted, are at least equal to 1.25 times the Average Annual Debt Service Requirement for all revenue obligations then Outstanding which are payable from and secured by a lien on and pledge of the Net Revenues of the System, after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Net Revenues, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the above Net Revenues coverage test, make a pro forma determination of the Net Revenues of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the certificate or opinion of the accountant. See "SUMMARY OF CERTAIN PROVISIONS OF THE ORDER – Issuance of Additional Bonds".

**PREVIOUSLY ISSUED BONDS . . .** The District has outstanding bonds secured by and payable from a lien on the Net Revenues of the System that is on a parity with the Bonds (the "Previously Issued Bonds"), as follows: "Caddo Basin Special Utility District Utility System Revenue Bonds, Series 2019", dated April 15, 2019, now outstanding in the principal amount of \$1,950,000.

**RATES . . .** In the Order, the District covenants and agrees that rates and charges for services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies, that are reasonably expected to provide Gross Revenues each Fiscal Year: (1) to pay all Operating and Maintenance Expenses; (2) to produce Net Revenues equal to the greater of (i) 1.20 times the Average Annual Debt Service for all Bonds Similarly Secured then Outstanding or (ii) the amounts to pay the annual Debt Service to become due and payable on all Bonds Similarly Secured then Outstanding and to make the required deposits to the Bond Fund and Reserve Fund, if any; and (3) to pay any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.



**FLOW OF FUNDS . . .** There has been created and established and shall be maintained on the books of the District, and accounted for separate and apart from all other funds of the District, a special fund entitled the "Utility System Operating Fund" (the "System Fund"). All Gross Revenues shall be credited to the System Fund immediately upon receipt and revenues deposited to said System Fund shall be pledged and appropriated to the following uses and in the priority shown below:

FIRST: To the payment of all necessary and reasonable Operating and Maintenance Expenses of the System.

SECOND: To the payment of the amounts required to be deposited in the Bond Fund for the payment of the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable, and

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to accumulate and maintain the Required Reserve in accordance with the provisions of the Order or any other order relating to issuance of Bonds Similarly Secured.

Any Net Revenues remaining in the System Fund after satisfying the foregoing payments, or making adequate and sufficient provisions for the payment thereof, may be appropriated and used for any other purpose now or hereafter permitted by law. See "SUMMARY OF CERTAIN PROVISIONS OF THE ORDER – System Fund".

**REDEMPTION . . .** The Bonds are subject to redemption prior to maturity at the option of the District, as a whole or from time to time in part, on September 1, 2031, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption.

**NOTICE OF REDEMPTION . . .** Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may 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 such Bonds have not been redeemed.

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

**DEFEASANCE . . .** The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment and/or (2) Government 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 Government Securities. The Order provides that the term "Government Securities" means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

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

Upon defeasance, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (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.

Upon making such deposit in the manner described, such defeased Bonds shall no longer be deemed outstanding obligations secured by the Order, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose.

**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 DTC 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 Bond 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, bond certificates are required to be printed and delivered.

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

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

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the 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 Order 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 District's Financial Advisor, or the Purchaser.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is Wilmington Trust, N.A., Buffalo, New York. In the Order, 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 will be printed and delivered to the beneficial owners thereof and, thereafter, 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 respective 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 "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any such transfer or exchange during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or, with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, such limitation on transfer shall not be applicable to an exchange by the Registered Owner of an unredeemed balance of a Bond called for redemption in part.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds 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 Order 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 Bonds Similarly Secured Outstanding, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Order, the Order and Chapter 65 of the Texas Water Code 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 Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, and 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 Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371 of the Texas Government Code, which pertains to the issuance of public securities by issuers such as the District, including the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, the District has not waived sovereign immunity, as permitted by Chapter 1371. As a result, Bondholders may not be able to bring such a suit against the District for breach of the Bond or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. 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. 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, such as the Pledged Revenues, such provisions are subject to judicial construction. 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. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, governmental immunity, and by principles of equity which permit the exercise of judicial discretion.

**AMENDMENTS TO THE ORDER . . .** In the Order, the District has reserved the right to amend the Order without the consent of any Holder in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

In addition, the District may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission. Reference is made to the Order for further provisions relating to the amendment thereof.

**USE OF PROCEEDS . . .** The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Par Amount of Bonds	\$ 12,000,000.00
Bond Discount	<u>(303,747.41)</u>
Total Sources of Funds	<u>\$ 11,696,252.59</u>
Uses of Funds:	
Deposit to Project Construction Fund	\$ 10,747,994.56
Deposit to Debt Service Reserve Fund	492,258.03
Costs of Issuance/Bond Insurance Premium	<u>456,000.00</u>
Total Uses of Funds	<u>\$ 11,696,252.59</u>

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## BOND INSURANCE

**BOND INSURANCE POLICY** . . . Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

**BUILD AMERICA MUTUAL ASSURANCE COMPANY** . . . BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com/>.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

**Capitalization of BAM** . . . BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.6 million, \$246.3 million and \$256.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM’s most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM’s website at [www.bambonds.com](http://www.bambonds.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “BOND INSURANCE”.

**Additional Information Available from BAM . . . Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at <https://bambonds.com/insights/#video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM’s website at <https://bambonds.com/credit-profiles/>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

*The information in this “BOND INSURANCE” section regarding BAM has been provided by BAM for use in this Official Statement, but the Board takes no responsibility for the accuracy or completeness thereof.*

## **BOND INSURANCE RISKS**

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

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from System revenues. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

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

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

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . .** Moody’s Investor Services, Inc., S&P Global Ratings, a division of S&P Global Ratings Inc., and Fitch Ratings (the “Rating Agencies”) have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

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## THE UTILITY SYSTEM

The District buys treated water from North Texas Municipal Water District ("NTMWD") at Lake Lavon. The District receives the water via a 24-inch main through a four inch meter. At the first main pump station, there is a 600,000 gallon ground storage and 500,000 underground storage. The water is pumped through the system by three pumps at 350 GPM, 650 GPM or 950 GPM. At the second pump station, there is a 1,000,000 gallon storage tank with three additional pumps. The total system is looped by three 300,000 gallon elevated storage towers and an additional 100,000 gallon elevated storage tower. The total system can be monitored and controlled both electronically and manually.

**TABLE 1 – HISTORICAL WATER CONSUMPTION**

Fiscal Year Ended 31-Dec	Number of Water Customers	Average Daily Usage (Gallons)	Peak Day Usage (Gallons)	Total Usage (Gallons)
2019	4,515	1,083,450	1,335,916	407,690,258
2020	4,741	1,202,967	1,625,010	452,848,616
2021	4,917	1,212,087	1,425,076	456,094,845
2022	4,716	1,414,405	2,013,782	532,224,742
2023	4,831	1,330,183	1,718,467	500,532,990

Source: the District.

**TABLE 2 – TEN LARGEST WATER CUSTOMERS (AS OF DECEMBER, 2023)**

Customer	Type of Customer	Average Usage Total (Gallons)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Bell Concrete	Industrial	928,966	0.19%	\$ 104,944	2.27%
Holiday Road RV Park	Commercial	214,566	0.04%	26,730	0.58%
Austin Asphalt	Industrial	203,841	0.04%	22,926	0.50%
RCCG	Commercial	150,166	0.03%	11,398	0.25%
Bland ISD	Institutional	104,766	0.02%	10,867	0.24%
Brushy Creek RV Park	Commercial	88,133	0.02%	10,150	0.22%
RCCG	Commercial	66,391	0.01%	7,117	0.15%
Community Middle School	Institutional	58,141	0.01%	6,327	0.14%
Premier RV Park	Commercial	53,491	0.01%	5,751	0.12%
Community Elementary School	Institutional	51,958	0.01%	5,682	0.12%
		<u>1,920,419</u>	<u>0.38%</u>	<u>\$ 211,891</u>	<u>4.59%</u>

Source: the District.

**TABLE 3 – MONTHLY WATER RATES (AS OF JANUARY, 2025)**

**THE DISTRICT'S MONTHLY BASE RATES FOR WATER SERVICE ARE AS FOLLOWS.** In addition to the Base Rate, customers shall be assessed a Gallonage Charge at the following rates for water usage during any one billing period:

Monthly Minimum:	\$ 35.00		
1 to 10,000 gallons	\$ 6.26	per 1,000 gallons	
Over 10,000 gallons	\$ 9.83	per 1,000 gallons	

In accordance with TCEQ regulations, the District shall collect from each customer a regulatory assessment equal to 0.5 percent of the monthly charges for water and sewer service.

**TABLE 4 – NEW SERVICE CONNECTION FEE (AS OF JANUARY, 2025)**

\$150.00 Deposit and a \$100.00 Service Fee.

New taps require an additional \$2,600.00 Impact Fee plus a \$750.00 Connect Fee and a \$150.00 Deposit.

Impact Fee revenues may not be used to pay debt service on the Bonds.



**DEBT INFORMATION**

**TABLE 5 - REVENUE DEBT SERVICE REQUIREMENTS**

Year Ending 12/31	Outstanding Debt Service			The Bonds <sup>(1)</sup>			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2025	\$ 105,000	\$ 58,413	\$ 163,413	\$ 350,000	\$ 318,500	\$ 668,500	\$ 831,913
2026	110,000	55,788	165,788	180,000	488,600	668,600	834,388
2027	115,000	52,488	167,488	190,000	477,800	667,800	835,288
2028	120,000	49,038	169,038	200,000	466,400	666,400	835,438
2029	125,000	45,438	170,438	215,000	454,400	669,400	839,838
2030	130,000	41,688	171,688	225,000	441,500	666,500	838,188
2031	135,000	37,788	172,788	240,000	428,000	668,000	840,788
2032	140,000	33,738	173,738	250,000	416,000	666,000	839,738
2033	145,000	29,538	174,538	260,000	406,000	666,000	840,538
2034	150,000	25,188	175,188	270,000	395,600	665,600	840,788
2035	160,000	20,688	180,688	285,000	384,800	669,800	850,488
2036	165,000	15,888	180,888	295,000	373,400	668,400	849,288
2037	170,000	10,938	180,938	305,000	361,600	666,600	847,538
2038	180,000	5,625	185,625	320,000	349,400	669,400	855,025
2039	-	-	-	385,000	336,600	721,600	721,600
2040	-	-	-	400,000	321,200	721,200	721,200
2041	-	-	-	415,000	305,200	720,200	720,200
2042	-	-	-	435,000	288,600	723,600	723,600
2043	-	-	-	450,000	271,200	721,200	721,200
2044	-	-	-	470,000	253,200	723,200	723,200
2045	-	-	-	490,000	234,400	724,400	724,400
2046	-	-	-	505,000	214,800	719,800	719,800
2047	-	-	-	530,000	194,600	724,600	724,600
2048	-	-	-	550,000	173,400	723,400	723,400
2049	-	-	-	570,000	151,400	721,400	721,400
2050	-	-	-	595,000	128,600	723,600	723,600
2051	-	-	-	615,000	104,800	719,800	719,800
2052	-	-	-	640,000	80,200	720,200	720,200
2053	-	-	-	670,000	54,600	724,600	724,600
2054	-	-	-	695,000	27,800	722,800	722,800
	<u>\$ 1,950,000</u>	<u>\$ 482,238</u>	<u>\$ 2,432,238</u>	<u>\$ 12,000,000</u>	<u>\$ 8,902,600</u>	<u>\$ 20,902,600</u>	<u>\$ 23,334,838</u>

(1) Interest on the Bonds has been calculated at the rates set forth on page 2.

**ANTICIPATED ISSUANCE OF REVENUE BONDS . . .** The District does not anticipate issuing additional revenue bonds within the next twelve months.

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## FINANCIAL INFORMATION

**TABLE 6 - CONDENSED STATEMENT OF OPERATIONS**

	For Fiscal Year Ended December 31,				
	2023	2022	2021	2020	2019
<b>Revenues:</b>					
Water Sales	\$ 4,321,692	\$ 3,961,610	\$ 3,399,265	\$ 3,206,378	\$ 2,813,686
Customer Charges/Fees	520,816	727,822	541,463	575,284	486,986
Interest Income	27,043	2,289	3,168	19,765	7,393
Tower Rental Income	16,100	15,600	15,600	20,400	30,000
Contributions from Customers/Developers	373,764	1,808,034	892,569	43,361	652,110
Total Revenues	<u>\$ 5,259,415</u>	<u>\$ 6,515,355</u>	<u>\$ 4,852,065</u>	<u>\$ 3,865,188</u>	<u>\$ 3,990,175</u>
<b>Expenses <sup>(1)</sup>:</b>					
Payroll and Benefits	\$ 981,800	\$ 950,262	\$ 899,894	\$ 823,492	\$ 793,535
Water Distribution System	1,813,084	1,655,875	1,344,010	1,292,269	1,121,068
Other Operating Costs	1,109,154	1,074,507	376,757	294,938	286,914
Legal and Professional Fees	31,550	33,398	31,590	15,285	14,673
Insurance	33,786	27,647	26,546	25,673	29,924
Total Expenses	<u>\$ 3,969,374</u>	<u>\$ 3,741,689</u>	<u>\$ 2,678,797</u>	<u>\$ 2,451,657</u>	<u>\$ 2,246,114</u>
Net Revenue	<u>\$ 1,290,041</u>	<u>\$ 2,773,666</u>	<u>\$ 2,173,268</u>	<u>\$ 1,413,531</u>	<u>\$ 1,744,061</u>
Net Revenue without Impact Fee <sup>(2)</sup>	<u>\$ 916,277</u>	<u>\$ 965,632</u>	<u>\$ 1,280,699</u>	<u>\$ 1,370,170</u>	<u>\$ 1,091,951</u>
Number of Water Customers	4,831	4,716	4,917	4,741	4,515

(1) Excludes Depreciation and amortization.

(2) The District requires new taps to pay a \$2,600 impact fee.

**TABLE 7 – PROJECTED COVERAGE <sup>(1)</sup>**

Net Revenues, Fiscal Year ended 12/31/2023	\$916,277
Annual Principal and Interest Requirement, 2025	\$831,913
Coverage (2023 Net Revenues)	1.10 x
Average Annual Principal and Interest Requirement, 2025-2054	\$777,828
Coverage (2023 Net Revenues)	1.18 x
Maximum Principal and Interest Requirement, 2038	\$855,025
Coverage (2023 Net Revenues)	1.07 x

(1) Projected, includes the Bonds.

### RETIREMENT PLAN

Substantially all full time employees of the District are covered by the Caddo Basin Special Utility Rural/Retirement Plan. Mass Mutual is the administrator of this 401(k) plan. This plan was adopted by the Board of Trustees effective January 30, 2012.

The pension plan provides pension benefits and death and disability benefits. A member may retire after reaching the age of 65.

See APPENDIX B, “Excerpts from the District’s Annual Financial Report, December 31, 2023”, Note A.

## INVESTMENTS

The District invests its investable funds in investments authorized by Texas 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 State 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 or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) 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 (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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 (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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 "AAA-m" 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 Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment 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 Texas Public Funds Investment Act. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government’s investment policy regarding the debt issuance or the agreement.

Under Texas law, the District’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the District’s investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, 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) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) 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, (3) 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 imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) 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, (5) 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, (6) 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

**TABLE 8 - CURRENT INVESTMENTS**

As of September 30, 2024, the District's investable funds were invested in the following categories:

Description	Market Value	% of Portfolio
Certificates of Deposit	\$ 1,198,401	20.47%
Bank Accounts	4,657,024	79.53%
	<u>\$ 5,855,426</u>	<u>100.00%</u>

## SELECTED PROVISIONS OF THE ORDER

*The following are excerpts of certain provisions of the Order to be adopted by the Board of Directors authorizing the issuance of the Bonds. Such excerpts do not purport to be complete and reference should be made to the Order for the entirety thereof. Copies of the Order are available upon request to the District or the District's Bond Counsel.*

**DEFINITIONS.** For purposes of this Order and for clarity with respect to the issuance of the Bonds, and the pledge and appropriation of Net Revenues therefor, the following words or terms, whenever the same appear herein without qualifying language, are defined to mean as follows:

(a) The term "Additional Bonds" shall mean the additional revenue bonds or obligations which the District reserves the right to issue on a parity with the Previously Issued Bonds and the Bonds in accordance with the terms and conditions stated in Section 19 hereof.

(b) The term "Average Annual Debt Service" shall mean that average amount which, at the time of computation, will be required to pay the Debt Service of obligations when due and derived by dividing the total of such Debt Service by the number of years then remaining before final maturity. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

(c) The term "Bonds" shall mean the "Caddo Basin Special Utility District Utility System Revenue Bonds, Series 2025", dated December 15, 2024.

(d) The term "Bonds Similarly Secured" shall mean the Previously Issued Bonds, the Bonds and Additional Bonds.

(e) The term "Debt Service" shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

(f) The term "Fiscal Year" shall mean the twelve-month financial accounting period used for the operation of the System ending each year on December 31st; provided, however, the District may change the fiscal year to another period of not less than twelve calendar months, if found and determined to be necessary.

(g) The term "Government Securities" shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under the then applicable laws of the State of Texas.

(h) The term "Gross Revenues" shall mean, with respect to the System and for any defined period, all income and revenues derived from the operation and ownership of the System, excluding, however, meter deposits, gifts, or grants in aid of construction and similar kinds of receipts and moneys restricted as to use or expenditure.

(i) The term "Net Revenues" shall mean, with respect to the System and for any defined period, the Gross Revenues of the System after deducting the System's Operating and Maintenance Expenses.

(j) The term "Operating and Maintenance Expenses" shall mean, for any defined period, all reasonable costs of operating and maintaining the System, including all salaries, labor, materials, utility charges and other costs and expenses which, according to generally accepted accounting principles or by statute, are treated as, or deemed to be, operating and maintenance expenses as opposed to capital expenditures or costs, including payments under contracts for the purchase of water supply. Depreciation charges and payments into and from the Bond Fund and Reserve Fund referenced herein and maintained for the payment and security of Bonds Similarly Secured and similar funds maintained for obligations payable from and secured by a lien on and pledge of the Net Revenues shall never be considered as Operating and Maintenance Expenses.

(k) The term "Outstanding" when used in this Order with respect to Bonds or Bonds Similarly Secured means, as of the date of determination, all Bonds and Bonds Similarly Secured theretofore sold, issued and delivered by the District, except: (1) those Bonds or Bonds Similarly Secured cancelled or delivered to an appropriate paying agent, registrar or transfer agent for cancellation in connection with the exchange or transfer of such obligations; (2) those Bonds or Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 33 hereof; and (3) those Bonds or Bonds Similarly Secured that

have been mutilated, destroyed, lost, or stolen and replacements therefor have been registered and delivered in lieu thereof as provided in Section 31 hereof.

(1) The term “Previously Issued Bonds” shall mean the outstanding “Caddo Basin Special Utility District Utility System Revenue and Refunding Bonds, Series 2019”, dated April 15, 2019, originally issued in the principal amount of \$2,520,000.

(m) The term “System” or “Utility System” shall mean the plants, properties and facilities owned, operated and maintained by the District for the supply, treatment and transmission of potable water, and if and when acquired and/or constructed, those plants, properties and facilities owned by the District for the collection, treatment and disposal of watercarried wastes; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term “System” or “Utility System” shall not include “Separate Sewer Facilities” for the collection, treatment and disposal of water-carried wastes that are expressly declared not to be a part of the System and are financed by or on behalf of the District with the proceeds of sale of “Special Facilities Bonds”, which are hereby defined as being special revenue obligations of the District payable from and secured by liens and pledges of revenues and/or properties of the District other than the revenues or properties of the System pledged to the payment of Bonds Similarly Secured, including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such Separate Sewer Facilities.

**PLEDGE OF REVENUES.** The District covenants and agrees the Net Revenues of the System, with the exception of those in excess of the amounts required to establish and maintain the special Funds created for the payment and security of the Bonds Similarly Secured, are hereby pledged to the payment of the Previously Issued Bonds, the Bonds and Additional Bonds, if issued, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as hereinafter provided. It is hereby ordered that the Bonds Similarly Secured and the interest thereon, shall constitute a first lien on the Net Revenues of the System and be valid and binding and fully perfected from and after the date of adoption of this Order without physical delivery or transfer or transfer of control of the Net Revenues, the filing of this Order or any other act; all as provided in Chapter 1208 of the Texas Government Code (“Chapter 1208”). Chapter 1208 applies to the issuance of the Bonds and the pledge of the Net Revenues of the System granted by the District under this Section 11, and such pledge is therefore valid, effective and perfected. If Texas law is amended at any time while the Bonds are Outstanding such that the pledge of the Net Revenues of the System granted by the District under this Section 11 is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

**SYSTEM FUND.** The District hereby covenants and agrees the Gross Revenues of the System (excluding earnings and income derived from investments held in the Bond Fund and Reserve Fund) shall be deposited into a fund established and maintained with a depository bank of the District and known on the books and records of the District as the “Utility System Operating Fund” (herein called the “System Fund”), and such revenues of the System shall be kept separate and apart from all other funds of the District while the Bonds remain Outstanding. All revenues deposited in the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of all necessary and reasonable Operating and Maintenance Expenses of the System,

SECOND: To the payment of the amounts required to be deposited in the Bond Fund for the payment of the principal of and interest on the Bonds Similarly Secured as the same becomes due and payable, and

THIRD: To the payment of the amounts required to be deposited in the Reserve Fund to accumulate and maintain the Required Reserve (hereinafter defined) in accordance with the provisions of this Order or any other order relating to issuance of Bonds Similarly Secured.

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

**BOND FUND.** To provide funds to pay the principal of and interest on the Bonds Similarly Secured as the same shall become due and payable, the District hereby agrees and covenants to maintain a special fund or account with a depository bank of the District and known on the books and records of the District as the “Caddo Basin Special Utility District Revenue Bond Payment Fund” (the “Bond Fund”). In addition to the deposits to the Bond Fund for the payment of the Previously Issued Bonds, the District further covenants to deposit to the credit of the Bond Fund prior to each principal and interest payment date for the Bonds from the Net Revenues an amount equal to One Hundred Per Centum (100%) of the amount required to fully pay the interest on and principal of the Bonds then falling due and payable, such deposits to the Bond Fund to pay accrued interest and maturing principal on the Bonds to be made in substantially equal monthly installments on or before the 15th day of each month beginning on or before the 15th day of the month next following the month the Bonds are delivered to the initial purchaser(s).

The monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to pay all Bonds Similarly Secured (principal and interest) then Outstanding to their final maturity or (ii) the Bonds are no longer Outstanding.

Accrued interest and premium, if any, received from the initial purchasers of the Bonds, as well as any earnings derived from the investment of moneys in the Bond Fund, shall be deposited to the Bond Fund and taken into consideration and reduce the amount of the monthly installments otherwise required to be deposited in the Bond Fund from the Net Revenues of the System.

**RESERVE FUND.** To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured in an amount (the "Required Reserve") equal to the maximum annual principal and interest requirement (calculated on a Fiscal Year basis and determined as of the date of issuance of the last series of Bonds Similarly Secured then Outstanding) for all Bonds Similarly Secured Outstanding, the District covenants and agrees to create and maintain a special fund or account on its books and records known as the "Caddo Basin Special Utility District Revenue Bond Reserve Fund" (the "Reserve Fund"). All funds deposited in the Reserve Fund (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund during such periods as there is on deposit in the Reserve Fund the total amount required to be maintained therein) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured when (whether at maturity, upon a mandatory redemption date or any interest payment date) other funds available for such purposes are insufficient, and, in addition, may be used to the extent not required to maintain the Required Reserve, to pay, or provide for the payment of, the final principal amount of a series of Bonds Similarly Secured so that such series of Bonds Similarly Secured is no longer, or is deemed to be no longer, Outstanding.

In accordance with the provisions of the order authorizing the issuance of the Previously Issued Bonds, the amount currently on deposit to the credit of the Reserve Fund is an amount equal to \$362,766.97 (the "Current Reserve"). By reason of the issuance of the Bonds, the Required Reserve to be accumulated and maintained in said Fund is hereby determined to be \$855,025.00. At the time the Bonds are delivered to the initial purchaser(s) thereof, the District will deposit the amount of \$492,258.03 to the Reserve Fund from the sale proceeds of the Bonds to fund the Required Reserve.

While the total amount on deposit in the Reserve Fund is equal to the Required Reserve, no deposits shall be required to be made to said Fund; provided, however, if the Reserve Fund should contain less than the total Required Reserve (other than as a result of the issuance of Additional Bonds), monthly deposits in amounts equal to one-twelfth (1/12) of the then Required Reserve, shall begin and continue to be made to the Reserve Fund on or before the 15th day of each month until the Required Reserve has been fully restored and deposited in the Reserve Fund.

As and when Additional Bonds are delivered or incurred, the Required Reserve shall be increased, if required, and any additional amount required to be maintained in the Reserve Fund shall be deposited immediately to the credit of the Reserve Fund immediately after the delivery of the then proposed Additional Bonds, or, at the option of the District, may be accumulated by making monthly deposits on or before the 15th day of each month following the month of delivery of the then proposed Additional Bonds, of not less than 1/60th of the additional amount to be maintained in said Fund by reason of the issuance of the Additional Bonds then being issued (or 1/60th of the balance of the additional amount not deposited immediately to credit of such Fund).

During such time as the Reserve Fund contains the total Required Reserve, the District may, at its option, withdraw the amount in excess of the Required Reserve and deposit such surplus in the System Fund.

**PAYMENT OF BONDS.** While any of the Bonds are Outstanding, the proper officers of the District are hereby authorized to transfer or cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest and principal of the Bonds as the same accrue or mature; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the last business day next preceding the date of a payment for the Bonds.

**DEFICIENCIES; EXCESS NET REVENUES.**

(a) If on any occasion there shall not be sufficient Net Revenues of the System to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues of the System, or from any other sources available for such purpose.

(b) Subject to making the required deposits to the Bond Fund and the Reserve Fund in accordance with the provisions of this Order, or any order authorizing the issuance of Additional Bonds, the excess Net Revenues may be used by the District for any lawful purpose.

**INVESTMENTS.** Money in the System Fund may be invested in accordance with the provisions of Texas Government Code, Chapter 2256, as amended, and moneys in the Bond Fund and Reserve Fund may, at the option of the District, be placed in time deposits or certificates of deposit secured (to the extent not insured by the Federal Deposit Insurance District) by obligations of the type hereinafter described, or be invested, including investments held in book-entry form, in direct obligations of the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or

represent its general obligations; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times and provided further the maximum stated maturity for any investment acquired with money in the Reserve Fund shall be limited to five (5) years from the date of the investment of such money. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of Additional Bonds. All interest and income derived from the deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited in the System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds Similarly Secured.

**SECURITY OF FUNDS.** Moneys on deposit in the Funds referenced in this Order (except any portion thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent permitted by law for the security of public funds, and moneys on deposit in such Funds shall be used only for the purposes permitted by this Order.

**ISSUANCE OF ADDITIONAL BONDS.** Subject to satisfying the conditions precedent hereinafter appearing below, the District reserves the right to issue, from time to time as needed, Additional Bonds for any lawful purpose. Such Additional Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the District reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(a) The officer of the District then having the primary responsibility for the financial affairs of the District shall have executed a certificate to the effect (1) that, to the best of his knowledge and belief, the District is not then in default as to any covenant, obligation or agreement contained in any ordinance or other proceeding relating to any obligations of the District payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations, and (2) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein.

(b) The Additional Bonds shall be scheduled to mature or be payable as to principal on March 1 or September 1 (or both) in each year the same are to be outstanding or during the term thereof.

(c) The District has secured a certificate or opinion of a certified public accountant to the effect that, according to the books and records of the District, the Net Revenues, for the last completed Fiscal Year, or for a twelve consecutive month period ending not more than ninety (90) days preceding the month the order authorizing the issuance of the Additional Bonds is adopted, are at least equal to 1.25 times the Average Annual Debt Service Requirement for all revenue obligations then Outstanding which are payable from and secured by a lien on and pledge of the Net Revenues of the System, after giving effect to the issuance of the Additional Bonds then being issued. In making a determination of the Net Revenues, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior to the last day of the period for which Net Revenues are determined and, for purposes of satisfying the above Net Revenues coverage test, make a pro forma determination of the Net Revenues of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the certificate or opinion of the accountant.

**PROVIDED, HOWEVER,** the District may issue one series of Additional Bonds in an aggregate principal amount not to exceed 1/2 of the District's equity in the Utility System solely to finance the costs of constructing facilities for the collection, treatment and disposal of water-carried wastes ("Sewer Facilities") declared to be a part of the System and without satisfying the condition prescribed in subparagraph (c) above, but in lieu thereof the District shall have obtained an engineering report from an independent registered professional engineer, or firm of engineers, knowledgeable and experienced in the constructing and operations of Sewer Facilities, which engineering report shall include a feasibility study addressing the costs of constructing such Sewer Facilities and contain a projection to the effect that the Net Revenues of the System for each of the five Fiscal Years subsequent to the date the Sewer Facilities become commercially operational (as shown in the engineering report) will be equal during such period to at least one and one-fourth (1-1/4) times the annual Debt Service for all revenue obligations to be Outstanding which are payable from and secured by a lien on and pledge of the Net Revenues, after giving effect to the Additional Bonds then being issued.

**REFUNDING BONDS.** The District reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the District and its inhabitants, and if less than all such Bonds Similarly Secured then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Bonds) set forth in subparagraph (c) of Section 19 hereof shall be satisfied and the accountant's certificate or opinion required in subparagraph (c) shall give effect to the debt service of the proposed refunding bonds (and shall not give effect to the debt service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).



**OBLIGATIONS OF INFERIOR LIEN AND PLEDGE/SPECIAL FACILITIES BONDS.** The District hereby reserves the right to issue obligations payable from and secured by a lien on and pledge of the Net Revenues of the System, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas. In addition, the District reserves the right to issue "Special Facilities Bonds" to finance Separate Sewer Facilities.

**RATES AND CHARGES.** The District hereby covenants and agrees that rates and charges for services afforded by the System will be established and maintained, on the basis of all available information and experience and with due allowance for contingencies, that are reasonably expected to provide Gross Revenues each Fiscal Year:

- (a) to pay all Operating and Maintenance Expenses;
- (b) to produce Net Revenues equal to the greater of (i) 1.20 times the Average Annual Debt Service for all Bonds Similarly Secured then Outstanding or (ii) the amounts to pay the annual Debt Service to become due and payable on all Bonds Similarly Secured then Outstanding and to make the required deposits to the Bond Fund and Reserve Fund, if any; and
- (c) to pay any other legally incurred indebtedness payable from the revenues of the System and/or secured by a lien on the System or the revenues thereof.

**MAINTENANCE AND OPERATION - INSURANCE.** The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost. While any Bonds are Outstanding, the District agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by political subdivisions similar to the District; provided, however, the District in lieu of and/or in combination with carrying such insurance may self-insure against such perils and risks by establishing self-insurance reserves. Annually not later than the end of each Fiscal Year, the District shall prepare or cause to be prepared by a person competent and knowledgeable in such matters a written evaluation of the adequacy of such self-insurance and/or insurance coverage and of any recommended changes in regard to the District's insurance/self-insurance policies, practices and procedures. Nothing in this Order shall be construed as requiring the District to expend any funds derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the District from doing so.

**SALE OR DISPOSAL OF SYSTEM PROPERTIES.** The District, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof, as determined by the Board, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the System Fund.

**RECORDS AND ACCOUNTS.** The District shall keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each Fiscal Year. Such audits shall be in accordance with applicable law, rules, and regulations in effect from time to time, including particularly Section 50.371 et seq. of the Texas Water Code, as amended, and the Water District Accounting Manual adopted by the Texas Commission on Environmental Quality. A copy of such audit shall be filed in the office of the District and shall be open to inspection by any interested person during normal office hours. Expenses incurred in making such annual audits of the operations of the System are to be regarded as Operating and Maintenance Expenses. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

- (a) The number of customers connected with the components of the System.
- (b) Total gallons of water purchased and/or produced.
- (c) Total gallons of water sold.
- (d) Percentage of water loss.
- (e) A list of the current governing body names, addresses and telephone numbers.

**SPECIAL COVENANTS.** The District further covenants and agrees by and through this Order as follows:

- (a) The Net Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the District or the System, save and except for the Previously Issued Bonds and the Bonds.
- (b) No free water service shall be allowed or extended to any customer or person served by the System.
- (c) The District will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the District has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

**REMEDY IN EVENT OF DEFAULT.** In addition to all rights and remedies provided by the laws of the State of Texas, the District covenants and agrees particularly that in the event the District (a) defaults in payments to be made to the Bond Fund or the Reserve Fund as required by this Order or (b) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Order, the Holder of any of the Bonds shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the District and its officers to observe and perform any covenant, condition or obligation prescribed in this Order. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

**SPECIAL OBLIGATIONS.** The Bonds are special obligations of the District payable from the pledged Net Revenues of the System and the Holders thereof shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

**NOTICES TO HOLDERS WAIVER.** Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the business day next preceding the mailing of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Bonds. Where this Order provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

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

**MUTILATED - DESTROYED - LOST AND STOLEN BONDS.** In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond or in lieu of and in substitution for such destroyed, lost or stolen Bond only upon the approval of the District and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/ Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen. Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the District, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Order equally and ratably with all other Outstanding Bonds. The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

**SATISFACTION OF OBLIGATIONS OF DISTRICT.** If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Order, then the lien on and pledge of the Net Revenues of the System under this Order and all covenants, agreements, and other obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof. The District covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the District or deposited as directed by the District. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated

Maturity of the Bonds such moneys were deposited and are held in trust to pay shall upon the request of the District be remitted to the District against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the District shall be subject to any applicable unclaimed property laws of the State of Texas.

**ORDER A CONTRACT - AMENDMENTS.** This Order shall constitute a contract with the Holders from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Bond remains Outstanding except as permitted in this Section and in Section 48 hereof. The District, may, without the consent of or notice to any Holders, from time to time and at any time, amend this Order in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Order; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

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## TAX MATTERS

**OPINION** . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District, 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 (the “Code”). Except as stated above, Bond Counsel to the District 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 District will rely upon (a) the District’s federal tax certificate, (b) the Sufficiency Certificate and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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 District is conditioned on compliance by the District with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the District 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. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such 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. The opinion of Bond Counsel to the District is conditioned on compliance by the District with such requirements, and Bond Counsel to the District has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the project financed therewith. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether or not 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 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 the 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 accrual period and ratably within each such accrual 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 statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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.

**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.

**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 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 foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available via the MSRB's Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 8 and in APPENDIX B, which is the District's audited financial statement. The District will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2024 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial information of the general type included in this Official Statement under Tables 1 through 8 within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is December 31. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of June in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District and (b) the District intends the words used in the immediately preceding paragraphs (15) and (16) and the definition of Financial Obligation to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The District 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](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS . . .** The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above.

The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

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

## **LEGAL MATTERS**

**LEGAL OPINIONS . . .** Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable, together with the District's outstanding Bonds that may be issued from time to time in accordance with the Order, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the System. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described in the Order, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

**NO-LITIGATION CERTIFICATE . . .** The District will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, 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 obligations 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.

## OTHER INFORMATION

**RATINGS** . . . The Bonds have been rated “AA” (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) by virtue of the Policy to be issued by BAM. The Bonds underlying rating is “A+” by S&P without regard to credit enhancement. The District also has various issues outstanding which are rated by various commercial insurance companies. The rating reflects only the respective view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of a company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price of the Bonds. See also “BOND INSURANCE” and “BOND INSURANCE RISKS.”

**LITIGATION** . . . It is the opinion of the District staff that there is no pending litigation 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 other 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.

**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 of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Ratings” 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.

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

**DISTRICT’S FINANCIAL ADVISOR** . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The District’s 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 District’s 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 District’s Financial Advisor has provided the following sentence for inclusion in this Official Statement. The District’s 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 District’s 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 of Robert W. Baird & Co., Inc. (the “Initial Purchaser” or “Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of 97.127% of par. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial 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 District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

**CERTIFICATION OF THE OFFICIAL STATEMENT AND NO-LITIGATION CERTIFICATE . . .** The District, acting by and through its Board in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

**APPROVAL OF OFFICIAL STATEMENT . . .** The Order authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Purchaser.

/s/ Jerry Leinart  
President  
Caddo Basin Special Utility District

ATTEST:

/s/ Elwood Jones  
Secretary-Treasurer  
Caddo Basin Special Utility District

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**APPENDIX A**

GENERAL INFORMATION REGARDING THE DISTRICT

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## THE DISTRICT

### HISTORICAL POPULATION

The historical population of Hunt County is shown below:

Census Population	
Year	Number
2020	99,956
2010	86,129
2000	76,596

Source: U.S. Census Bureau.

### LABOR MARKET PROFILE

#### HUNT COUNTY

	September	Average Annual			
	2024	2023	2022	2021	2020
Total Civilian Labor Force	49,736	48,174	46,855	45,015	43,158
Total Employment	47,558	46,182	44,995	42,678	40,313
Total Unemployment	2,178	1,992	1,860	2,337	2,845
% Unemployed	4.4%	4.1%	4.0%	5.2%	6.6%

#### COLLIN COUNTY

	September	Average Annual			
	2024	2023	2022	2021	2020
Total Civilian Labor Force	665,094	644,705	625,800	600,186	578,797
Total Employment	640,534	622,134	605,672	574,037	542,541
Total Unemployment	24,560	22,571	20,128	26,149	36,256
% Unemployed	3.7%	3.5%	3.2%	4.4%	6.3%

Source: Texas Labor Market Information.

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**APPENDIX B**

EXCERPTS FROM THE  
CADDO BASIN SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2023

The information contained in this Appendix consists of excerpts from the Caddo Basin Special Utility District Annual Financial Report for the Year Ended December 31, 2023, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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**RUTHERFORD,  
TAYLOR &  
COMPANY, P.C.**  
*Certified Public Accountants*

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3500 Joe Ramsey Blvd.

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT

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Members of the Board

***Opinion***

We have audited the financial statements of the business-type activities, which are the proprietary funds of the Caddo Basin Special Utility District (District), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities, which are the proprietary funds of the Caddo Basin Special Utility District, as of December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinion***

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

***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibility for the Audit of the Financial Statements***

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

Independent Auditor's Report – Continued

In performing an audit in accordance with GAAS, we

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

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

***Required Supplementary Information***

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

***Other Information***

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

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



April 19, 2024  
Greenville, Texas

**CADDO BASIN SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

This section of Caddo Basin Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended December 31, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total fund net position was \$ 15,534,558 at year end.
- During the year, the District's expenses were \$ 177,744 less than the \$ 5,288,212 generated from charges for services and other revenues for business-type activities.
- The District executed no new debt agreements during the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District is a special purpose government agency and is not considered a component unit of any other government. The District conducts its financial operations in a business-type approach and is defined as a governmental enterprise fund by the Governmental Accounting Standards Board (GASB). Because of this, the District is required to present its financial statements in the format of enterprise fund financial statements.

The enterprise fund financial statements consist of three documents:

Statement of Fund Net Position  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Statement of Cash Flows

The Statement of Fund Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference being reported as fund net position. This financial statement is often referred to as the balance sheet in non-governmental entities.

The Statement of Revenues, Expenses and Changes in Fund Net Position presents information showing how the District's fund net position changed during the fiscal year. All changes in fund net position are reported in the proprietary (enterprise) fund financial statements based on full accrual of revenues and expenses, regardless of the timing of cash flows. As a result, the accrual of revenues and expenses as reported in this statement would affect cash flows in future periods. Revenues, whether received or not, are properly recorded in the fiscal period in which they are earned; expenses, whether paid or not, are properly recorded in the fiscal period in which the related obligation is incurred.

The Statement of Cash Flows presents information on cash flows from operating activities. The accrual of revenue and expenses from prior accounting periods would affect the cash flows in the current fiscal period.

Following the financial statements listed here are the notes to the financial statements. These notes provide additional information that is essential to a complete understanding of the data provided by the District in the proprietary (enterprise) fund financial statements.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Statement of Fund Net Position**

The District ended the year with total assets of \$ 19,418,386. Cash and cash equivalents comprised \$ 4,782,412 (25%) of total assets. Net capital assets totaled \$ 13,166,452 (68 %) of total assets. The remaining assets including receivables, prepaid items and other noncurrent assets complete the total assets of the District.

The District has only \$ 376,518 in current liabilities at year end. This represents 10% of the available unrestricted cash. Noncurrent liabilities include the outstanding debt to be paid in future periods beyond 12 months and customer deposits held by the District securing customers billed and unbilled water receivables. Noncurrent liabilities total \$ 3,507,310 or 18% of total assets. What remains is fund net position of \$ 15,534,558 that is \$ 177,744 higher than the beginning of the year.

Ending fund net position totaling \$ 15,534,558 is comprised of three components. The first, net investment in capital assets, which represents the net value of capital assets after deducting depreciation and reducing further the value of any outstanding debt related to capital asset acquisition, totals \$ 11,111,452 or 72% of the total fund net position. This amount is not available for current operations. Restricted net position reflects assets held because of outside influence requirements such as debt covenants. The balance, \$ 985,626, is set aside for debt retirement. The unrestricted fund net position, \$ 3,437,480, is available for use for future operational activities.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

The following condensed financial statements are presented to provide a comparative analysis of the current and preceding year financial position.

<b>Caddo Basin Special Utility District's Fund Net Position</b>			<b>Table A-1</b>
	<u>2023</u>	<u>2022</u>	Total Percentage Change 2022 - 2023
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 3,796,786	\$ 4,056,860	-6.41%
Other Assets	1,469,372	1,025,174	43.33%
Restricted Assets	985,626	982,788	0.29%
Capital Assets	13,166,452	12,814,181	2.75%
Other Non-Current Assets	150	150	0.00%
<b>Total Assets</b>	<b><u>\$ 19,418,386</u></b>	<b><u>\$ 18,879,153</u></b>	<b>2.86%</b>
<b>Total Deferred Net Outflows of Resources</b>	<b><u>\$ -</u></b>	<b><u>\$ 50,960</u></b>	<b>-100.00%</b>
<b>Liabilities:</b>			
Current Liabilities	\$ 376,518	\$ 166,873	125.63%
Long-term Liabilities	3,507,310	3,406,426	2.96%
<b>Total Liabilities</b>	<b><u>\$ 3,883,828</u></b>	<b><u>\$ 3,573,299</u></b>	<b>8.69%</b>
<b>Fund Net Position:</b>			
Net Investment in Capital Assets	\$ 11,111,452	\$ 10,657,115	4.26%
Restricted	985,626	982,788	0.29%
Unrestricted	3,437,480	3,716,911	-7.52%
<b>Total Fund Net Position</b>	<b><u>\$ 15,534,558</u></b>	<b><u>\$ 15,356,814</u></b>	<b>1.16%</b>

**Statement of Revenues, Expenses and Changes in Fund Net Position**

The following condensed financial statements are presented to provide a comparative analysis of the current and preceding year financial results of operation.

<b>Changes in Caddo Basin Special Utility District's Fund Net Position</b>			<b>Table A-2</b>
	<u>2023</u>	<u>2022</u>	Total Percentage Change 2022 - 2023
<b>Operating Revenues:</b>			
Charges for Services	\$ 4,842,508	\$ 4,689,432	3.26%
<b>Total Operating Revenues</b>	<b><u>\$ 4,842,508</u></b>	<b><u>\$ 4,689,432</u></b>	<b>3.26%</b>
<b>Operating Expenses:</b>			
Water Utilities	\$ 5,046,938	\$ 4,757,838	6.08%
<b>Total Operating Expenses</b>	<b><u>\$ 5,046,938</u></b>	<b><u>\$ 4,757,838</u></b>	<b>6.08%</b>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	\$ 27,043	\$ 2,289	1081.43%
Interest Expense	(63,530)	(67,350)	-5.67%
Contributions from Customers/Developers	373,764	1,808,034	-79.33%
Gain (Loss) on Disposal of Capital Assets	28,797	-	100.00%
Tower Rental Income	16,100	15,600	3.21%
<b>Net Nonoperating Revenues (Expenses)</b>	<b><u>\$ 382,174</u></b>	<b><u>\$ 1,758,573</u></b>	<b>-78.27%</b>
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ 177,744</u></b>	<b><u>\$ 1,690,167</u></b>	<b>-89.48%</b>
<b>Fund Net Position - Beginning (January 1)</b>	<b><u>15,356,814</u></b>	<b><u>13,666,647</u></b>	<b>12.37%</b>
<b>Fund Net Position - Ending (December 31)</b>	<b><u>\$ 15,534,558</u></b>	<b><u>\$ 15,356,814</u></b>	<b>1.16%</b>

**CADDO BASIN SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

Operating revenues include charges for water usage as well as other service fees, penalties, and administration fees. The total, \$ 4,842,508, was less than the operating expenses by \$ 204,430. Non-operating revenues include investment income, contributions from customers and developers, and tower rental income. These non-operating sources combined for a total of \$ 382,174 or 7% of total revenue

Operating expenses totaled \$ 5,046,938 for the year, an increase of \$ 289,100. The largest expense for the year was for the water distribution system. The total \$ 1,813,084 represents 35% of all expenses. Interest expense incurred on outstanding debt totaled only \$ 63,530 or 1% of total expenses. The remaining expenses, including payroll and benefits (19%), depreciation and amortization (20%), as well as other operating costs comprised the remaining \$ 3,233,854.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

At year end, the District had invested \$ 25,907,961 in a broad range of capital assets, including land, water distribution system, buildings, equipment, and vehicles (see Table A-3). More detailed information about the District's capital assets is presented in the notes to the financial statements.

Caddo Basin Special Utility District's Capital Assets			Table A-3
	2023	2022	Total Percentage Change 2022 - 2023
Land and Improvements	\$ 404,244	\$ 182,083	122.01%
Construction in Progress	178,901	98,511	81.61%
Water Distribution System	23,642,814	22,857,227	3.44%
Vehicles	453,604	442,176	2.58%
Machinery and Equipment	556,879	433,764	28.38%
Furniture and Office Equipment	132,235	102,440	29.09%
Buildings	539,284	532,888	1.20%
Totals at Historical Cost	\$ 25,907,961	\$ 24,649,089	5.11%
Total Accumulated Depreciation	(12,741,509)	(11,834,908)	7.66%
Net Capital Assets	\$ 13,166,452	\$ 12,814,181	2.75%

*Long Term Debt*

At year end, the District had \$ 2,055,000 in debt outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to the financial statements.

Caddo Basin Special Utility District's Long Term Debt			Table A-4
	2023	2022	Total Percentage Change 2022 - 2023
Bonds Payable	\$ 2,055,000	\$ 2,155,000	-4.64%
Other Debt Payable	-	2,066	-100.00%
Total Debt Payable	\$ 2,055,000	\$ 2,157,066	-4.73%

**CADDO BASIN SPECIAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2023**

**BUDGET, ECONOMIC ENVIRONMENT AND RATES**

The central northeast Texas region continues to experience an influx of residential home sites. This increase in home sites and the subsequent residences constructed appears to be continuing. This increase impacts the availability of water and the related infrastructure in the District. Operations will continue in future periods with expansion of infrastructure to provide potable water to those seeking services.

The District has water source contracts with North Texas Municipal Water District, the City of Farmersville, and the City of Greenville under long term contracts. The contracts include set amounts of resources available with adjustments for potential increases. The contracts include annual rate adjustments necessary to maintain water supplies for the District and its customer base.

At this time, Caddo Basin Special Utility District is not aware of any decisions or conditions that would impact the District's operations through 2024 other than the rate increases imposed by its water suppliers.

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kevin Wendland, General Manager for the District.

FINANCIAL STATEMENTS

**CADDO BASIN SPECIAL UTILITY DISTRICT**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2023**

		Enterprise Fund	
		Water	Utilities
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$	3,796,786	
Accounts Receivable		676,988	
Prepaid Supplies and Materials		754,608	
Prepaid Expenses		37,776	
Total Current Assets	\$	5,266,158	
Restricted Assets:			
Cash and Cash Equivalents	\$	985,626	
Total Restricted Assets	\$	985,626	
Non-Current Assets:			
Capital Assets:			
Land and Improvements	\$	404,244	
Construction in Progress		178,901	
Water Distribution System, Net		11,906,836	
Vehicles, Net		199,870	
Equipment, Net		244,501	
Office Equipment, Net		33,734	
Buildings, Net		198,366	
Total Capital Assets	\$	13,166,452	
Utility Deposits		150	
Total Non-Current Assets	\$	13,166,602	
<b>Total Assets</b>	<b>\$</b>	<b>19,418,386</b>	

The accompanying notes are an integral part of this statement.



**CADDO BASIN SPECIAL UTILITY DISTRICT**  
**STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS**  
**DECEMBER 31, 2023**

	Enterprise Fund
	Water Utilities
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 212,211
Payroll Taxes Payable	1,162
Accrued Wages Payable	15,211
Accrued Interest Payable	20,346
TCEQ Assessment Payable	22,588
Current Portion of Bonds Payable	105,000
Total Current Liabilities	\$ 376,518
Non-Current Liabilities:	
Customer Deposits	\$ 672,250
Deferred Revenue - Developer Contribution	838,760
Bond Payable less Current Portion	1,950,000
Deferred Revenue - Tower Rental	46,300
Total Non-Current Liabilities	\$ 3,507,310
<b>Total Liabilities</b>	<b>\$ 3,883,828</b>
<b>FUND NET POSITION</b>	
Net Investment in Capital Assets	\$ 11,111,452
Restricted for:	
Debt Retirement	985,626
Unrestricted	3,437,480
<b>Total Fund Net Position</b>	<b>\$ 15,534,558</b>

The accompanying notes are an integral part of this statement.

**CADDO BASIN SPECIAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES**  
**IN FUND NET POSITION - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2023**

	Enterprise Fund
	Water Utilities
<b>OPERATING REVENUES</b>	
Water Sales	\$ 4,321,692
Customer Charges/Fees	520,816
	\$ 4,842,508
<b>OPERATING EXPENSES</b>	
Payroll and Benefits	\$ 981,800
Water Distribution System	1,813,084
Other Operating Costs	1,109,154
Professional and Legal Fees	31,550
Insurance	33,786
Amortization	50,960
Depreciation	1,026,604
	\$ 5,046,938
Operating Revenue (Expenses)	\$ (204,430)
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Interest Income	\$ 27,043
Interest Expense	(63,530)
Contributions from Customers/Developers	373,764
Tower Rental Income	16,100
Gain (Loss) on Disposal of Capital Asset	28,797
Net Non-Operating Revenue (Expenses)	\$ 382,174
Increase (Decrease) in Net Position	\$ 177,744
Total Net Position - Beginning (January 1)	15,356,814
<b>Total Net Position - Ending (December 31)</b>	<b>\$ 15,534,558</b>

The accompanying notes are an integral part of this statement.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2023**

		Enterprise Fund Water Utilities
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$	4,842,508
Cash Payments for Goods and Services		(3,236,330)
Cash Payments to Employees		(971,930)
Net Cash Provided by (Used for) Operating Activities	\$	634,248
<b>Cash Flows from Capital and Other Related Financing Activities:</b>		
Principal Paid on Bonds Payable	\$	(100,000)
Interest Paid on Bonds Payable		(62,131)
Acquisition of Capital Assets		(1,408,728)
Contributions from Developers		567,382
Proceeds from Disposal of Capital Assets		52,500
Net Cash Provided by (Used for) Capital and Other Related Financing Activities	\$	(950,977)
<b>Cash Flows from Noncapital Financing Activities:</b>		
Rental Income Received	\$	16,100
Increase (Decrease) in Customer Deposits		16,350
Net Cash Provided by (Used for) Noncapital Financing Activities	\$	32,450
<b>Cash Flows from Investing Activities:</b>		
Interest Received	\$	27,043
Net Cash Provided by (Used for) Investing Activities	\$	27,043
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	\$	(257,236)
Cash and Cash Equivalents - Beginning (January 1)		5,039,648
<b>Cash and Cash Equivalents - Ending (December 31)</b>	<b>\$</b>	<b>4,782,412</b>
<b>Reconciliation Cash and Cash Equivalents to the Statement of Net Position</b>		
Cash and Cash Equivalents in Current Assets	\$	3,796,786
Restricted Cash		985,626
<b>Total Cash &amp; Cash Equivalents</b>	<b>\$</b>	<b>4,782,412</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
Operating Revenues (Expenses)	\$	(204,430)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization		1,077,564
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		(268,265)
(Increase) Decrease in Prepaid Supplies and Materials		(171,591)
(Increase) Decrease in Prepaid Expenses		(4,342)
Increase (Decrease) in Accrued Wages Payable		212
Increase (Decrease) in Accounts Payable		202,894
Increase (Decrease) in Payroll Taxes Payable		9
Increase (Decrease) in TCEQ Assessment Payable		2,197
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$</b>	<b>634,248</b>

The accompanying notes are an integral part of this statement.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

A. Summary of Significant Accounting Policies

The Caddo Basin Special Utility District (District) was approved by the voters within the District on May 6, 1989. The Caddo Basin Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

The Board of Directors (Board), a seven member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the Caddo Basin Special Utility District. Members of the Board are elected by the public, have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

2. Basis of Presentation

The District is a special purpose government engaged in only business-type activities. In accordance with GASB Statement 34, *Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the District is required to present only financial statements for enterprise funds, along with management's discussion and analysis (MD&A), notes of the financial statements and other required supplementary information (RSI).

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue, and expenses. The fund type utilized by the District is described below:

a. Proprietary fund types include the following –

The *Enterprise Fund* is used to account for operations: (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary fund types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the balance sheet. Fund equity is identified as net position.

4. Budget

The Board adopts an annual budget for the Enterprise Fund. The Budget for the Enterprise Fund is adopted under a basis consistent with GAAP. The Board approves amendments to the annual budget as prepared by the General Manager of the District.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

A. Summary of Significant Accounting Policies (Continued)

5. Receivables

The District's accounts receivable are generally due within 30 days of billing. Late payment fees are billed on items past due with all off following a standard period of time. Once accounts are closed, customer security deposits are used to reconcile the unpaid accounts. Policies are in place to reestablish service with appropriate fees and security deposits. Because of these operational policies, the District does not record an allowance for uncollectible amounts. If services are terminated all current and past due charges are to be satisfied prior to reconnection.

6. Capital Assets

Additions to the utility system are recorded at cost or, if contributed property, at estimated fair value at time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recovered by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income. Items exceeding \$ 2,500 are capitalized in the financial statements.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	5 - 40 years
Vehicles	5 - 7 years
Furniture & Equipment	5 - 10 years
Machinery & Equipment	5 - 10 years
Water Distribution System	5 - 40 years

7. Amortization of Equity Fee and Organizational Costs

The District has assets recorded in the financial statements entitled "Deferred Bond Issuance Costs." Generally accepted accounting principles require that the District capitalize the costs associated with these assets and amortize those costs over the life of the debt, and not less than 60 months, respectively, rather than expensing the entire amount in the year acquired. The expense associated with this amortization appears in the financial statements as "Amortization." The amount expensed during the twelve months ended December 31, 2023, was \$ 50,960. The amount recorded as assets (net of amortization) in the financial statements at year end, totaled \$ 0.

8. Prepaid Supplies and Materials

Prepaid supplies and materials consists of supplies and repair parts for the distribution system, valued at cost. The cost of supplies and materials is recorded as an expense when consumed rather than when purchased.

9. Cash and Cash Equivalents

Cash and Cash Equivalents are comprised of deposits in financial institutions, including time deposits. For the purpose of the statement of cash flows, a cash equivalent is considered any highly liquid investment with a maturity of twelve months or less. Restricted assets are not included.

10. Retirement Plan

Substantially all full time employees of the District are covered by the Caddo Basin Special Utility Rural/Retirement Plan. Mass Mutual is the administrator of this 401(k) plan. This plan was adopted by the Board of Trustees effective January 30, 2012.

The pension plan provides pension benefits and death and disability benefits. A member may retire after reaching the age of 65.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

A. Summary of Significant Accounting Policies (Continued)

Employees of the District have a mandatory five percent of their defined gross earnings deducted and placed in the plan with voluntary additional contributions to ten percent. If an employee leaves the employment of the District before five years of service, the accumulated contributions plus earned interest are refunded to the employee or the employee's designated beneficiary.

The District makes contributions to the pension plan equal to five percent of each employee's defined gross earnings. After three years of employment this contribution increases to six percent, after five years of employment this contribution increases to eight percent, and after ten years of employment this contribution increases to ten percent.

For the year, the District's total payroll for all employees amounted to \$ 771,435. Covered payroll refers to all compensation paid by the District to active employees covered by the Caddo Basin Special Utility District Rural/Retirement Plan on which contributions to the 401(k) plan are based which amounted to \$ 735,534. During the year, the District contributed \$ 40,798.

In addition to the retirement plan as described above, the employees of the District are covered by Social Security.

11. Related Party Transactions

The District incurs expenses to board members in the amount of \$ 50 for each board meeting attended, in addition to expenses paid by board members. For the year, \$ 3,500 was paid to board members for meetings attended.

12. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave is paid to employees at one-half the rate of the employee's wages for unused time remaining at year end.

13. Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "right of use" assets are copiers, printers, and other types of equipment that the District does not take ownership of but use under the lease agreement. The asset value will be amortized over the life of the lease using a straight-line method. The liability offsetting the "right of use" asset is presented as lease payable.

GASB Statement 87 also impacts the District's rental agreements (leases) related to property and equipment in which the District is the lessor. Rental agreements that extend beyond a twelve month period are recognized as earned when executed with an offsetting long term receivable. Future collections are offset against the receivable.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

**B. Capital Assets**

The following is a summary of changes in capital assets for the year:

	Beginning Balances	Additions and Reclassifications	Deletions	Ending Balances
Land and Improvements	\$ 182,083	\$ 222,161	\$ -	\$ 404,244
Construction in Progress	98,511	80,390	-	178,901
Water Distribution System	22,857,227	785,587	-	23,642,814
Vehicles	442,176	111,529	100,101	453,604
Machinery & Equipment	433,764	172,870	49,755	556,879
Office Equipment	102,440	29,795	-	132,235
Buildings	532,888	6,396	-	539,284
<b>Totals at Historical Cost</b>	<b>\$ 24,649,089</b>	<b>\$ 1,408,728</b>	<b>\$ 149,856</b>	<b>\$ 25,907,961</b>
Less Accumulated Depreciation for:				
Water Distribution System	\$ 10,804,394	\$ 931,584	\$ -	\$ 11,735,978
Vehicles	322,932	30,903	100,101	253,734
Machinery & Equipment	296,683	35,597	19,902	312,378
Office Equipment	96,912	1,589	-	98,501
Buildings	313,987	26,931	-	340,918
<b>Total Accumulated Depreciation</b>	<b>\$ 11,834,908</b>	<b>\$ 1,026,604</b>	<b>\$ 120,003</b>	<b>\$ 12,741,509</b>
<b>Net Capital Assets</b>	<b>\$ 12,814,181</b>	<b>\$ 382,124</b>	<b>\$ 29,853</b>	<b>\$ 13,166,452</b>

**C. Restricted Assets**

The District is required to maintain certain deposit accounts to be in compliance with the bond covenants. At year end, the District had the following accounts restricted for these purposes:

Enterprise Fund

American National Bank Accounts:

Construction Fund	\$ 117,000
Bond Reserve	358,602
Bond Debt Payment	510,024

Total Restricted Assets \$ 985,626

American National Bank – Construction Fund – This account represents the amount held in reserve for future capital improvements for Caddo Basin Special Utility District as designated by the Board.

American National Bank – Bond Debt Payment – This account represents the amount accumulated during the year to make principal and interest payments on the outstanding debt.

American National Bank – Bond Reserve - This account represents the amount held in reserve to remain in compliance with Section 13 of the Bond restrictions, which states, "The District shall maintain an account equal to the average annual debt service."

**D. Deposits, Securities, and Investments**

The District's funds appear to be deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. The District's deposits appear to have been secured at all times throughout the fiscal year.

**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

D. Deposits, Securities, and Investments (Continued)

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to be in compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District did not appear to be significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District did not appear to be exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District did not appear to be exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.



**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

**E. Long - Term Obligations**

The following schedule presents changes in long-term debt for the year:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion of Debt
Bonds Payable	\$ 2,155,000	\$ -	\$ 100,000	\$ 2,055,000	\$ 105,000
Unamortized Bond Premium	2,066	-	2,066	-	-
<b>Total Debt Payable</b>	<b>\$ 2,157,066</b>	<b>\$ -</b>	<b>\$ 102,066</b>	<b>\$ 2,055,000</b>	<b>\$ 105,000</b>

**Bonds**

The District has issued various revenue bonds in prior years to fund capital improvements in the district. Revenue bonds require principal and interest payments to be made from utility system revenues. The bonds issued require annual principal payments and semi-annual interest payments throughout the life of the debt.

The following amounts are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Utility System Revenue Bonds, Series 2019	2.0 - 3.125%	\$ 2,520,000	\$ 2,055,000
Totals			<u>\$ 2,055,000</u>

Debt service requirements to maturity on bonds at year end are as follows:

Year Ending December 31	Principal	Interest	Total Requirements
2024	\$ 105,000	\$ 61,038	\$ 166,038
2025	105,000	58,413	163,413
2026	110,000	55,788	165,788
2027	115,000	52,488	167,488
2028	120,000	49,038	169,038
2029-2033	675,000	188,190	863,190
2034-2038	825,000	78,318	903,318
Totals	<u>\$ 2,055,000</u>	<u>\$ 543,273</u>	<u>\$ 2,598,273</u>

**Bond Covenants**

The District is required to maintain certain deposits to satisfy the provisions of the debt authorization relating to the Series 2019 bond issue. The deposits are identified in Section 13 and 14 of the debt authorization. The following describes these sections and the requirements:

**Section 13 – Reserve Fund**

The required reserve is an amount equal to the average annual debt service. This balance was already funded at the time both Bonds were issued, so no new deposits were required at that time. As the total is now less than the required amount, monthly deposits in amounts equal to one-twelfth (1/12) of the deficiency shall begin and continue to be made until the required reserve has been restored. At year end, the following is reported:

Amount Required	\$ 473,150
Amount Available	<u>510,024</u>
Excess (Deficiency)	<u>\$ 36,874</u>

**CADDO BASIN SPECIAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2023**

E. Long - Term Obligations (Continued)

Section 14 – Bond Fund

The Bond Fund is a restricted account to set aside monthly the amounts to retire the bond principal and interest for the current period. The following is reported:

Amount Required	\$	55,346
Amount Available		<u>358,602</u>
Excess (Deficiency)	\$	<u>303,256</u>

F. Customer Deposits

The District requires each new customer to pay \$150, which is held as a refundable deposit to secure payment of the customer's final water bill. At year end, the District's obligation totaled \$ 672,250.

G. Litigation

The District does not appear to be involved in any litigation as of year end.

H. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Commitments and Contingencies

The District is responsible for complying with certain laws and regulations that impact the operations of the water distribution system and overall financial position. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the various rules and regulations in which the District operates.

The District requires developers and customers to provide funding for specific expansion to the storage and distribution system. The payments received are accounted for as escrow funds held by the District until completion of the specific expansion. The balances received and held in escrow at year end amounted to \$ 838,760 and is presented in the financial statements as Deferred Revenue – Developer Contributions.

J. Subsequent Events

Management has evaluated all events or transactions that occurred after December 31, 2023 up through April 19, 2024, the date the financial statements were issued.

K. Economic Dependency

The District procures its water from North Texas Municipal Water District under a water supply contract. The loss of the water source could impact the District's available water sources needed for delivery of water to its customers.

L. Change in Accounting Principles

The Governmental Accounting Standards Board (GASB) issued Statement 96, *Subscription-Based Information Technology Arrangements (SBITA)*, with an effective date of fiscal year beginning after June 15, 2022. This required the District to implement the provisions of the Statement during the year. The Statement requires the recognition of longer than 12 month agreements to utilize other types of subscription based technology. As such, there are new financial statement captions on the financial statements. The net present value of the future payments is recognized as an expense in the initial year of the agreement with subsequent payments represented as debt retirement payments. The Statement requires retroactive restatement of assets and liabilities with the difference modifying the beginning net position. The District identified no agreements classified as SBITA's in the current year.

SUPPLEMENTARY INFORMATION

**CADDO BASIN SPECIAL UTILITY DISTRICT  
ENTERPRISE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>OPERATING REVENUES</b>				
Water Sales	\$ 4,960,000	\$ 4,596,000	\$ 4,321,692	\$ (274,308)
Customer Charges/ Fees	746,020	550,100	520,816	(29,284)
<b>Total Operating Revenues</b>	<b>\$ 5,706,020</b>	<b>\$ 5,146,100</b>	<b>\$ 4,842,508</b>	<b>\$ (303,592)</b>
<b>OPERATING EXPENSES</b>				
Payroll and Benefits	\$ 1,207,500	\$ 1,039,500	\$ 981,800	\$ 57,700
Water Distribution System	1,800,150	1,762,450	1,813,084	(50,634)
Other Operating Costs	410,600	331,983	1,109,154	(777,171)
Professional and Legal Fees	32,000	37,800	31,550	6,250
Insurance	38,000	41,500	33,786	7,714
Amortization	7,656	7,656	50,960	(43,304)
Depreciation	140,000	140,000	1,026,604	(886,604)
<b>Total Operating Expenses</b>	<b>\$ 3,635,906</b>	<b>\$ 3,360,889</b>	<b>\$ 5,046,938</b>	<b>\$ (1,686,049)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest Income	\$ 40	\$ 40	\$ 27,043	\$ 27,003
Interest Expense	(38,700)	(38,700)	(63,530)	(24,830)
Contributions from Customers/Developers	-	-	373,764	373,764
Tower Rental Income	30,000	30,000	16,100	(13,900)
Gain (Loss) on Disposal of Capital Asset	-	-	28,797	28,797
<b>Net Nonoperating Revenues (Expenses)</b>	<b>\$ (8,660)</b>	<b>\$ (8,660)</b>	<b>\$ 382,174</b>	<b>\$ 390,834</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 2,061,454</b>	<b>\$ 1,776,551</b>	<b>\$ 177,744</b>	<b>\$ (1,598,807)</b>
<b>Net Position - Beginning (January 1)</b>	<b>15,356,814</b>	<b>15,356,814</b>	<b>15,356,814</b>	<b>-</b>
<b>Net Position - Ending (December 31)</b>	<b>\$ 17,418,268</b>	<b>\$ 17,133,365</b>	<b>\$ 15,534,558</b>	<b>\$ (1,598,807)</b>

**CADDO BASIN SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
YEAR ENDED DECEMBER 31, 2023**

1. Services provided by the District:

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

2. Retail Service Providers:

a. Retail Rates Based on 5/8" Meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1000 Gallons Over Minimum	Usage Levels
WATER	\$ 25.00	0	N	\$ 5.75	0 to 10,000
				\$ 9.32	10,001 to unlimited

District employs winter averaging for wastewater usage.  Yes  No  X

Total charges per 10,000 gallons usage: Water \$ 82.50

b. Water and Wastewater Retail Connections (Only Water Provided):

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	x 1.0	-
≤ 3/4"	5,533	4,939	x 1.0	4,939
1"	5	5	x 2.5	13
1 1/2"	3	3	x 5.0	15
2"	17	17	x 8.0	136
3"	1	1	x 15.0	15
4"	2	2	x 25.0	50
Total Water	5,561	4,967		4,967
Total Wastewater	0	0	x 1.0	-

3. Total water consumption (rounded to the nearest 1,000) during the fiscal year:

Gallons pumped into system:	<u>491,517,000</u>
Gallons billed to customers:	<u>430,160,000</u>
Water Accountability %:	<u>88%</u>

**CADDO BASIN SPECIAL UTILITY DISTRICT  
SERVICES AND RATES  
YEAR ENDED DECEMBER 31, 2023**

4. Standby Fees: District does not levy standby fees.

5. Location of District:

County(ies) in which district is located. Hunt and Collin

Is the District located entirely in one county? Yes \_\_\_\_\_ No X

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

City(ies) in which district is located. Farmersville, Celeste, Merit, Caddo Mills, Greenville, Nevada, Royse City, Josephine

Is the District located within a city's extra territorial jurisdiction (ETJ)?  
Entirely \_\_\_\_\_ Partly X Not at all \_\_\_\_\_

ETJ's in which district is located. Farmersville, Celeste, Merit, Caddo Mills, Greenville, Nevada, Royse City, Josephine

Is the general membership of the Board appointed by an office outside the district?  
Yes \_\_\_\_\_ No X

If Yes, by whom? n/a

**CADDO BASIN SPECIAL UTILITY DISTRICT  
ENTERPRISE FUND EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

Payroll and Benefits	\$	981,800
Water Distribution System		1,813,084
Other Operating Costs		1,109,154
Professional and Legal Fees		31,550
Insurance		33,786
Amortization		50,960
Depreciation		1,026,604
Interest and Other Debt Expense		63,530
Total Expenses	\$	5,110,468

Number of persons employed by the District:

Full Time	14
Part Time	0

**CADDO BASIN SPECIAL UTILITY DISTRICT  
TEMPORARY INVESTMENTS  
YEAR ENDED DECEMBER 31, 2023**

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at Year End
<u>Enterprise Fund</u>					
American National Bank Accounts:					
Construction Fund	9383878	1.1500%	08/02/23	\$ 117,000	*
Bond Reserve	2000014809	0.1000%	N/A	358,602	*
Revenue Bond Payment	2000014577	0.1000%	N/A	510,024	*
Certificate of Deposit	9675257	2.2700%	12/5/2023	1,045,291	*
				<u>\$ 2,030,917</u>	<u>\$ -</u>
Total Temporary Investments					

\* The District's interest-bearing investments do not accrue interest due to interest being paid monthly.



**CADDO BASIN SPECIAL UTILTY DISTRICT  
 LONG-TERM DEBT REQUIREMENTS  
 SERIES 2019 – BY YEAR  
 YEAR ENDED DECEMBER 31, 2023**

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2024	105,000	30,519	135,519
2025	105,000	29,207	134,207
2026	110,000	27,894	137,894
2027	115,000	26,244	141,244
2028	120,000	24,519	144,519
2029	125,000	22,719	147,719
2030	130,000	20,844	150,844
2031	135,000	18,894	153,894
2032	140,000	16,869	156,869
2033	145,000	14,769	159,769
2034	150,000	12,594	162,594
2035	160,000	10,344	170,344
2036	165,000	7,944	172,944
2037	170,000	5,469	175,469
2038	180,000	2,808	182,808
<b>Totals</b>	<b>\$ 2,055,000</b>	<b>\$ 271,637</b>	<b>\$ 2,326,637</b>

**CADDO BASIN SPECIAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BONDED DEBT  
YEAR ENDED DECEMBER 31, 2023**

	<u>Bond Issues</u> Series 2019
Interest Rate	2.0% - 3.15%
Dates Interest Payable	03/01 - 09/01
Maturity Date	9/1/2038
Beginning Bonds Outstanding	\$ 2,155,000
Bonds Sold During the Fiscal Year	-
Bonds Retired During the Fiscal Year	<u>100,000</u>
Ending Bonds Outstanding	<u>\$ 2,055,000</u>

Interest Paid During the Fiscal Year \$ 63,038

Paying Agent's Name and City

Wilmington Trust, N.A., Dallas, Texas

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Bond Authority:	Tax Bonds	Other Bonds	Revenue Bonds
Amount Authorized By Voters	\$ -	\$ -	\$ -
Amount Issued	\$ -	\$ -	\$ -
Remaining To Be Issued	\$ -	\$ -	\$ -
Debt Service Fund cash and temporary investment balances as of December 31, 2023:			\$ 868,626
Average annual debt service payment (Principal and Interest) for remaining term of all debt:			\$ 173,218

**CADDO BASIN SPECIAL UTILITY DISTRICT  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
ALL PROPRIETARY FUND TYPES  
FIVE PERIODS ENDED DECEMBER 31, 2023**

	AMOUNTS						PERCENT OF FUND TOTAL REVENUE					
	2023	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019	2018
<b>OPERATING REVENUE</b>												
Water Sales	\$4,321,692	\$3,961,610	\$3,399,265	\$3,206,378	\$2,813,686	\$2,775,163	89.24%	84.48%	86.26%	84.79%	85.25%	85.71%
Customer Charges/Fees	520,816	727,822	541,463	575,284	486,986	462,805	10.76%	15.52%	13.74%	15.21%	14.75%	14.29%
<b>TOTAL OPERATING REVENUE</b>	<b>\$4,842,508</b>	<b>\$4,689,432</b>	<b>\$3,940,728</b>	<b>\$3,781,662</b>	<b>\$3,300,672</b>	<b>\$3,237,968</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>OPERATING EXPENSES</b>												
Payroll and Benefits	\$ 981,800	\$ 950,262	\$ 899,894	\$ 823,492	\$ 793,535	\$ 818,453	20.27%	20.26%	22.84%	21.78%	24.04%	25.28%
Water Distribution System	1,813,084	1,655,875	1,344,010	1,292,269	1,121,068	1,093,926	37.44%	35.31%	34.11%	34.17%	33.96%	33.78%
Other Operating Costs	1,109,154	1,074,507	376,757	294,938	286,914	268,196	22.90%	22.91%	9.56%	7.80%	8.69%	8.28%
Professional and Legal Fees	31,550	33,398	31,590	15,285	14,673	10,900	0.65%	0.71%	0.80%	0.40%	0.44%	0.34%
Insurance	33,786	27,647	26,546	25,673	29,924	23,160	0.70%	0.59%	0.67%	0.68%	0.91%	0.72%
Amortization	50,960	6,375	10,841	10,840	10,840	7,655	1.05%	0.14%	0.28%	0.29%	0.33%	0.24%
Depreciation	1,026,604	1,009,774	1,002,244	979,502	933,679	751,067	21.20%	21.53%	25.43%	25.90%	28.29%	23.20%
<b>TOTAL OPERATING EXPENSES</b>	<b>\$5,046,938</b>	<b>\$4,757,838</b>	<b>\$3,691,882</b>	<b>\$3,441,999</b>	<b>\$3,190,633</b>	<b>\$2,973,357</b>	<b>104.22%</b>	<b>101.46%</b>	<b>93.69%</b>	<b>91.02%</b>	<b>96.66%</b>	<b>91.83%</b>
<b>NET OPERATING REVENUE (EXPENSES)</b>	<b>\$ (204,430)</b>	<b>\$ (68,406)</b>	<b>\$ 248,846</b>	<b>\$ 339,663</b>	<b>\$ 110,039</b>	<b>\$ 264,611</b>	<b>-4.22%</b>	<b>-1.46%</b>	<b>6.31%</b>	<b>8.98%</b>	<b>3.34%</b>	<b>8.17%</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>												
Gain (Loss) on Disposal of Capital Assets	\$ 28,797	\$ -	\$ -	\$ 40,100	\$ -	\$ -	0.59%	0.00%	0.00%	1.06%	0.00%	0.00%
Interest Income	27,043	2,289	3,168	19,765	7,393	3,227	0.56%	0.05%	0.08%	0.52%	0.22%	0.10%
Interest and Other Debt Expense	(63,530)	(67,350)	(73,684)	(83,256)	(64,465)	(24,107)	-1.31%	-1.44%	-1.87%	-2.20%	-1.95%	-0.74%
Contributions	373,764	1,808,034	892,569	43,361	652,110	387,946	7.72%	38.56%	22.65%	1.15%	19.76%	11.98%
Tower Rental Income	16,100	15,600	15,600	20,400	30,000	-	0.33%	0.33%	0.40%	0.54%	0.91%	0.00%
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<b>\$ 382,174</b>	<b>\$1,758,573</b>	<b>\$ 837,653</b>	<b>\$ 40,370</b>	<b>\$ 625,038</b>	<b>\$ 367,066</b>	<b>7.89%</b>	<b>37.50%</b>	<b>21.26%</b>	<b>1.07%</b>	<b>18.94%</b>	<b>11.34%</b>
<b>NET REVENUE (EXPENSES)</b>	<b>\$ 177,744</b>	<b>\$1,690,167</b>	<b>\$1,086,499</b>	<b>\$ 380,033</b>	<b>\$ 735,077</b>	<b>\$ 631,677</b>	<b>3.67%</b>	<b>36.04%</b>	<b>27.57%</b>	<b>10.05%</b>	<b>22.28%</b>	<b>19.51%</b>

**CADDO BASIN SPECIAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2023**

Complete District Mailing Address: 156 CR 1118, Greenville, Texas 75401  
 District Business Telephone Number: 903-527-3504  
 Submission Date of the most recent District Registration Form: November, 2023  
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 600

<u>Names:</u>	<u>Term of Office (Elected or Appointed or Date Hired)</u>	<u>Fees of Office Paid 12/31/2023</u>	<u>Expense Reimbursements 12/31/2023</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
Jerry Leinart	2021-2024	\$ 550	\$ -	President
Nolan E. Jones	2021-2024	\$ 450	\$ -	Sec/Tres
Gene Martin	2020-2023	\$ 50	\$ -	Director
James Patterson	2021-2024	\$ 500	\$ -	Vice-President
Ronnie Clack	2022-2025	\$ 550	\$ -	Director
Barak Boyle	2021-2024	\$ 400	\$ -	Director
Jeffrey K. Hammack	2021-2024	\$ 450	\$ -	Director
Kenneth Pendergrass	2023-2026	\$ 550	\$ -	Director

**Key Administrative Personnel:**

Kevin Wendland	9/1/1984	\$ 121,167	\$ -	General Manager
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**Consultants:**

Dunaway / DBI	\$ 14,689	Engineer
Rutherford, Taylor & Company, P.C.	\$ 14,650	Auditor

**CADDO BASIN SPECIAL UTILITY DISTRICT  
SUPPLEMENTARY SCHEDULES NOT APPLICABLE  
YEAR ENDED DECEMBER 31, 2023**

The following TSI schedules are not applicable to this District:

<u>Exhibit ID</u>	<u>Exhibit Title</u>
TSI-4	Taxes Levied and Receivable

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**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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*An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Bonds, assuming no material changes in facts or law.*

**\$12,000,000**  
**CADDO BASIN SPECIAL UTILITY DISTRICT**  
**UTILITY SYSTEM REVENUE BONDS,**  
**SERIES 2025**

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**AS BOND COUNSEL FOR THE CADDO BASIN SPECIAL UTILITY DISTRICT** (the “Issuer”) in connection with the issuance of its Utility System Revenue Bonds, Series 2025 (the “Bonds”), we have examined into the legality and validity of the Bonds, which bear interest from the date and mature on the dates in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the Order of the Issuer authorizing the issuance and sale of the Bonds (the “Order”).

**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 Issuer, and other pertinent instruments relating to the authorization of the Bonds and the issuance and delivery of the Bonds, including one of the executed Bonds (Bond No. TR-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Bonds have been duly authorized, and that the Bonds have been duly issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to governmental immunity, bankruptcy, reorganization, and other similar matters affecting creditors’ rights, the Bonds constitute valid and legally binding special obligations of the Issuer secured by and payable from, together with other outstanding bonds, a first lien on and pledge of the “Net Revenues” of the Issuer’s Utility System (as defined in the Order).

**THE ISSUER HAS RESERVED THE RIGHT**, subject to the restrictions stated in the Order, to issue additional parity revenue bonds which, when issued and delivered, shall be payable from the Bond Fund, and shall be payable from and secured by a first lien on and pledge of the Net Revenues of the Utility System and entitled to the benefits of and secured by the Order in the same manner and to the same extent as, and be on a parity with, the Bonds.



**THE ISSUER HAS RESERVED THE RIGHT** to amend the Order as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds.

**THE REGISTERED OWNERS** of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation, or from any source whatsoever other than specified in the Order.

**IT IS FURTHER OUR OPINION** that, 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 or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”).

**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. In particular, but not by way of limitation, we express no opinion with respect to federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation’s adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**IN EXPRESSING THE AFOREMENTIONED OPINIONS**, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the ordinance adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of 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 Issuer as the taxpayer. We observe that the Issuer 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.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**WE HAVE ACTED AS BOND COUNSEL** for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds described above under the Constitution and laws of the State of Texas, 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. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, 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 information furnished by the Issuer with respect to the adequacy of the “Net Revenues”. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**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.

Very truly yours,

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**APPENDIX D**

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner’s rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. “Business Day” means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer’s Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. “Due for Payment” means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. “Nonpayment” means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. “Nonpayment” shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. “Owner” means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that “Owner” shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN



**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

200 Liberty Street, 27th floor  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES