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## PRELIMINARY OFFICIAL STATEMENT

Dated December 23, 2024

**Ratings:**  
**S&P: “A+”**  
**(See “OTHER INFORMATION - Ratings,” “BOND INSURANCE” and “BOND INSURANCE RISKS” herein)**

### NEW ISSUE - Book-Entry-Only

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



**\$14,690,000\***  
**JONAH WATER SPECIAL UTILITY DISTRICT**  
**(Williamson County, Texas)**  
**REVENUE BONDS, SERIES 2025**

**Dated Date: January 1, 2025;**  
**Interest to Accrue from the Date of Initial Delivery**

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

**PAYMENT TERMS . . .** Interest on the \$14,690,000\* Jonah Water Special Utility District Revenue Bonds, Series 2025 (the “Bonds”) will accrue from the date of initial delivery of the Bonds, will be payable July 1 and January 1 of each year commencing January 1, 2026, 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, New York, New York (“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 UMB Bank, N.A., Dallas, Texas (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 XI, Section 59 of the Texas Constitution and Chapters 49 and 65, Texas Water Code, as amended, and the order (the “Order”) to be passed by the Board of Directors of the Jonah Water Special Utility District (the “District”) on January 9, 2025. The Bonds, together with the District’s outstanding parity revenue bonds and any additional parity obligations that may be issued from time to time in accordance with the Order (collectively, the “Prior Lien Obligations”), are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Pledged Revenues of the District’s water system (the “System”). The Pledged Revenues consist of the net revenues of the System that remain after payment of all costs of operating and maintaining the System, plus any additional payment sources that may be pledged to secure the Prior Lien Obligations. **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** (see “THE BONDS - Authority for Issuance”, “SECURITY FOR THE BONDS” and “SELECTED PROVISIONS OF THE ORDER”).

**PURPOSE . . .** Proceeds of the Bonds will be used (i) to construct certain water line improvements, pump station improvements, and easements acquisitions for waterline 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 District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the initial purchaser of the Bonds desires to purchase such insurance, the cost therefor will be paid by the initial purchaser of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS” herein.

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**CUSIP PREFIX: 479869**  
**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 the facilities of DTC on or about February 11, 2025.

## **BIDS DUE THURSDAY, JANUARY 9, 2025 AT 9:00 AM, CENTRAL TIME**

\* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

**MATURITY SCHEDULE\***

<u>Principal Amount</u>	<u>July 1 Maturity</u>	<u>Interest Rate</u>	<u>Initial Yield</u>	<u>CUSIP Suffix <sup>(1)</sup></u>
\$ 250,000	2027			
260,000	2028			
275,000	2029			
290,000	2030			
300,000	2031			
320,000	2032			
335,000	2033			
350,000	2034			
365,000	2035			
385,000	2036			
405,000	2037			
425,000	2038			
440,000	2039			
460,000	2040			
480,000	2041			
500,000	2042			
520,000	2043			
545,000	2044			
565,000	2045			
590,000	2046			
615,000	2047			
645,000	2048			
670,000	2049			
700,000	2050			
730,000	2051			
765,000	2052			
800,000	2053			
835,000	2054			
870,000	2055			

**(Interest accrues from date of initial delivery)**

\* Preliminary, subject to change. See “CONDITIONS OF THE SALE – Post Bid Modification of Principal Amounts” in the NOTICE OF SALE AND BIDDING INSTRUCTIONS.

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**OPTIONAL REDEMPTION.** . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”).

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

*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 Preliminary 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, New York, New York (“DTC”) or its book-entry-only system, as such information has been provided by DTC.*

*The Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Order been qualified under the Trust Indenture Act of 1939, in reliance upon exemptions contained in such acts, nor have the Bonds been registered or qualified in any state. Neither the SEC nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.*

*Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. When used in this Official Statement, the words “estimate,” “intend,” “anticipate,” “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. See “OTHER INFORMATION—Forward Looking Statements” herein.*

**TABLE OF CONTENTS**

<b>OFFICIAL STATEMENT SUMMARY</b> .....	4	<b>FINANCIAL INFORMATION</b> .....	18
<b>DISTRICT OFFICIALS, STAFF AND CONSULTANTS</b> .6		TABLE 5 - CONDENSED STATEMENT OF OPERATIONS..	18
ELECTED OFFICIALS .....	6	TABLE 6 - PROJECTED COVERAGE .....	18
SELECTED ADMINISTRATIVE STAFF.....	6	<b>INVESTMENTS</b> .....	19
CONSULTANTS AND ADVISORS .....	6	TABLE 7 - CURRENT INVESTMENTS.....	20
<b>INTRODUCTION</b> .....	7	<b>SELECTED PROVISIONS OF THE ORDER</b> .....	21
<b>THE BONDS</b> .....	7	<b>TAX MATTERS</b> .....	32
<b>BOND INSURANCE</b> .....	12	<b>CONTINUING DISCLOSURE OF INFORMATION</b> .....	34
<b>BOND INSURANCE RISKS</b> .....	12	<b>LEGAL MATTERS</b> .....	35
<b>SECURITY FOR THE BONDS</b> .....	13	<b>OTHER INFORMATION</b> .....	36
<b>THE DISTRICT</b> .....	15	<b>APPENDICES</b>	
<b>DEBT INFORMATION</b> .....	16	GENERAL INFORMATION REGARDING THE DISTRICT...A	
TABLE 1 - PROFORMA REVENUE DEBT SERVICE		EXCERPTS FROM THE ANNUAL FINANCIAL REPORT.....B	
REQUIREMENTS.....	16	FORM OF BOND COUNSEL'S OPINION.....C	
TABLE 2 - WATER RATES.....	17		
TABLE 3 - WATER CONSUMPTION.....	17		
TABLE 4 - TEN LARGEST WATER CUSTOMERS .....	17		

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**..... Jonah Water Special Utility District (the “District”) is a non-profit water system created May 8, 1992. The District is a conversion of the former Jonah Water Supply Corporation and succeeded to all of its assets, liabilities and operations in August 1992. The Corporation was dissolved August 27, 1992. The purpose of the District is to provide water utility services to an area located in eastern Williamson County (see “THE DISTRICT”).
- THE BONDS** ..... The \$14,690,000\* Jonah Water Special Utility District Revenue Bonds, Series 2025 are issued as serial bonds maturing July 1, 2027 through July 1, 2055, unless the purchaser designates one or more maturities as one or more Term Bonds (see “THE BONDS - Description of the Bonds”).
- PAYMENT OF INTEREST** ..... Interest on the Bonds accrues from the date of initial delivery, and is payable January 1, 2026, and each January 1 and July 1 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS - Optional 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”) to be passed by the Board of Directors of the District on January 9, 2025. The Bonds are special obligations of the District (see “THE BONDS - Authority for Issuance”).
- SECURITY FOR THE BONDS** ..... The Bonds constitute special obligations of the District, and together with the District’s outstanding parity revenue bonds and any additional parity obligations that may be issued from time to time in accordance with the Order (collectively, with the Bonds, the “Prior Lien Obligations”), are payable, both as to principal and interest, from and secured by a lien on and pledge of the Pledged Revenues of the District’s water system (the “System”). The Pledged Revenues consist of the net revenues of the System that remain after payment of all costs of operating and maintaining the System, plus any additional payment sources that may be pledged to secure the Prior Lien Obligations. **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** (see “SECURITY FOR THE BONDS” and “SELECTED PROVISIONS OF THE ORDER”).
- REDEMPTION** ..... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Optional 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 construct certain water line improvements, pump station improvements, and easements acquisitions for waterline 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” herein.
- RATINGS** ..... The Bonds are rated “A+” by S&P Global Ratings, a division of S&P Global Ratings Inc. (“S&P”) (see “OTHER INFORMATION - Ratings”).

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\*Preliminary, subject to change.

**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:

Jonah Water Special Utility District  
William Brown  
General Manager  
4050 FM 1660  
Hutto, Texas 78634  
(512) 759-1286

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>Occupation</u>
Derek Shires President	September, 2027	Business Owner
Betty Zimmerhanzel Vice President	September, 2026	Receptionist
William "Black" Wehling Secretary-Treasurer	September, 2025	Retired
Carol Fox Director	September, 2027	Retired
Pete Correa Director	September, 2027	Retired
James "Jim" Stuewe Director	September, 2026	Business Owner
Jeff Maurice Director	September, 2025	Attorney
Douglas Gattis Director	September, 2026	Administrator
Efrian Lopez Director	September, 2026	Business Owner

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Length of Service to the District</u>
William Brown	General Manager	19 Years
Scott Pike	Assistant General Manager	10 Years
Erica Guerrero	Executive Assistant	8 Years

**CONSULTANTS AND ADVISORS**

Auditors .....	Donald L. Allman, CPA, PC Georgetown, 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  
  
\$14,690,000\*  
JONAH WATER SPECIAL UTILITY DISTRICT  
REVENUE BONDS, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$14,690,000\* Jonah Water Special Utility District 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 Jonah Water 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 a special utility district and political subdivision of the State of Texas created on May 8, 1992. The District is a conversion of the former Jonah Water Supply Corporation and succeeded to all of its assets, liabilities and operations in August, 1992. The Jonah Water Supply Corporation was dissolved August 27, 1992. The District is governed by a nine member Board of Directors. Members of the Board are elected by registered voters residing within the District; have the authority to make decisions, appoint managers, and establish service policies and rates; and have the primary accountability for fiscal matters. The purpose of the District is to provide water utility services to an area located in eastern Williamson County, Texas.

**THE BONDS**

**PURPOSE . . .** Proceeds of the Bonds will be used (i) to construct certain water line improvements, pump station improvements, and easements acquisitions for waterline 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 January 1, 2025, and mature on July 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 January 1 and July 1, commencing January 1, 2026, 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, New York, New York ("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 to be passed by the Board of Directors of the District on January 9, 2025.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after July 1, 2033, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on July 1, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

\*Preliminary, subject to change.

**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 so 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) Defeasance Securities, that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to refund, retire or otherwise discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date 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. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

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 Defeasance Securities or that for any other Defeasance 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 UMB Bank, N.A., Dallas, Texas. 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 2025 Reserve Fund, (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 owners for the purpose of amending or supplementing such Order to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the owners, (4) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interest of the owners.

The Order further provides that the owners of the Bonds aggregating in principal amount a majority of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Bonds; (2) reducing the rate of interest borne by any of the outstanding Bonds; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment. 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	\$ -
Net Reoffering Premium	-
Total Sources of Funds	<u>\$ -</u>
Uses of Funds:	
Deposit to Project Construction Fund	\$ -
Deposit to Debt Service Reserve Fund	-
TCEQ Fee	-
Costs of Issuance/Rounding Amount	-
Total Uses of Funds	<u>\$ -</u>

### **BOND INSURANCE**

The District has submitted applications to municipal bond insurance companies (an "Insurer") to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy (a "Policy"). In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the insurance premium will be paid by the Initial Purchaser. If insured, the final Official Statement shall describe the Policy and the Insurer.

### **BOND INSURANCE RISKS**

*If an insurance policy is purchased, the following are risk factors relating to bond insurance.*

**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 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, Inc. (the "Rating Agencies") have, in recent years, 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.

## SECURITY FOR THE BONDS

The following summary of the provisions of the Order that describe the security for the Bonds is qualified by reference to the Order, excerpts of which are included herein under the heading "SELECTED PROVISIONS OF THE ORDER."

**PLEGGED REVENUES . . .** In the Order, the Board has pledged the Pledged Revenues to secure the payment of the District's outstanding parity revenue bonds and the Bonds, and has reserved the right, subject to certain conditions, to pledge the Pledged Revenues to secure additional parity obligations ("Additional Prior Lien Obligations," and, collectively with the District's outstanding Parity revenue bonds and the Bonds, the "Prior Lien Obligations") from time to time in the future (see "Security for the Bonds - Issuance or Incurrence of Additional Prior Lien Obligations"). The Order defines "Pledged Revenues" as (1) the Net Revenues, plus (2) any additional revenues, received or to be received from other sources, which hereafter are pledged by the District to the payment of the Prior Lien Obligations pursuant to Section 65.503 of the Texas Water Code. The Order defines "Net Revenues" as "Gross Revenues" which are defined as all revenues, income and receipts of every nature derived or received by the District from the operation and ownership of the System; including (except with respect to investment of proceeds from outstanding debt of the District) the interest income from investment or deposit of money in any fund maintained by the District in connection with the System, but excluding any restricted revenues collected by the District under contract with others, which revenues are required to be administered on a fiduciary basis until paid over to such other entity; Gross Revenues includes any other revenues from any payment source hereafter pledged to the payment of all Prior Lien Obligations, remaining after deducting the "Maintenance and Operating Expenses," which are defined as the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Prior Lien Obligations), and all payments under contracts for materials and services provided to the District that are required to enable the District to render efficient service. The Order provides that depreciation shall never be considered as a Maintenance and Operating Expense of the District. See "— CERTAIN OUTSTANDING OBLIGATIONS NOT PAYABLE FROM NET REVENUES THAT CONSTITUTE MAINTENANCE AND OPERATING EXPENSES" below.

**OUTSTANDING PRIOR LIEN OBLIGATIONS . . .** The District has outstanding obligations secured by and payable from Pledged Revenues on parity with the Bonds, as follows:

<u>Dated Date</u>	<u>Original Par Amount</u>	<u>Outstanding Par Amount</u>	<u>Final Maturity</u>	<u>Issue</u>
8/1/2018	\$26,085,000	\$24,750,000	7/1/2048	Revenue Bonds, Series 2018
12/19/2024	4,000,000	4,000,000	7/1/2064	Revenue Bond, Taxable Series 2024

As of December 30, 2024.

**CERTAIN OUTSTANDING OBLIGATIONS NOT PAYABLE FROM NET REVENUES THAT CONSTITUTE MAINTENANCE AND OPERATING EXPENSES . . .** The District has certain outstanding obligations payable from gross revenues of the System, which are treated as Maintenance and Operating Expenses for purposes of the orders authorizing the Prior Lien Obligations. Such obligations include installment sales contracts with the Brazos River Authority that are currently outstanding in the aggregate principal amount of \$[ ] and finally mature in 2032, and a note payable to the United States Department of Agriculture that is currently outstanding in the principal amount of \$[ ] and matures in 2033.

**RESERVE FUND . . .** In the Order, the District covenants to accumulate and maintain a reserve for the payment of the Bonds (the "Required Reserve") equal to the lesser of (i) the Average Annual Debt Service (calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365 days) for the Bonds or (ii) the maximum amount in a reasonably required reserve fund for the Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended (the "Reserve Fund"), which Fund or account shall be maintained at an official depository of the District. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund during such period as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds.

Upon issuance of the Bonds, the total amount required to be accumulated and maintained in the Reserve Fund is hereby determined to be \$ , which is equal to not less than the Average Annual Debt Service for the Bonds, and on or before the 1st day of the month next following the month the Bonds are delivered to the Purchasers and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Pledged Revenues an amount equal to at least one-sixtieth (1/60th) of the Required Reserve. After the Required Reserve has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve, no monthly deposits shall be required to be made to the Reserve Fund.

As and when Additional Prior Lien Obligations are delivered or incurred, the District may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of the Prior Lien Obligations for the purpose of securing that particular issue or series of Prior Lien Obligations or any specific group of issues or series of Prior Lien Obligations, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged

Revenues and shall be held solely for the benefit of the owners of the particular Prior Lien Obligations for which such debt service reserve fund is established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues after the requirements of the Interest and Sinking Fund, which secures all Prior Lien Obligations, has first been met.

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

During such time as the Reserve Fund contains the Required Reserve, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the Revenue Fund, unless such surplus funds represent proceeds of the Bonds, then such surplus will be transferred to the Interest and Sinking Fund. The District hereby designates its Depository as the custodian of the Reserve Fund.

For more detailed information on the Reserve Fund and the District's obligations relating thereto, see "SELECTED PROVISIONS OF THE ORDER" herein.

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

**FLOW OF FUNDS . . .** (a) All Gross Revenues deposited and credited to the Revenue 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 Maintenance and Operating Expenses, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Prior Lien Obligations, the Bonds and any Additional Prior Lien Obligations issued by the Issuer as the same become due and payable.

Third: pro rata (based on the relative required amounts to be funded to each debt service reserve fund pursuant to the terms of each order that authorizes the issuance of additional Prior Lien Obligations and the funding of a debt service reserve fund for Prior Lien Obligations) to the payment of the amounts required to be deposited and credited each debt service reserve fund created and established to fund and maintain a reserve in accordance with the provisions of the orders relating to the issuance of the Prior Lien Obligations, the Bonds and any Additional Prior Lien Obligations hereafter issued by the Issuer.

Fourth: to make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

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

**RATES AND CHARGES . . .** The Issuer covenants and agrees with the owners of the Prior Lien Obligations as follows:

(a) That it will at all times fix, maintain, charge, and collect for services rendered by the System, rates and charges which will produce Net Revenues not less than 110% of the amount required to pay all principal and interest requirements and to make all other deposits now or hereafter required to be made into the Funds in connection with the Bonds.

(b) If the report by a certified public accountant required by Section 17 of the Order reflects that the Net Revenues of the System for the Fiscal Year covered thereby were less than the amount required by subsection (a) above, the Board of Directors within thirty (30) days after receipt of such report will review the operation of the System and the rates and charges for services rendered by the System and will make the necessary adjustments or revisions to the rates and charges in order that the Net Revenues will be sufficient to meet the requirement of subsection (a) above for the following Fiscal Years.

(c) If the System should become legally liable for any other obligations or indebtedness as permitted herein, the Issuer shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

**ADDITIONAL PRIOR LIEN OBLIGATIONS . . .** In the Order, the Board has reserved the right to issue or incur Prior Lien Obligations for any purpose authorized by law provided that: (i) the Designated Financial Officer of the District (or other officer of the District then having primary responsibility for the financial affairs of the District) certifies (A) that to the best of such persons knowledge and belief the District is not then in default as to any covenant or requirement contained in any order authorizing the issuance of outstanding Prior Lien Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all outstanding Prior Lien Obligations 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 or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency; (ii) a certificate or opinion of a certified public account, that based on the books and records of the District, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Prior Lien Obligations, the Net Earnings (as defined in the Order) at least equal to the sum of 1.25 times the Average Annual Debt Service (computed on a Fiscal Year basis), including Amortization Installments, of the Prior Lien Obligations and the Additional Prior Lien Obligations to be outstanding after the issuance of the then proposed Additional Prior Lien Obligations; and (iii) in making a determination of Net Earnings, such officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 30 days prior to the date the order authorizing the issuance of the Additional Prior Lien Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by the Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Designated Financial Officer's certificate or opinion.

Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be the best interest of the Issuer and its inhabitants, and if less than all such outstanding Prior Lien Obligations are refunded the proposed refunding bonds shall be considered as "Additional Prior Lien Obligations" under the provisions in the previous paragraph and the certificates required in the previous paragraph (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment). See "SELECTED PROVISIONS OF THE ORDER" for a more complete description of the terms and conditions for the issuance of Additional Prior Lien Obligations.

## **THE DISTRICT**

The District is a special utility district and political subdivision of the State of Texas created on May 8, 1992, by order of the Texas Water Commission and operates under Chapters 49 and 65 of the Texas Water Code, as amended. The District is a conversion of the former Jonah Water Supply Corporation and succeeded to all of its assets, liabilities and operations on August 20, 1992. The aforementioned Corporation was dissolved on August 27, 1992. The purpose of the District is to provide water utility services to an area located in eastern Williamson County.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The District has no taxing authority.

The District's territory consists of approximately 111,985 acres located in an unincorporated area of eastern Williamson County. The District borders the City of Georgetown, the City of Round Rock and the City of Hutto. There are over 12 single-family residential subdivisions within the District's service area. Many District residents commute to jobs in the Austin/Round Rock/Georgetown area. The District is also empowered to provide sanitary sewer service and facilities, solid waste facilities, and storm drainage facilities.

**DESCRIPTION OF THE DISTRICT'S SYSTEM . . .** The current system consists of 9 wells, 7 ground storage tanks, 6 elevated tanks, 4 pressure tanks, 1 stand pipe, 8 booster pump stations and approximately 474 miles of water mains. The original Jonah Water Supply Corporation water system was developed in accordance with USDA Farmers Home Administration policies. This policy resulted in construction of numerous water systems constructed across the country that were not designed to accommodate growth. The District currently serves approximately 7,520 customers.

The District entered into a 50-year treated water supply agreement with the Brazos River Authority (the "Authority") to take delivery of treated water made available from the Authority's East Williamson County Regional Water Distribution System ("EWCWDS"), effective February 21, 2006. This agreement initially called for the District to pay \$1.20 per thousand gallons of treated water delivered to the District. The current rate is \$1.88 per thousand gallons.

See APPENDIX B to this Official Statement for certain additional information concerning the District's financial condition and operating data.

**DESCRIPTION OF PROJECT . . .** The Bonds are being issued to finance: piping and waterline improvements at Plant No. 8 and related waterline improvement to Elevated No. 3 and Chandler Road Pump Station improvements, including ground storage tank, pumps, piping and equipment.

**DEBT INFORMATION**

**TABLE 1 - PROFORMA REVENUE DEBT SERVICE REQUIREMENTS**

Year Ending 12/31	Outstanding Debt Service <sup>(1)</sup>			The Bonds <sup>(2)</sup>			Total
	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2024	\$ 290,000	\$ 901,287	\$ 1,191,287	\$ -	\$ -	\$ -	\$ 1,191,287
2025	320,000	1,044,866	1,364,866	-	-	-	1,364,866
2026	335,000	1,168,187	1,503,187	-	920,757	920,757	2,423,944
2027	350,000	1,154,127	1,504,127	250,000	662,945	912,945	2,417,072
2028	365,000	1,140,255	1,505,255	260,000	650,445	910,445	2,415,700
2029	385,000	1,124,208	1,509,208	275,000	637,445	912,445	2,421,653
2030	400,000	1,111,583	1,511,583	290,000	623,695	913,695	2,425,278
2031	420,000	1,098,508	1,518,508	300,000	609,195	909,195	2,427,703
2032	440,000	1,084,899	1,524,899	320,000	594,195	914,195	2,439,094
2033	870,000	1,069,129	1,939,129	335,000	578,195	913,195	2,852,324
2034	975,000	1,039,437	2,014,437	350,000	561,445	911,445	2,925,882
2035	1,030,000	1,005,157	2,035,157	365,000	543,945	908,945	2,944,102
2036	1,085,000	969,762	2,054,762	385,000	525,695	910,695	2,965,457
2037	1,150,000	930,833	2,080,833	405,000	506,445	911,445	2,992,278
2038	1,210,000	888,873	2,098,873	425,000	488,220	913,220	3,012,093
2039	1,280,000	844,814	2,124,814	440,000	469,095	909,095	3,033,909
2040	1,355,000	798,819	2,153,819	460,000	449,295	909,295	3,063,114
2041	1,425,000	746,975	2,171,975	480,000	430,895	910,895	3,082,870
2042	1,505,000	693,298	2,198,298	500,000	411,695	911,695	3,109,993
2043	1,590,000	636,537	2,226,537	520,000	390,695	910,695	3,137,232
2044	1,675,000	577,170	2,252,170	545,000	368,855	913,855	3,166,025
2045	1,770,000	511,215	2,281,215	565,000	345,693	910,693	3,191,907
2046	1,870,000	442,178	2,312,178	590,000	321,680	911,680	3,223,858
2047	1,975,000	369,214	2,344,214	615,000	295,720	910,720	3,254,934
2048	2,085,000	292,731	2,377,731	645,000	268,660	913,660	3,291,391
2049	100,000	210,576	310,576	670,000	240,280	910,280	1,220,856
2050	110,000	203,277	313,277	700,000	210,800	910,800	1,224,077
2051	115,000	195,248	310,248	730,000	180,000	910,000	1,220,248
2052	125,000	187,366	312,366	765,000	147,150	912,150	1,224,516
2053	135,000	177,730	312,730	800,000	112,725	912,725	1,225,455
2054	145,000	167,877	312,877	835,000	76,725	911,725	1,224,602
2055	155,000	157,293	312,293	870,000	39,150	909,150	1,221,443
2056	165,000	146,380	311,380	-	-	-	311,380
2057	175,000	133,936	308,936	-	-	-	308,936
2058	190,000	121,163	311,163	-	-	-	311,163
2059	205,000	107,295	312,295	-	-	-	312,295
2060	220,000	92,585	312,585	-	-	-	312,585
2061	235,000	76,274	311,274	-	-	-	311,274
2062	250,000	59,122	309,122	-	-	-	309,122
2063	270,000	40,874	310,874	-	-	-	310,874
2064	290,000	21,225	311,225	-	-	-	311,225
	<u>\$ 29,040,000</u>	<u>\$ 23,742,283</u>	<u>\$ 52,782,283</u>	<u>\$ 14,690,000</u>	<u>\$ 12,661,734</u>	<u>\$ 27,351,734</u>	<u>80,134,018</u>

- (1) Includes the District’s Revenue Bonds, Series 2018 and the District’s Revenue Bond, Taxable Series 2024. Does not include certain other obligations of the District payable from gross revenues of the System, which are treated as Maintenance and Operating Expenses for purposes of the orders authorizing the Prior Lien Obligations, and which are described under “SECURITY FOR THE BONDS—CERTAIN OUTSTANDING OBLIGATIONS NOT PAYABLE FROM NET REVENUES THAT CONSTITUTE MAINTENANCE AND OPERATING EXPENSES.”
- (2) Interest on the Bonds has been calculated at an assumed rate as of the posted date of the Preliminary Official Statement for purposes of illustration. Preliminary, subject to change.

**ANTICIPATED ISSUANCE OF REVENUE BONDS . . .** The District may consider additional bond financed capital improvement projects at the end of calendar year 2025 for plant and water line improvements (estimated to be up to \$38.1 million).



**TABLE 2 – WATER RATES (AS OF JANUARY, 2023)**

The District’s monthly Base Rates for water service are as follows:

Meter Size	Monthly Base
5/8"	\$ 37.76
3/4"	37.76
1"	94.38
1/2"	188.77
2"	283.14
3"	377.53
4"	377.53
6"	943.82
8"	1,510.11
10"	2,076.41
12"	3,775.28

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:

Rate Schedule	
1 to 15,000 gallons	\$ 3.63 per 1,000 gallons
15,001 to 30,000 gallons	5.44 per 1,000 gallons
30,001 to 50,000 gallons	7.23 per 1,000 gallons
50,001 gallons and up	9.00 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 3 – WATER CONSUMPTION**

	Fiscal Year Ended December 31, (rounded to nearest 1,000)				
	2023	2022	2021	2020	2019
Annual Gallons Pumped	2,016,757,257	1,744,654,580	1,362,699,436	1,327,558,851	1,188,385,000
Annual Gallons Sold	1,419,156,141	1,387,011,994	1,054,038,988	929,907,434	845,852,025

**TABLE 4 – TEN LARGEST WATER CUSTOMERS (AS OF DECEMBER, 2023)**

Customer	Type of Customer	Average Usage Total (Gallons)	% of Total Water Usage
Sun Communities	Commercial	13,350,400	0.94%
Glenwood Park	Commercial	7,242,000	0.51%
Saddlecreek Condos	Commercial	7,061,800	0.49%
Siena	Commercial	6,480,200	0.46%
Redbud RV	Commercial	5,759,500	0.41%
Joss Growers	Commercial	5,687,400	0.40%
Sommery LP	Commercial	5,539,600	0.39%
Salerno Residential	Commercial	3,731,300	0.26%
Lauren Concrete	Commercial	3,630,600	0.26%
Georgetown ISD	Institutional	3,281,000	0.23%
		<u>61,763,800</u>	<u>4.35%</u>

## FINANCIAL INFORMATION

**TABLE 5 - CONDENSED STATEMENT OF OPERATIONS**

	For Fiscal Year Ended December 31,				
	2023	2022	2021	2020	2019
<b>Revenues:</b>					
Water Sales	\$ 20,902,545	\$ 18,267,813	\$ 13,948,946	\$ 13,681,340	\$ 10,518,885
Installation Fees	1,022,388	9,737,364	12,412,468	14,192,308	7,830,488
Other Revenues	156,760	-	-	111,992	1,314,945
Impact/Expansion Fees	18,885,966	90,253	190,008	-	-
Interest and Other Income	2,508,294	646,359	189,388	284,349	562,292
Total Revenues	<u>\$ 43,475,953</u>	<u>\$ 28,741,789</u>	<u>\$ 26,740,810</u>	<u>\$ 28,269,989</u>	<u>\$ 20,226,610</u>
<b>Expenses <sup>(1)</sup>:</b>					
Payroll and Fringe Benefits	\$ 4,156,023	\$ 3,465,036	\$ 3,065,630	\$ 2,703,266	\$ 2,269,343
Office and Occupancy Expenses	743,087	660,406	526,228	156,731	349,444
Utilities and Telephone	508,115	234,325	575,199	157,563	312,575
System Repair, Maintenance and Supplies	1,424,722	1,648,283	1,275,589	1,288,679	1,228,509
Legal and Professional	703,015	556,457	315,540	362,256	300,929
Insurance	148,279	136,581	98,567	83,764	74,009
Other Expenses	333,933	1,418,760	2,131,136	332,897	531,033
Equipment Repair and Expense	526,545	569,569	325,990	325,990	325,002
Purchased Water	7,382,507	5,204,678	2,814,980	2,578,006	2,283,540
Reserve Water Rights	1,546,772	1,609,607	1,573,464	1,100,299	1,197,127
Interest Expense	1,147,957	1,175,581	1,210,195	1,523,945	1,523,945
Total Expenses	<u>\$ 18,620,955</u>	<u>\$ 16,679,283</u>	<u>\$ 13,912,518</u>	<u>\$ 10,613,396</u>	<u>\$ 10,395,456</u>
Net Available for Debt Service	<u>\$ 24,854,998</u>	<u>\$ 12,062,506</u>	<u>\$ 12,828,292</u>	<u>\$ 17,656,593</u>	<u>\$ 9,831,154</u>
Number of Water Customers	13,045	13,045	11,745	9,581	9,581

(1) Excludes Depreciation and amortization.

**TABLE 6 – PROJECTED COVERAGE<sup>(1)</sup>**

Net Revenues, Fiscal Year ended 12/31/2023	\$24,854,998
Annual Principal and Interest Requirement, 2024	\$ 1,191,287
Coverage (2023 Net Revenues)	20.86 x
Average Annual Principal and Interest Requirement, 2024-2064	\$ 1,954,488
Coverage (2023 Net Revenues)	12.72 x
Maximum Principal and Interest Requirement, 2048	\$ 3,291,391
Coverage (2023 Net Revenues)	7.55 x

(1) Projected, includes the Bonds. Preliminary, subject to change.

### RETIREMENT BENEFITS

In 2007, the District joined the Texas County and District Retirement System. The employees receive retirement and life insurance benefits. The District's contribution in 2023 was \$682,545. The employees are also covered by the Social Security and Medicare programs of the Federal Government. See APPENDIX B, "Excerpts from the District's Annual Financial Report, December 31, 2023", Note K.

## 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 7 - 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	\$ 73,568	100.00%
	<u>\$ 73,568</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.*

Section 5. CHARACTERISTICS OF THE BONDS. (a) Registration Transfer and Exchange; Authentication. The Issuer shall keep or cause to be kept at the principal corporate trust office of Regions Bank, Houston, Texas (the "Paying Agent/Registrar"), books or records for the registration of the transfer and exchange of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the Holder of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each Holder to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Bond or Bonds. Registration of assignments, transfers and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BOND set forth in this Order. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in Section 4(c) of this Order, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign said Bond, and no such Bond shall be deemed to be issued or outstanding unless such Bond is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for exchange. No additional orders or resolutions need be passed or adopted by the governing body of the Issuer or any other body or person so as to accomplish the foregoing exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be printed or typed on paper of customary weight and strength. Pursuant to Chapter 1201, Government Code, as amended, the duty of exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Bond, the exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds that initially were issued and delivered pursuant to this Order, approved by the Attorney General and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Order. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all exchanges of Bonds, and all replacements of Bonds, as provided in this Order. However, in the event of a nonpayment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the past due interest shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Holder appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the Holders thereof, (ii) may be redeemed prior to their scheduled maturities (notice of which shall be given to the Paying Agent/Registrar by the Issuer at least 30 days prior to any such redemption date), (iii) may be exchanged for other Bonds, (iv) may be transferred and assigned, (v) shall have the characteristics, (vi) shall be signed, sealed, executed and authenticated, (vii) the principal of and interest on the Bonds shall be payable, and (viii) shall be administered and the Paying Agent/Registrar and the Issuer shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BOND set forth in this Order. The Bond initially issued and delivered pursuant to this Order is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in exchange for any Bond or Bonds issued under this Order the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM OF BOND.

(d) The Issuer covenants with the Holders of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Order, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 30 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Order.

Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each Holder of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Order, and a certified copy of this Order shall be delivered to each Paying Agent/Registrar.

(e) Except as provided below, no Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Order unless and until there appears thereon the Certificate of Paying Agent/Registrar substantially in the form provided in this Order, duly authenticated by manual execution of the Paying Agent/Registrar. It shall not be required that the same authorized representative of the Paying Agent/Registrar sign the Certificate of Paying Agent/Registrar on all of the Bonds. In lieu of the executed Certificate of Paying Agent/Registrar described above, the Initial Bond delivered on the closing date shall have attached thereto the Comptroller's Registration Certificate substantially in the form provided in this Order, manually executed by the Comptroller of Public Accounts of the State or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State and that it is a valid and binding obligation of the Issuer, and has been registered by the Comptroller.

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Section 7. PLEDGE OF PLEDGED REVENUES. (a) The Issuer hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Prior Lien Obligations including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Prior Lien Obligations, and the interest thereon, shall constitute a first lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the Prior Lien Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of Subordinate Lien Obligations, if any, heretofore or hereafter issued by the Issuer.

(b) Chapter 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should State law be amended at any time while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the Holders of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under State law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 8. SPECIAL FUNDS. To provide for the payment of the Prior Lien Obligations, the Bonds and any Additional Prior Lien Obligations there have been previously created and established, the funds described in clauses (a) through (c) below are hereby confirmed, and the fund described in clause (d) below is hereby ordered created and established, and in all instances shall be maintained so long as the respective Prior Lien Obligations are Outstanding, the following limited special funds:

(a) Jonah Water Special Utility District Utility System Revenue Bonds Revenue Fund, hereinafter called the "Revenue Fund."

(b) Jonah Water Special Utility District Utility System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund."

(c) Jonah Water Special Utility District Utility System Revenue Bonds Series 2018 Reserve Fund, called the "2018 Reserve Fund."

(d) Jonah Water Special Utility District Utility System Revenue Bonds Series 2025 Reserve Fund, called the "Reserve Fund."

(e) Though all of such funds may be subaccounts of the Issuer's General Fund held by the Issuer's Depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such funds or of such funds and the Issuer shall keep full and complete records indicating the monies and investments credited to each of such funds.

Section 9. REVENUE FUND. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received. *All* Maintenance and Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

Section 10. FLOW OF FUNDS. (a) All Gross Revenues deposited and credited to the Revenue 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 Maintenance and Operating Expenses, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Prior Lien Obligations, the Bonds and any Additional Prior Lien Obligations issued by the Issuer as the same become due and payable.

Third: pro rata (based on the relative required amounts to be funded to each debt service reserve fund pursuant to the terms of each order that authorized the issuance of the Prior Lien Obligations or authorizes the issuance of any Additional Prior Lien Obligations and the funding of a debt service reserve fund for such Prior Lien Obligations) to the payment of the amounts required to be deposited and credited each debt service reserve fund created and established to fund and maintain a reserve in accordance with the provisions of the orders relating to the issuance of the Prior Lien Obligations, the Bonds and any Additional Prior Lien Obligations hereafter issued by the Issuer.

Fourth: to make payment, including payment of amounts required for reserve fund requirements, of Subordinate Lien Obligations.

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

Section 11. INTEREST AND SINKING FUND. (a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Prior Lien Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Prior Lien Obligations then coming due and payable.

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until (i) such time as the total amount on deposit in and credited to the Interest and Sinking Fund (and in any debt service reserve funds created in accordance with Section 11 hereof) is equal to the amount required to fully pay and discharge all Outstanding Prior Lien Obligations (principal, premium, if any, and interest) or (ii) the Prior Lien Obligations are no longer outstanding.

(c) Accrued interest and capitalized interest, if any, received from the purchaser of any Prior Lien Obligation shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 12. RESERVE FUND FOR THE BONDS AND RESERVE FUNDS FOR ADDITIONAL PRIOR LIEN OBLIGATIONS. (a) The Issuer hereby covenants and agrees with the holders of the Bonds that it will provide for the accumulation of, and when accumulated, will thereafter continuously maintain in the Reserve Fund an amount equal to the lesser of (i) the average annual principal and interest requirements of the Bonds (calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365) or (ii) the maximum amount in a reasonably required reserve fund for the Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended. Immediately following the delivery of the Bonds, the appropriate Issuer officials shall calculate and determine the average annual principal and interest requirements for the Bonds then outstanding. Such amount shall be deposited in the Reserve Fund in sixty (60) substantially equal monthly payments on or before the 1st day of each month; the initial monthly deposit to be made on or before the 1st day of the month next following the month the Bonds are delivered. After the total amount required to be on deposit in the Reserve Fund has been accumulated, monthly payments to the Revenue Fund may be terminated; provided, however, should the amount on deposit therein be reduced below the sum required to be maintained in the Revenue Fund after the same has been accumulated, payments to the Revenue Fund in an amount equal to the deficiency shall be resumed and continued to be made on or before the 1st day of each month until the total amount then required to be on deposit in the Reserve Fund has been fully restored. In the event money in the Reserve Fund is used for an authorized purpose while monthly payments are being made to the Revenue Fund, the amount required to restore the sum then required to be on deposit therein shall be added to the payments then being made in the following month or months until the total amount then required to be on deposit in the Revenue Fund has been fully restored.

(b) Notwithstanding the requirements of subsection (a) above, the Issuer may provide a Reserve Fund Obligation issued in amounts equal to all or part of the amount required by the preceding paragraph for the Bonds in lieu of depositing cash into the Reserve Fund; provided, however, that no such Reserve Fund Obligation may be so substituted unless (i) the substitution of the Reserve Fund Obligation will not cause any ratings then assigned to the Bonds by either Moody's Investors Service or Standard & Poor's Ratings Service to be lowered and (ii) the ordinance authorizing the substitution of the Reserve Fund Obligation for all or part of the average annual principal and interest requirements of the Bonds contains (A) a finding that such substitution is cost effective and (B) a provision that the interest due on any repayment obligation of the Issuer by reason of payments made under

such policy does not exceed the highest lawful rate on interest which may be paid by the Issuer at the time of the delivery of the Reserve Fund Obligation. The Issuer reserves the right to apply the proceeds of the Revenue Fund to payment of the subrogation obligation incurred by the Issuer (including interest) to the issuer of the Reserve Fund Obligation, the payment of which will result in the reinstatement of such Reserve Fund Obligation, prior to making payment required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the average annual principal and interest requirements of the Bonds.

(c) In the event a Reserve Fund Obligation issued to satisfy all or part of the Issuer's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the amount required by paragraph (a) above, the Issuer, may transfer such excess amount to any fund or funds established for the payment of or security for the Bonds (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law.

(d) Notwithstanding anything to the contrary contained herein, the requirement set forth in subsection (a) above to maintain the Reserve Fund shall be suspended for such time as the "net revenues" of the System for each Fiscal Year are equal to at least 1.35 times the combined average annual principal and interest requirements of all outstanding Prior Lien Obligations. In the event that the "net revenues" for any Fiscal Year are less than 1.35 times the combined average annual principal and interest requirements of all outstanding Prior Lien Obligations, the Issuer will be required to commence maintaining the Reserve Fund as provided in this Section 12, and to continue maintaining such Reserve Fund until the earlier of (i) such time as the Reserve Fund is fully funded or (ii) the "net revenues" in each of two consecutive years have been equal to not less than 1.35 times the combined average annual principal and interest requirements of all outstanding Prior Lien Obligations. Notwithstanding the provisions of subsection (a) above, if the Issuer commences deposits in the Reserve Fund and later is authorized to suspend payments into the fund under this section any funds so accumulated may, at the discretion of the Issuer: (i) remain in the Reserve Fund or (ii) be used for any lawful purpose including additional projects or to pay debt service on the Bonds. The term "net revenues" as used in this Section shall mean the gross revenues of the System after deduction of maintenance and operating expenses, but not deducting depreciation or expenditures which, under standard accounting practices, are classed as capital expenditures.

(e) The Issuer may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of Additional Prior Lien Obligations for the purpose of securing that particular issue or series of Additional Prior Lien Obligations or any specific group of issues or series of Prior Lien Obligations, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Prior Lien Obligations for which such debt service reserve fund was established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues (based on the required reserve fund amount established by the order authorizing the Additional Prior Lien Obligations) after the requirements of the Interest and Sinking Fund, which secures all Prior Lien Obligations, have first been met. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Prior Lien Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Additional Prior Lien Obligations. Each order authorizing the issuance of Additional Prior Lien Obligations that are to be secured by a debt service reserve fund shall specify the amount or a manner of calculating the amount to be held and maintained on deposit therein. In connection with the issuance of the Bonds, the Issuer has created a debt service reserve fund.

Section 13. DEFICIENCIES; EXCESS PLEDGED OR NET REVENUES. (a) Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues (after making all payments pertaining to all Prior Lien Obligations) to make the required deposits and credits to the Interest and Sinking Fund and in any debt service reserve funds created in accordance with Section 11 hereof, then such deficiency shall be cured as soon as possible from the next available unallocated Pledged Revenues, or from any other sources available for such purpose, and such deposits and credits shall be in addition to the amounts otherwise required to be deposited and credited to these funds.

(b) Excess Pledged or Net Revenues. Subject to making the deposits and credits required by this Order, or any orders authorizing the issuance of the respective Prior Lien Obligations, or the payments and credits required by the provisions of the orders authorizing the issuance of Subordinate Lien Obligations hereafter issued by the Issuer, the excess Pledged Revenues may be used for any lawful purpose.

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Section 15. PAYMENT OF PRIOR LIEN OBLIGATIONS. While any of the Prior Lien Obligations are outstanding, the Issuer shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary, in the applicable debt service reserve fund, if any, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Prior Lien Obligations as shall become due on each interest or principal payment date, or date of redemption of the Prior Lien Obligations; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with each respective paying agent/registrar for the Prior Lien Obligations not later than the business day next preceding the date such payment is due on the Prior Lien Obligations. The Paying Agent/Registrar shall destroy all paid Prior Lien Obligations and furnish the Issuer with an appropriate certificate of cancellation or destruction.



Section 16. RATES AND CHARGES. The Issuer covenants and agrees with the owners of the Prior Lien Obligations as follows:

(a) That it will at all times fix, maintain, charge, and collect for services rendered by the System, rates and charges which will produce Net Revenues not less than 110% of the amount required to pay all principal and interest requirements and to make all other deposits now or hereafter required to be made into the Funds in connection with the Bonds.

(b) If the report by a certified public accountant required by Section 18 of this Order reflects that the Net Revenues of the System for the Fiscal Year covered thereby were less than the amount required by subsection (a) above, the Board of Directors within thirty (30) days after receipt of such report will review the operation of the System and the rates and charges for services rendered by the System and will make the necessary adjustments or revisions to the rates and charges in order that the Net Revenues will be sufficient to meet the requirement of subsection (a) above for the following Fiscal Years.

(c) If the System should become legally liable for any other obligations or indebtedness as permitted herein, the Issuer shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

Section 17. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any order authorizing the issuance of Prior Lien Obligations, including this Order, and in each and every Prior Lien Obligation; it will promptly pay or cause to be paid the principal of and interest on every Prior Lien Obligation on the dates and in the places and manner prescribed in such orders and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and to any debt service reserve fund created in accordance with Section 12 hereof

(b) Issuer's Legal Authority. It is a duly created and special utility district of the State, and is duly authorized under the laws of the State to issue the Bonds; that all action on its part for the issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(c) Title. It has or will obtain (i) lawful title to the lands, buildings, structures and facilities constituting the System or (ii) lawful contractual rights to lease or otherwise use all or a portion of the capacity of the lands, buildings, structures and facilities constituting the System; and that it warrants that it will defend the title to or contractual right to use, as the case may be, all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Prior Lien Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Prior Lien Obligations in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

(e) Operation of System; No Free Service. It will, while the Prior Lien Obligations are outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the Issuer or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the Issuer out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 9.

(f) Further Encumbrance. While the Prior Lien Obligations are outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Order in connection with Additional Prior Lien Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Order; but the right of the Issuer to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While the Prior Lien Obligations are outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or release without due consideration in whole or in part contractual rights constituting part of the System, or any significant or substantial part thereof; provided that whenever the

Issuer deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the Issuer retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of or release any significant or substantial part of the System if (i) the Board makes a finding and determination to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Prior Lien Obligations are to be outstanding to comply with the obligations of the Issuer contained in this Order and in the orders authorizing the issuance of Additional Prior Lien Obligations; (ii) the Issuer obtains a certificate or opinion of an Accountant, an Independent Engineer or a certified financial analyst to the effect that, or certificates or opinions of a combination of the foregoing that together are to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Prior Lien Obligations are to be outstanding to comply with the obligations of the Issuer contained in this Order and in the orders authorizing the issuance of Additional Prior Lien Obligations; and (iii) each Rating Agency then maintaining a rating on any Prior Lien Obligation delivers a letter to the Issuer confirming that it will not withdraw or lower the rating then in effect after it has been informed by the Issuer of such sale, conveyance, mortgage, encumbrance, lease or other disposition. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Prior Lien Obligations.

(h) Insurance. So long as any of the Prior Lien Obligations are outstanding, the Issuer agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by political subdivisions owning and/or operating similar properties. Nothing in this Order shall be construed as requiring the Issuer to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the Issuer from doing so.

(i) Governmental Agencies. It 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 Issuer has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

(j) No Competition. That so far as it legally may, the Issuer covenants and agrees, for the protection and security of the Prior Lien Obligations and the holders thereof from time to time and until all Prior Lien Obligations shall have been retired, that it will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities and, to the extent that it legally may, the Issuer will prohibit any such competing facilities.

Section 18. RECORDS AND ACCOUNTS; ANNUAL AUDIT. (a) The Issuer hereby covenants and agrees that so long as any of the Prior Lien Obligations or any interest thereon remain outstanding and unpaid, it will keep and maintain a proper and complete system of records and accounts pertaining to the operation of the System and its component parts separate and apart from all other records and accounts of the Issuer in accordance with accepted accounting practices prescribed for special utility districts, and complete and correct entries shall be made of all transactions relating to said System, as provided by Subchapter C of Chapter 49, Texas Water Code, as amended, or other applicable law. The Holder of the Bond or any duly authorized agent or agents of such Holder shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising same.

(b) The Issuer further agrees that, following the close of each Fiscal Year, the Issuer will cause an audit report of such records and accounts to be made by an independent Accountant. Copies of each annual audit shall be made available for public inspection during normal business hours at the Issuer's principal office and may be furnished to, upon written request, any Holder upon payment of the reasonable copying and mailing charges. Expenses incurred in making the annual audit of the operations of the System shall be considered as Maintenance and Operating Expenses.

Section 19. ADDITIONAL PRIOR LIEN OBLIGATIONS. (a) The Issuer shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Prior Lien Obligations"), in accordance with law, in any amounts, for any purpose permitted by law. Such Additional Prior Lien Obligations, if and when authorized, issued and delivered in accordance with this Order, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Prior Lien Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund shall secure and be used to pay all Prior Lien Obligations. Each order under which Additional Prior Lien Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Order and the provisions of any other order or orders authorizing Additional Prior Lien Obligations to be deposited to the credit of the Interest and Sinking Fund, the Issuer shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Prior Lien Obligations then being issued, as the same come due.

(c) Additional Prior Lien Obligations shall be issued only in accordance with this Order, but notwithstanding any provisions of this Order to the contrary, no installment, series or issue of Additional Prior Lien Obligations shall be issued or delivered unless:

(i) The Designated Financial Officer shall have executed a certificate stating (A) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any order authorizing the issuance of outstanding Prior Lien Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all outstanding Prior Lien Obligations 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 or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(ii) The Designated Financial Officer signs and delivers to the Board a written certificate to the effect that based on the books and records of the Issuer, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Prior Lien Obligations, the Net Earnings at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Prior Lien Obligations and the Additional Prior Lien Obligations to be outstanding after the issuance of the then proposed Additional Prior Lien Obligations.

(iii) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 30 days prior to the date the order authorizing the issuance of the Additional Prior Lien Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(d) Prior Lien Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to be the best interest of the Issuer and its inhabitants, and if less than all such outstanding Prior Lien Obligations are refunded the proposed refunding bonds shall be considered as "Additional Prior Lien Obligations" under the provisions of this Section and the certificate required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

Section 20. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Prior Lien Obligations, as may be authorized by the laws of the State.

Section 21. ISSUANCE OF SPECIAL PROJECT OBLIGATIONS. Nothing in this Order shall be construed to deny the Issuer the right and it shall retain, and hereby reserves unto itself, the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects.

Section 22. LIMITED OBLIGATIONS OF THE ISSUER. The Prior Lien Obligations are limited, special obligations of the Issuer payable from and equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues. The Issuer has no tracing powers, and the Holders of the Prior Lien Obligations shall never have the right to demand payment of the principal or interest on the Prior Lien Obligations from any funds raised or to be raised through taxation by the Issuer.

Section 23. SECURITY FOR FUNDS. All money on deposit in the Funds for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Order.

Section 24. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State, it is specifically covenanted and agreed particularly that in the event the Issuer (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, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the following remedies shall be available:

(a) the Holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition or obligation prescribed in this Order; and

(b) 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.

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Section 31. METHOD OF AMENDMENT. The Issuer hereby reserves the right to amend this Order subject to the following terms and conditions, to-wit:

(a) The Issuer may from time to time, without the consent of any holder, except as otherwise required by paragraph (b) below, amend or supplement this Order in order to (i) cure any ambiguity, defect or omission in this Order that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of this Order and that shall not materially adversely affect the interests of the holders, (iv) qualify this Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under this Order as shall not be inconsistent with the provisions of this Order and that shall not in the opinion of the Issuer's Bond Counsel materially adversely affect the interests of the holders.

(b) Except as provided in paragraph (a) above, the holders of Bonds aggregating in principal amount 51% of the aggregate principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment hereto that may be deemed necessary or desirable by the Issuer; provided, however, that without the consent of 100% of the holders in aggregate principal amount of the then outstanding Bonds, nothing herein contained shall permit or be construed to permit amendment of the terms and conditions of this Order or in any of the Bonds so as to:

- (1) Make any change in the maturity of any of the outstanding Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds;
- (3) Reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds;
- (4) Modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or
- (5) Change the minimum percentage of the principal amount of any series of Bonds necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend this Order under Subsection (b) of this Section, the Issuer shall send by U.S. mail to each Holder of the affected Bonds a copy of the proposed amendment.

(d) Whenever at any time within one year from the date of giving of such notice the Issuer shall receive an instrument or instruments executed by the holders of at least 51% in aggregate principal amount of all of the Bonds then outstanding that are required for the amendment, which instrument or instruments shall refer to the proposed amendment and that shall specifically consent to and approve such amendment, the Issuer may adopt the amendment in substantially the same form.

(e) Upon the adoption of any amendatory Order pursuant to the provisions of this Section, this Order shall be deemed to be modified and amended in accordance with such amendatory Order, and the respective rights, duties, and obligations of the Issuer and all holders of such affected Bonds shall thereafter be determined, exercised, and enforced, subject in all respects to such amendment.

(f) Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the publication of the notice provided for in this Section, and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the publication of said notice by the holder who gave such consent, or by a successor in title, by filing notice with the Issuer, but such revocation shall not be effective if the holders of 51% in aggregate principal amount of the affected Bonds then outstanding, have, prior to the attempted revocation, consented to and approved the amendment.

(g) For the purposes of establishing ownership of the Bonds, the Issuer shall rely solely upon the registration of the ownership of such Bonds on the Registration Books kept by the Paying Agent/Registrar.

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#### DEFINITIONS

As used in this Order, the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Accountant" means an independent certified public accountant or accountants or a firm of an independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"Additional Prior Lien Obligations" means bonds, notes, warrants, certificates of obligation, contractual obligations or other indebtedness which the Issuer reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Order and which obligations are equally and ratably secured solely by a first lien on and pledge of the Pledged Revenues on a parity with the Bonds.

"Amortization Installment" means, with respect to any Term Bonds of any series of Prior Lien Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"Annual Debt Service Requirements" means, as of the date of calculation, the principal of and interest on all Prior Lien Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Issuer on such debt, or be payable in respect of any required purchase of such debt by the Issuer) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Issuer:

(1) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Issuer) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Order as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) Consent Sinking Fund. In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the Issuer a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the Issuer has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of and interest on Prior Lien Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such debt; and

(4) Variable Rate. As to any Prior Lien Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Issuer, either (A) an interest rate equal to the average rate borne by such Prior Lien Obligations (or by comparable debt in the event that such Prior Lien Obligations has not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two series of Prior Lien Obligations which bear interest at variable interest rate, or one or more maturities within a series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest rate for such Prior Lien Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Prior Lien Obligations);

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and

derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Prior Lien Obligations. For the purposes of this definition, a fractional period of a Fiscal Year shall be calculated using the remaining days in the Fiscal Year at the time of such calculation, divided by 365 days. Capitalized interest payments provided from bond proceeds, accrued interest on any debt, and interest earnings thereon shall be excluded in making such computation.

*"Board"* means the board of directors of the Issuer, and references to "President," "Vice President" and "Secretary" means such of the directors of the Board as are elected by the members thereof to such offices.

*"Bonds"* means, the Jonah Water Special Utility District Revenue Bonds, Series 2025 authorized by this Order.

*"Depository"* means one or more official depository banks of the Issuer.

*"Designated Financial Officer"* means the General Manager of the Issuer or the chief financial officer of the Issuer, if such an office has been created, or such other financial or accounting official of the Issuer so designated by the Board.

*"Fiscal Year"* means the twelve-month accounting period used by the Issuer in connection with the operation of the System, currently ending on September 30 of each year, which may be any twelve consecutive month period established by the Issuer, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

*"Funded Debt"* means all Prior Lien Obligations created or assumed by the Issuer that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the Issuer to a date, more than one year after the original creation or assumption of such debt by the Issuer.

*"Gross Revenues"* mean all revenues, income and receipts of every nature derived or received by the Issuer from the operation and ownership of the System; including (except with respect to proceeds of any Prior Lien Obligations or Subordinate Lien Obligations to the extent provided by this Order or any order authorizing the issuance of Additional Prior Lien Obligations or Subordinate Lien Obligations) the interest income from investment or deposit of money in any fund maintained by the Issuer in connection with the System, but excluding any restricted revenues collected by the Issuer under contract with others, which revenues are required to be administered on a fiduciary basis until paid over to such other entity; Gross Revenues includes any other revenues from any payment source hereafter pledged to the payment of all Prior Lien Obligations.

*"Holder"* or *"Holders"* means the registered owner, whose name appears in the bond registration books, for any Prior Lien Obligation.

*"Independent Engineer"* means an individual, firm or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State, having specific experience with respect to water, wastewater, reuse water and/or storm water drainage systems similar to the System.

*"Interest and Sinking Fund"* means the special Fund maintained by the provisions of Sections 7 and 10 of this Order.

*"Issuer"* mean the Jonah Water Special Utility District, and where appropriate, the Board.

*"Maintenance and Operating Expenses"* means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Prior Lien Obligations), and all payments under contracts for materials and services provided to the Issuer that are required to enable the Issuer to render efficient service. Depreciation shall never be considered as a Maintenance and Operating Expense.

*"Maturity"* means, when used with respect to any indebtedness, the date on which the principal of such indebtedness or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

*"Net Earnings"* means the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System but not depreciation or other expenditures which, under standard accounting practice, should be charged to capital expenditures.

*"Net Revenues"* means all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

*"Order"* means this order finally adopted by the Board on January 9, 2025.

*"Outstanding"*, when used with respect to Prior Lien Obligations, means, as of the date of determination, all Prior Lien Obligations theretofore delivered under this Order and any order authorizing Additional Prior Lien Obligations, except:

- (1) Prior Lien Obligations theretofore cancelled and delivered to the Issuer or delivered to the Paying Agent/Registrar for cancellation;
- (2) Prior Lien Obligations deemed paid pursuant to the provisions of Section 31 of this Order or any comparable section of any order authorizing Additional Prior Lien Obligations;
- (3) Prior Lien Obligations upon transfer of or in exchange for and in lieu of which other Prior Lien Obligations have been authenticated and delivered pursuant to this Order and any order authorizing Additional Prior Lien Obligations; and
- (4) Prior Lien Obligations under which the obligations of the Issuer have been released, discharged or extinguished in accordance with the terms thereof.

*"Paying Agent/Registrar"* shall have the meaning set forth in Section 5 hereof.

*"Pledged Revenues"* means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer to the payment of the Prior Lien Obligations.

*"Prior Lien Obligations"* means the Bonds, the Jonah Water Special Utility District Revenue Bonds, Series 2018, the Jonah Water Special Utility District Revenue Bond, Taxable Series 2024 and any Additional Prior Lien Obligations hereafter issued by the Issuer or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first lien on and pledge of the Pledged Revenues.

*"Rating Agency"* means any nationally recognized securities rating agency which has assigned, at the request of the Issuer, a rating to any of the Prior Lien Obligations.

*"Special Project"* means any drainage project, waterworks, sanitary sewer or wastewater reuse system property, improvement or facility or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

*"State"* means the State of Texas.

*"Stated Maturity"* means the scheduled principal payments of the Prior Lien Obligations payable on the respective dates set forth in the orders which authorized the issuance of such Prior Lien Obligations.

*"Subordinate Lien Obligations"* means (i) any bonds, notes, warrants, certificates of obligation, contractual obligations or other indebtedness issued by the Issuer that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Prior Lien Obligations issued by the Issuer, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues on a parity with the Subordinate Lien Obligations.

*"System"* means the Issuer's waterworks system, consisting of its (A) properties, facilities, plants, improvements, equipment, owned; operated and maintained by the Issuer for the supply, treatment, and transmission and distribution of treated potable water and (B) any other properties, facilities, plants, improvements, equipment or utility systems that may be incorporated into the System as evidenced by a future order of the Board to the extent permitted by the laws of the State at the time of adoption of such order. The System shall not include any Special Project.

*"Term Bonds"* means those Prior Lien Obligations so designated in the orders authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

## 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 7 and in APPENDIX B, which is the District 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 statements 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.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

**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; and (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, 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.

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The District has agreed to provide the 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 believes that it has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## LEGAL MATTERS

**LEGAL OPINIONS . . .** The District will furnish to the Initial Purchaser of the Bonds a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the District as described under "---Certification of the Official Statement" will also be furnished to the Initial Purchaser of the Bonds. Though it represents investment banking firms such as the Initial Purchaser of the Bonds from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

**CERTIFICATION OF THE OFFICIAL STATEMENT . . .** At the time of payment for and delivery of the Bonds, the District will furnish a certificate to the Initial Purchaser of the Bonds, executed by a proper officer, acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, and any addenda, supplement or amendment hereto, on the date of this Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar

as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in this Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

**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 are rated “A+” by S&P Global Ratings, a division of S&P Global Ratings Inc. (“S&P”). An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the 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 it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Bonds.

**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 \_\_\_\_\_ (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 \_\_\_\_\_% of par, which provides compensation to the Initial Purchaser in the amount of \$\_\_\_\_\_. 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 the 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 will approve 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.

\_\_\_\_\_  
President  
Jonah Water Special Utility District

ATTEST:

\_\_\_\_\_  
Secretary-Treasurer  
Jonah Water Special Utility District

**APPENDIX A**

GENERAL INFORMATION REGARDING THE DISTRICT

**THE DISTRICT**

**GENERAL**

Jonah Water Special Utility District (the “District”) is in Hutto located in eastern Williamson County, Texas (the “County”). The County organized in 1848, is a Central Texas County and has an area of approximately 1,104 square miles. The City of Georgetown is the County seat. The economy is diversified by agribusiness, manufacturing and education. The different cities within the County offer many recreational, historical and cultural opportunities.

**POPULATION - WILLIAMSON COUNTY**

Census Population	
Year	Number
2020	609,006
2010	422,679
2000	249,967
1990	139,551

Source: U.S. Census Bureau.

**LABOR MARKET PROFILE**

**WILLIAMSON COUNTY**

	August	Average Annual			
	2024	2023	2022	2021	2020
Total Civilian Labor Force	389,260	380,582	365,035	343,600	323,000
Total Employment	374,336	367,668	354,210	329,807	304,159
Total Unemployment	14,924	12,914	10,825	13,793	18,841
% Unemployed	3.8%	3.4%	3.0%	4.0%	5.8%

**STATE OF TEXAS**

	August	Average Annual			
	2024	2023	2022	2021	2020
Total Civilian Labor Force	15,398,392	15,067,153	14,672,312	14,292,315	13,941,490
Total Employment	14,771,400	14,472,524	14,093,906	13,486,624	12,872,070
Total Unemployment	626,992	594,629	578,406	805,691	1,069,420
% Unemployed	4.1%	3.9%	3.9%	5.6%	7.7%

Source: Texas Workforce Commission.

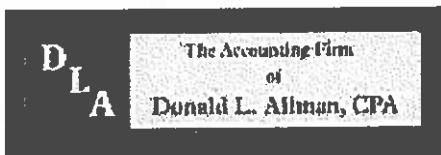
**APPENDIX B**

EXCERPTS FROM THE  
JONAH WATER SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2023

The information contained in this Appendix consists of excerpts from the Jonah Water 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.





Donald L. Allman, CPA, PC  
4749 Williams Dr., Ste. 322  
Georgetown, Texas 78626

CERTIFIED PUBLIC ACCOUNTANT

## INDEPENDENT AUDITORS' REPORT

April 22, 2024

To the Board of Directors  
Jonah Water Special Utility District  
Donald L. Allman, CPA, PC

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonah Water Special Utility District, Texas as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Jonah Water Special Utility District, Texas' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Jonah Water Special Utility District, Texas, as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Jonah Water Special Utility District, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

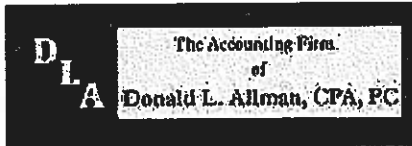
#### ***Responsibilities of Management for the Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing



Donald L Allman, CPA, PC

## INDEPENDENT AUDITOR'S REPORT (Continued)

4749 Williams Drive., Ste. 322

standards and *Government Auditing Standards* will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

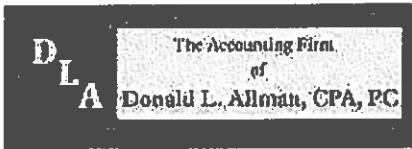
In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1-5 and 63-64 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Donald L. Allman, CPA, PC

4749 Williams Drive., Ste. 322

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CERTIFIED PUBLIC ACCOUNTANT

**INDEPENDENT AUDITOR'S REPORT (Continued)**

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Jonah Water Special Utility District, Texas' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2024 on our consideration of the Jonah Water Special Utility District, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Jonah Water Special Utility District, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Jonah Water Special Utility District, Texas' internal control over financial reporting and compliance.

Georgetown, TX 78633

April 22, 2024

**JONAH WATER SPECIAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

<b>ASSETS</b>	<u><b>2023</b></u>
Cash and Cash Equivalents	
Unrestricted	\$ 22,398,466
Restricted	45,051,781
Receivables (net)	1,961,964
Maintenance Supply Inventory	543,874
Prepaid Expenses	9,586
Capital Assets, net of depreciation	76,537,830
Other Assets, net of amortization	1,162,306
Total Assets	<u><u>\$ 147,665,807</u></u>
<b>LIABILITIES</b>	
Accounts Payable and Accrued Expense	1,775,583
Long-term Liabilities	
Due within one year	949,015
Due in more than one year	29,553,304
Accrued vacation and sick leave	115,924
Customer Deposits	<u>2,686,677</u>
Total Liabilities	<u>35,080,503</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	46,035,511
Restricted for:	
Construction	42,911,393
Debt Service	2,140,388
Unrestricted	<u>21,498,012</u>
Total Net Position	<u><u>\$ 112,585,304</u></u>

The accompanying notes are an integral part of these financial statements

**JONAH WATER SPECIAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes in Net Position</u>	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Operating Activities	Total
<b>Functions / Programs</b>						
<b>Primary Government</b>						
<b>Government Activities:</b>						
None						
<b>Business-Type Activities</b>						
Water	\$20,135,268	\$ 40,967,659	\$ -	\$ -	\$ 20,832,391	\$ 20,832,391
Interest expense	<u>\$ 1,147,957</u>				<u>\$ (1,147,957)</u>	<u>\$ (1,147,957)</u>
<b>Total Business-Type Activities</b>	<u>21,283,225</u>	<u>40,967,659</u>	<u>-</u>	<u>-</u>	<u>19,684,434</u>	<u>19,684,434</u>
<b>Total Primary Government</b>	<u>\$21,283,225</u>	<u>\$ 40,967,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,684,434</u>	<u>\$ 19,684,434</u>
<b>Component Units</b>						
None						
<b>General Revenues:</b>						
Other miscellaneous income					-	-
Restricted Investment Earnings					-	-
Unrestricted Investment Earnings					<u>2,508,294</u>	<u>2,508,294</u>
<b>Total General Revenues</b>					<u>2,508,294</u>	<u>2,508,294</u>
<b>Change in Position</b>					<u>22,192,728</u>	<u>22,192,728</u>
<b>Net Position - Beginning</b>					<u>90,392,576</u>	<u>90,392,576</u>
<b>Prior Period Adjustment</b>					-	-
<b>Net Position - Ending</b>					<u>\$112,585,304</u>	<u>\$ 112,585,304</u>

The accompanying notes are an integral part of these financial statements.

**JONAH WATER SPECIAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION**  
**December 31, 2023**

<u>ASSETS</u>	<u>2023</u>
<b>Current Assets:</b>	
Cash and Cash Equivalents:	
Unrestricted	\$ 22,398,466
Restricted	45,051,781
Accounts Receivable (net)	1,961,964
Maintenance Supply Inventory	543,874
Prepaid Expenses	<u>9,586</u>
Total Current Assets	\$ 69,965,671
<b>Property, Plant and Equipment (Note D):</b>	
Land	2,660,739
Interior Water System	3,797,133
Water Distribution System	30,182,683
Raw Water Transmission Line	1,502,713
Machinery & Equipment	3,300,754
Vehicles	2,908,205
Furniture & Equipment	114,967
Construction in Progress	<u>54,572,360</u>
Total	99,039,554
Less Accumulated Depreciation	<u>(22,501,724)</u>
Net Property, Plant and Equipment	76,537,830
<b>Other Assets:</b>	
Deferred Charges	1,853,346
Less Amortization of Deferred Charges	<u>(691,040)</u>
Total Other Assets	1,162,306
<b>TOTAL ASSETS</b>	<u><u>\$ 147,665,807</u></u>

The accompanying notes are an integral part of these financial statements.

**JONAH WATER SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION (Continued)  
December 31, 2023**

<b><u>LIABILITIES &amp; NET POSITION</u></b>	<u>2023</u>
<b>Current Liabilities:</b>	
Accounts Payable - Suppliers	\$ 1,636,989
Accrued Expenses	138,594
Accrued Interest Payable	-
Current Portion of Long-Term Debt	949,015
<b>Total Current Liabilities</b>	<u>2,724,598</u>
 <b>Long Term Liabilities:</b>	
Refundable Deposits (Note H)	2,686,677
Texas Water Development Bonds	-
Regions Bank Development Bonds (Note G)	442,319
Installment Agreement Payable to BRA (Note G)	2,060,000
Brazos River Authority Contract Revenue Bonds 2012	2,960,000
Brazos River Authority Contract Revenue Bonds 2018	25,040,000
Accrued Vacation Payable	115,924
Less Current Portion Long-Term Debt	(949,015)
<b>Total Long-Term Liabilities</b>	32,355,905
<b>TOTAL LIABILITIES</b>	35,080,503
 <b>Net Position:</b>	
Net Investment in Capital Assets	46,035,511
Restricted for:	
Construction	42,911,393
Debt Service	2,140,388
Unrestricted	21,498,012
<b>TOTAL NET POSITION</b>	<u>112,585,304</u>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<u><u>\$ 147,665,807</u></u>

The accompanying notes are an integral part of these financial statements

**JONAH WATER SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
ALL FUND TYPES  
DECEMBER 31, 2023**

**ASSETS**

	2023
<b>Current Assets</b>	
Cash and Cash Equivalents	\$ 22,398,466
Receivables (net)	1,961,964
Inventory	543,874
Prepaid Expenses	9,586
<b>Total Current Assets</b>	<b>24,913,890</b>
 <b>Restricted Assets:</b>	
Cash and Cash Equivalents	45,051,781
<b>Total Restricted Assets</b>	<b>45,051,781</b>
 <b>Fixed Assets - At Cost (Note D):</b>	
Property, Plant and Equipment	99,039,554
Less: accumulated depreciation	(22,501,724)
<b>Total Fixed Assets</b>	<b>76,537,830</b>
 <b>Other Assets:</b>	
Deferred Charges	1,853,346
Less Accumulated Amortization	(691,040)
<b>Total Other Assets</b>	<b>1,162,306</b>
<b>TOTAL ASSETS</b>	<b>\$ 147,665,807</b>

The accompanying notes are an integral part of these financial statements.



**JONAH WATER SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
ALL FUND TYPES  
DECEMBER 31, 2023**

**LIABILITIES & NET POSITION**

	2023
<b>Current Liabilities:</b>	
Accounts Payable - Supplies	\$ 1,636,989
Accrued Expenses	138,594
Accrued Interest Payable	-
Current Portion of Long-term Liabilities	949,015
<b>Total Current Liabilities</b>	<b>2,724,598</b>
 <b>Long Term Liabilities: (Note F)</b>	
Refundable Deposits	2,686,677
Notes and Bonds Payable	30,502,319
Less Current Portion	(949,015)
Accrued Vacation Payable	115,924
<b>Total Long-Term Liabilities</b>	<b>32,355,905</b>
<b>TOTAL LIABILITIES</b>	<b>35,080,503</b>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	46,035,511
Restricted for:	
Construction	42,911,393
Debt Service	2,140,388
Unrestricted	21,498,012
<b>TOTAL NET POSITION</b>	<b>112,585,304</b>
<b>TOTAL LIABILITIES &amp; NET POSITION</b>	<b>\$ 147,665,807</b>

The accompanying notes are an integral part of these financial statements

**JONAH WATER SPECIAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**  
**For the Year Ended December 31, 2023**

	<b>2023</b>
<b>Operating Revenues:</b>	
Water, Wastewater & Sanitation Sales	\$ 20,902,545
Installation Fees	1,022,388
Other Revenue	156,760
Total Operating Revenues	22,081,693
 <b>Operating Expenses:</b>	
Payroll & Employee Benefits	4,156,023
Purchased Water & Wastewater Treatment	7,382,507
Sanitation expenses	1,546,772
Office & Occupancy Expense	743,087
Utilities & Telephone	508,115
System Repair, Maintenance & Supplies	1,424,722
Equipment Repair & Expense	526,545
Legal & Professional	703,015
Insurance	148,279
Other Expense	333,933
Depreciation	2,641,593
Total Operating Expenses	20,114,591
<b>Operating Income (Loss)</b>	<b>1,967,102</b>
 <b>Non-Operating Revenues (Expenses)</b>	
Impact & Connection Fees	18,885,966
Forfeited Builder Deposits	-
Interest Income	2,508,294
Other Income (Expense)	-
Interest Expense	(1,147,957)
Amortization	(20,677)
Total Non-Operating Revenues (Expenses)	20,225,626
 <b>Capital Contributions from Developers</b>	
<b>Change in Net Position</b>	<b>22,192,728</b>
<b>Total Net Position - Beginning</b>	90,392,576
Prior Period Adjustment	-
<b>Total Net Position - Ending</b>	<b>\$ 112,585,304</b>

The accompanying notes are an integral part of these financial statements

**JONAH WATER SPECIAL UTILITY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**Year Ended December 31, 2023**

	<b>2023</b>
<b>Cash Flows from Operating Activities</b>	
Cash received from customers	\$ 40,616,961
Cash payments to suppliers for services or goods	(12,684,468)
Cash payments to employees for services	(4,156,023)
Net Cash Provided by Operating Activities	23,776,470
<b>Cash Flows from Investing Activities</b>	
Acquisition and construction of capital assets	(12,362,973)
Construction and debt reserve funds used (paid)	-
Interest income	2,508,294
Other income	-
Net Cash Provided by Investing Activities	(9,854,679)
<b>Cash Flows From Financing Activities:</b>	
Amortization	20,677
Debt principal paid	(912,246)
Interest and financing costs paid	(1,147,957)
Debt Proceeds	-
Net Cash Provided (Used) by Financing Activities	(2,039,526)
Net increase (Decrease) in Cash and Cash Equivalents	11,882,265
Cash and Cash Equivalents at Beginning of Year	55,567,982
Cash and Cash Equivalents at End of Year	\$ 67,450,247

The accompanying notes are an integral part of these financial statements

**JONAH WATER SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
Year Ended December 31, 2023**

	<b>2023</b>
<b>Cash Flows from Operating Activities</b>	
Operating Income (Loss)	\$ 20,817,421
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	2,641,593
Decrease (Increase) in Accounts Receivable	(350,698)
(Decrease) /Increase in Accrued Vacation & Sick Leave	(16,616)
Decrease (Increase) in Supplies Inventory	(13,075)
Increase (Decrease) in Accounts Payable & Accrued Exp	560,794
Increase (Decrease) in Refundable Deposits	137,051
Net Cash Provided by Operating Activities	2,959,049
Net Cash Provided by Operating Activities	23,776,470
<b>Cash flows From Investing Activities</b>	
Acquisition and Construction of Capital Assets	(12,362,973)
Construction and debt reserve funds used (paid)	-
Interest income	2,508,294
Other income	-
Net Cash Provided by Investing Activities	(9,854,679)
<b>Cash Flows From Financing Activities:</b>	
Amortization	20,677
Debt Principal Paid	\$ (912,246)
Interest and Financing Costs Paid	(1,147,957)
Debt Proceeds	-
Net Cash Provided (Used) by Financing Activities	(2,039,526)
Net increase (Decrease) in Cash and Cash Equivalents	11,882,265
Cash and Cash Equivalents at Beginning of Year	55,567,982
Cash and Cash Equivalents at End of Year	\$ 67,450,247

The accompanying notes are an integral part of these financial statements

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**CREATION OF THE DISTRICT**

Jonah Water Special Utility District is a non-profit rural water system created August 20, 1992, by order of the Texas Water Commission and operates under Texas Water Code Chapter 65, as amended. The District is a conversion of the former Jonah Water Supply Corporation and succeeded to all of its assets, liabilities and operations on August 20, 1992. The Corporation was dissolved August 27, 1992. The purpose of the District is to provide water utility services to an area located in eastern Williamson County.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The District has no taxing authority.

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF ACCOUNTING**

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

***Government Entities Included***

All activities and organizations over which the Board of Directors exercises control and has fiscal responsibility and control are included in the general purpose financial statements.

***Fund Accounting***

The accounts of the District are organized on the basis of funds or account groups. The District has a single fund, a proprietary fund type, the Water Fund, which is an Enterprise Fund. An 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) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The Water fund uses the accrual basis of accounting. This basis of accounting recognizes revenues when they are earned, and expenses when they are incurred.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

The Retained Earnings of the District comprise the results of operations of the District and the predecessor Corporation for operations prior to and after the conversion to Special Utility District status.

**PROPERTY, PLANT & EQUIPMENT**

Land and depreciable assets are recorded at cost. Interest accruing during construction on indebtedness incurred to finance construction of assets is capitalized. Depreciation of office equipment, vehicles, equipment, and distribution system assets is provided for over the estimated service lives of the asset. The District has no public domain ("infrastructure") assets.

Costs of issuing long-term debt to construct additions to the water system are capitalized and amortized over the term of the debt.

**OFF-SITE IMPROVEMENT FEES REVENUE RECOGNITION**

The District is authorized to charge a \$5,000 per connection fee. Frequently, these fees are paid prior to development of the lots which will be served with water. The District uses two criteria for recognizing these fees as revenue: (1) THE District has issued a commitment to provide water, and (2) the fees have been paid. When these two events have occurred, revenue is recognized.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS**

An allowance for doubtful accounts of \$12,263 has been provided as of December 31, 2023 for accounts deemed to be uncollectible.

**INVENTORIES**

Inventories are recorded at cost and are expensed as used by the first-in, first-out method.

**FINANCIAL STATEMENTS**

The District has adopted the financial reporting model required by Governmental Accounting Standards Board Statement No. 34 (GASB 34). For purposes of presenting financial position, the net assets format is used. Net assets represents the difference between assets and liabilities. The Statement of Net Assets sets forth the three components of net assets, namely Invested in Capital Assets Net of Related Debt, Restricted and Unrestricted.

**STATEMENT OF CASH FLOWS**

For the purpose of the statement of Cash flows, the District considers all highly liquid investments, including bank certificates of deposit without regard to maturity, to be cash and cash equivalents.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**COMPENSABLE ABSENCES**

Accruals for vacation and vested sick leave are reflected in the accounts for unpaid vacation, and vested sick leave earned by employees. In the event of resignation, or retirement, all employees will be reimbursed for vacation time accumulated, and for employees with more than 10 years of service up to 200 hours of unused sick leave, in accordance with the District's policy.

**ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**BUDGET**

The District is required to adopt an annual budget and present comparisons of the original budget, the amended budget, and the actual operating results. The proprietary (enterprise) fund budget was prepared on the accrual basis of accounting consistent with generally accepted accounting principles applicable to governments. Depreciation is not budgeted.

**NOTE B – CASH AND CASH EQUIVALENTS**

The District maintains several bank accounts and a petty cash fund. Year-end balances of the respective types of accounts are set forth below.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

	<b>2023</b>
<b><u>Unrestricted</u></b>	
<b>Operations:</b>	
Checking	\$ 11,704,114
Petty Cash	1,240
	11,705,354
 <b>Designated Reserves:</b>	
O&M Reserve - Money Market	8,204,645
Customer Deposits - Checking	2,488,467
Customer Deposits - Money Market	-
	10,693,112
	\$ 22,398,466
 <b><u>Restricted</u></b>	
<b>Construction:</b>	
Capital Improvements	41,462,347
CNB Capital Improvement Bonds	1,449,046
TWDB - Escrow	-
Expansion - Money Market	-
	42,911,393
 <b>Debt Service:</b>	
CNB Series 2018 Bond Reserve Fund	1,756,711
TWDB - Debt Service - Money Market	62,899
Series 2001 Bond Reserve Fund	217,933
REDC - Debt Service - Money Market	29,277
REDC - Reserve CD	73,568
	2,140,388
Total Restricted	\$ 45,051,781
Total Cash & Cash Equivalents	\$ 67,450,247

The District's cash and time deposits are categorized to give an indication of the level of risk assumed by the District at year-end.

***Category 1 - \$500,000***

Includes deposits that are insured by the Federal Deposit Insurance Corporation

***Category 2 - \$66,950,247***

Includes deposits that are uninsured and for which securities held by the depository bank are pledged as collateral.



**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

*Category 3 – None*

Includes deposits that are uninsured and for which no securities are pledged as collateral by the depository or other institution.

The District is allowed under state law to deposit funds in a depository bank located in the state and to the extent such funds are not insured by the Federal Deposit Insurance Corporation, they must be collateralized by the pledge of the following types of securities:

- (1) Obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies
- (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
- (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been related as to investment quality by a nationally recognized investing firm and having received a rating of not less than "A" or its equivalent;
- (5) certificates of deposit issued by state and national banks domiciled in the State of Texas that are guaranteed or secured by the Federal Deposit Insurance Corporation or secured by obligations described above; and
- (6) certain other types of deposits and securities permitted by state law.

At December 31, 2023, all of the District's deposits were with banks located in the State of Texas. The depository bank had pledged securities with an aggregate market value of \$66,950,247 as collateral for the deposits.

**NOTE C – ACCOUNTS RECEIVABLE**

Accounts Receivable outstanding at December 31, 2023 comprised the following:

	<u>2023</u>
Utility Accounts	\$ 1,974,227
Reserve for Uncollectible Accounts	<u>(12,263)</u>
<b>Total</b>	<b><u>\$ 1,961,964</u></b>

**JONAH WATER SPECIAL UTILITY DISTRICT**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE D – PROPERTY, PLANT & EQUIPMENT**

Property, plant, and equipment are recorded at cost. The following is a summary of changes during the year ended December 31, 2023:

	<u>Balance</u> <u>31-Dec-22</u>	<u>Additions</u>	<u>Transfers or</u> <u>Deletions</u>	<u>Balance</u> <u>December 31, 2023</u>
Land	\$ 2,660,739	\$ -	\$ -	\$ 2,660,739
Interior Water System	3,797,133	-	-	\$ 3,797,133
Water Distribution System	26,806,320	3,376,363	-	\$ 30,182,683
Raw Water Transmission Line	1,502,713	-	-	\$ 1,502,713
Machinery & Equipment	2,279,776	1,020,978	-	\$ 3,300,754
Vehicles	2,304,681	603,524	-	\$ 2,908,205
Furniture & Equipment	114,967	-	-	\$ 114,967
Construction in Progress	47,210,252	7,362,108	-	\$ 54,572,360
Accumulated Depreciation	<u>(19,860,131)</u>	<u>(2,641,593)</u>	-	<u>\$ (22,501,724)</u>
Net Property, Plant & Equip	<u>\$ 66,816,450</u>	<u>\$ 9,721,380</u>	<u>\$ -</u>	<u>\$ 76,537,830</u>

Depreciation is provided for over the estimated useful lives of the assets, using depreciation methods and lives allowed by the Internal Revenue Service. Depreciation provided was \$2,641,593 for the year of 2023.

The Interior Water System costs represent the cost to developers to install the interior water systems within the developing subdivisions. The developer's costs of installation of these systems have been recorded as contributed capital. Once the subdivisions are complete and are being served by water, these interior systems become the property and responsibility of the District. In accordance with GASB 34, depreciation was provided on these contributed assets in the amount of \$77,179 for the year of 2023.

**NOTE E – CONSTRUCTION IN PROGRESS**

At December 31, 2023, the construction in progress represents engineering fees and construction costs for projects to improve and expand the system.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE F – DEFERRED CHARGES**

The District has expended funds in connection with its \$5,800,000 installment obligation to Brazos River Authority (BRA). These expenditures are summarized as follows:

	<u>2023</u>
Restricted Assets Held by BRA:	
Construction Funds	\$ 583,259
Bond Reserve Funds	<u>530,696</u>
Total Restricted Assets	1,113,955
 Financing Costs of BRA Debt:	
Costs Incurred	673,369
Less Amortization	<u>(625,018)</u>
	48,351
 Financing Costs of Other Debt:	
Costs Incurred	82,856
Less Amortization	<u>(82,856)</u>
	-
 Total Financing Costs	 <u>48,351</u>
Total Deferred Charges	<u>\$ 1,162,306</u>

The BRA construction funds include \$583,259 payment required by terms of the installment agreement.

Financing costs are amortized over the term of the related debt.

**NOTE G – LONG-TERM LIABILITIES**

**MORTGAGE NOTE PAYABLE**

The District has incurred debt to the United States Department of Agriculture to obtain \$1,053,000 financing for construction of additions to its water distribution system. The loan bears interest at 4.65% per annum and is payable in monthly installments of \$4,907. Repayment of the loan is secured by the pledge of all of the revenue from operation of the District's water distribution system. During the year of 2023, payments of \$58,884 were made, of which \$37,246 was applied to principal and \$21,638 to interest.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

Total remaining annual payments of the note are as follows at December 31, 2023:

<b>REDC Loan Payments</b>			
	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	19,869	39,015	58,884
2025	18,015	40,869	58,884
2026	16,074	42,810	58,884
2027	14,040	44,844	58,884
2028	11,910	46,974	58,884
2029-2033	24,426	227,807	252,233
	<u>\$ 228,667</u>	<u>\$ 442,319</u>	<u>\$ 841,073</u>

**REVENUE BONDS**

The District has issued waterworks system revenue bonds through Regions bank. Repayment of the bonds is secured by the pledge of all of the revenue from operation of the District’s water distribution system. At December 31, 2019 the following bonds were outstanding:

\$1,325,000 Series 2011 Jonah Water Special Utility District Waterworks System Revenue Refunding Bonds to replace the 2001 Revenue Bonds; due in annual installments of \$25,000 to \$160,000 through 2021; interest at 3.39%.

The remaining annual requirements to amortize revenue bonds payable as of December 31, 2021 are as follows:

Paid off in full in fiscal year 2021

**PLEDGE OF REVENUES**

The indebtedness to the U.S. Department of Agriculture – REDC, to Regions Bank, and to the Brazos River Authority installment payment agreement is payable from the gross income and revenue derived from the water system operations, a portion of which, sufficient to pay the principal and interest when due, is assigned and pledged. The assignment and pledge extends to include any assessments that may be levied, if for any reason gross income and revenue are insufficient to meet the installment payments.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**COMPLIANCE WITH DEBT SERVICE REQUIREMENTS**

The District was in compliance with the U.S. Department of Agriculture – REDC loan covenant requirements, including the funding of the required reserves.

The District was in compliance with Regions Bank bond covenant requirements, including the funding of required reserves.

**INSTALLMENT AGREEMENT PAYABLE TO BRAZOS RIVER AUTHORITY**

In 2007, the District entered into an installment agreement with the Brazos River Authority (BRA) whereunder the District is obligated to pay \$5,800,000 to BRA and BRA is to provide \$4,900,000 financing of certain parts of the District’s Circleville and Mustang Creek water system expansion. The BRA issued \$3,170,000 bonds in 2007 and \$2,630,000 bonds in 2008 to obtain the funds, and the District’s payments to BRA will service that debt. The revenues of the District’s water distribution system are pledged to secure payment of the obligation. BRA has retained \$900,000 to provide funds to meet the reserve requirements and costs of issuing its bonds, and has made available \$4,900,000 for construction.

**Brazos River Authority Installment Agreement Payable**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	94,019	345,000	439,019
2025	68,400	360,000	428,400
2026	30,600	450,000	480,600
2027	27,750	460,000	487,750
2028	19,000	475,000	494,000
	<u>\$ 637,238</u>	<u>\$ 2,060,000</u>	<u>\$ 2,697,238</u>

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

The District paid \$1,021,769 in interest in the last year of 2023 to BRA. At December 31, 2023, the remaining annual requirements to amortize the debt are as follows:

**INSTALLMENT AGREEMENT PAYABLE TO BRAZOS RIVER AUTHORITY**

In 2012, the District entered into an installment agreement with the Brazos River Authority (BRA) whereunder the District is obligated to pay \$5,090,000 to BRA and BRA is to provide \$5,043,301 financing of certain parts of the District's Circleville and Mustang Creek water system expansion. The BRA issued \$5,090,000 bonds in 2012 to obtain the funds, and the District's payments to BRA will service that debt. The revenues of the District's water distribution system are pledged to secure payment of the obligation. BRA has retained \$586,000 to provide funds to meet the reserve requirements and costs of issuing its bonds, and has made available \$5,043,301 for construction.

**Brazos River Authority Liability 2012 Series**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	98,531	275,000	373,531
2025	90,281	290,000	380,281
2026	81,581	300,000	381,581
2027	72,206	310,000	382,206
2028	62,131	325,000	387,131
2029-2032	132,252	1,460,000	1,592,252
		-	
	<u>\$ 536,982</u>	<u>\$ 2,960,000</u>	<u>\$ 3,496,982</u>

**Brazos River Authority Liability 2018 Series**

	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2024	901,288	290,000	1,191,288
2025	889,688	300,000	1,189,688
2026	877,688	315,000	1,192,688
2027	865,088	330,000	1,195,088
2028	851,888	345,000	1,196,888
2029-2033	4,076,302	2,370,000	6,446,302
2034-2038	3,482,644	5,250,000	8,732,644
2039-2043	2,454,094	6,870,000	9,324,094
2044-2048	1,045,313	8,970,000	10,015,313
	<u>\$ 15,443,993</u>	<u>\$ 25,040,000</u>	<u>\$ 40,483,993</u>

In 2018, the District entered into an installment agreement with the Brazos River Authority (BRA) where under the District is obligated to pay \$26,085,000 to BRA and BRA is to provide \$26,085,000 financing of certain parts of the District's Circleville and Mustang Creek water system expansion. The BRA issued \$26,085,000 bonds in 2018 to obtain the funds, and the District's payments to BRA will service that debt. The revenues of the District's water distribution system are pledged to secure payment of the obligation

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE H – REFUNDABLE DEPOSITS**

The District requires each new customer to pay \$100, which is held as a refundable deposit to secure payment of the customer's water bill. In addition, builders are required to deposit \$500 for each lot, refundable upon completion of the home and satisfactory inspection. The District maintains separate bank deposits, which totaled \$2,488,467 at December 31, 2023, to meet the obligations of \$2,686,677.

**NOTE I – COMMITMENTS AND CONTINGENCIES**

As of December 31, 2023 the district had outstanding commitments as described below:

1. The District has a 50-year commitment beginning September 1, 1994 to pay an annual fee to the Brazos River Authority to reserve 2,439 acre feet of water. The District pays \$60.50 per acre foot annually for 1,200 acre feet, and \$12.81 per acre foot for an additional 1,239 acre feet. Total payment in 2014 was 99,953.
2. The District entered into an agreement in 2008 to purchase water from the Brazos River Authority's Lake Granger water treatment plant at a current cost of \$1.44 per million gallons per day. Purchases were 464,057 in 2012. The District's minimum "take or pay" obligation under the contract has not been determined, and is to be based on average annual purchases over a 5-year period which began in 2008.
3. The District has signed an interconnect agreement with the City of Georgetown in which excess water may be purchased/sold between the parties. Construction of the necessary water lines began in 1998 and the north phase was completed in 1999.
4. As of December 31, 2023, Jonah Water Special Utility District did not have any pending litigation or potential, non-disclosed liabilities that would have a material effect on the financial statements.

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023**

**NOTE K – RETIREMENT BENEFITS**

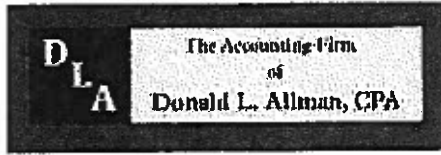
In 2007, the District joined the Texas County and District Retirement System. The employees retirement and life insurance benefits. The District's contribution in 2023 was \$682,545. The employees are also covered by the Social Security and Medicare programs of the Federal Government.

**NOTE L – SUBSEQUENT EVENTS**

No subsequent events were observed that would have a material effect on these financial statements.



**SUPPLEMENTARY FINANCIAL INFORMATION SECTION**



Donald L. Allman, CPA, PC  
205 East University Ave., Ste. 165  
Georgetown, Texas 78626

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Board of Directors  
Jonah Water Special Utility District

In my opinion, the accompanying supplemental information is stated fairly in all material respects in relation to the financial statements, taken as a whole, of Jonah Water Special Utility District for the year ended December 31, 2023, which is covered by my opinion presented in the first section of this report. The accompanying information is supplemental to the financial statements and is not essential for a fair presentation of the financial position, the results of its operation and the cash flow.

My examination, which was made primarily for the purpose of forming an opinion of the financial statements taken as a whole, included such tests of the accounting records, from which the supplementary information was compiled, and such other auditing procedures as I considered necessary in the circumstances.

Donald L. Allman, CPA  
April 23, 2024

**JONAH WATER SPECIAL UTILITY DISTRICT  
SUPPLEMENTARY SCHEDULES INCLUDED WITHIN THIS REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2023**

- [X] C. Notes Required by the Water District Accounting Manual
- [X] D. Schedule of Service and Rates
- [X] E. Schedule of Expenditures – Proprietary Fund Type
- [N/A] F. Schedule of Temporary Investments  
\*The District has no temporary investments
- [N/A] G. Analysis of Texas Receivable  
\*The District does not assess taxes
- [X] H.(1) Analysis of Changes in fixed assets
- [X] H.(2) Analysis of Organizational costs
- [X] I. Schedule of Maturities and Sinking Fund Requirements by Years
- [X] J. Analysis of Changes in Bonds Payable
- [X] K. Comparative Schedule of Revenues and Expenditures – Five Year
- [X] L. Insurance Coverage
- [X] M. Board Members, Key Personnel and Consultants
- [X] N. Schedule of Notes Payable
- [X] O. Combined Statement of Revenues, Expenses, and Changes in  
Retained Earnings – Budget and Actual – All Proprietary Fund Types
- [X] P. Analysis of Cash Flows

**JONAH WATER SPECIAL UTILITY DISTRICT  
(C) NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL  
DECEMBER 31, 2023**

The notes required by the Water District Accounting Manual have been disclosed in the notes to the General Purpose Financial Statements as Follows:

<b>Texas Commission on Environmental Quality Note Caption:</b>	<b>General Purpose Financial Statement Note Number</b>
<b>A. Creation of District</b>	<b>Page 17</b>
<b>B. Basis of Accounting</b>	<b>Note A</b>
<b>C. Bond Interest</b>	<b>Note G</b>
<b>D. Pledge of Revenues</b>	<b>Note G</b>
<b>E. Compliance with Debt Service Requirements</b>	<b>Note G</b>
<b>F. Redemption of Bonds</b>	<b>N/A</b>
<b>G. Engineering Reports</b>	<b>N/A</b>
<b>H. Pension Coverage for District Employees</b>	<b>Note K</b>

**JONAH WATER SPECIAL UTILITY DISTRICT  
(D) SCHEDULE OF SERVICES AND RATES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

1. Services Provided by the District: Retail Water
2. Retail Rates Based on 5/8" Meter:  
Most prevalent type of meter: 3/4"

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Standard Rate per 1000 Gallons Over Minimum	Usage Level
Water:					
Regular Rate	\$ 37.76	N/A	N	\$ 3.63	1 to 15,000
				\$ 5.44	15,001 to 30,000
				\$ 7.23	30,001 to 50,000
				\$ 9.00	50,001 to plus

Drought Management Plan Rates: Same rates year round

3. Standby Fees: NONE
4. Total water consumption (rounded to nearest 1,000) during the fiscal year:
 

Gallons pumped into system:	2,016,757,257
Gallons billed to customers:	1,419,156,141
Percent water loss:	29.6%

5. Number of retail water connections within the District as of fiscal year end:

Connections	Active Connection	Inactive Connections
Single-Family	12,634	-
Multi-Family	-	-
Commercial	354	-
Other	57	-
<b>Total</b>	<b>13,045</b>	<b>-</b>

Base rate:	
5/8	\$ 37.76
3/4	\$ 37.76
1	\$ 94.38
1.5	\$ 188.77
2	\$ 283.14
3	\$ 377.53
4	\$ 377.53
6	\$ 943.82
8	\$ 1,510.11
10	\$ 2,076.41
12	\$ 3,775.28

**JONAH WATER SPECIAL UTILITY DISTRICT  
(E) SCHEDULE OF WATER FUND EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Water System</u>
Personnel (Including Benefits)	\$ 4,156,023
Professional Fees:	
Auditing and Accounting	11,000
Legal	183,418
Engineering	450,688
Financial Advisor	-
Other	-
Purchased Services for Resale:	
Bulk Water & Wastewater Purchases Reserve Fees	8,929,279
Tap Connection Expenses	-
Contracted Services:	
Bookkeeping	-
General manager	-
Appraisal District	-
Tax Collector	-
Other	-
Utilities	508,115
Repairs and Maintenance	1,951,267
Administrative Expenditures	
Director's Fees	12,300
Office Supplies	743,087
Insurance	148,279
Other	333,933
Capital Outlay	
Acquisition of Fixed Assets	12,362,973
Acquisition of Other Assets	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Debt Principal and Interest	2,060,203
Other Expenditures	-
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 31,850,565</u></b>

Number of persons employed by the District:

Full-time	27
Part-time	0

(Not including independent contractors or consultants)



**JONAH WATER SPECIAL UTILITY DISTRICT  
(H) ANALYSIS OF CHANGES IN FIXED ASSETS  
AND ORGANIZATION COSTS  
DECEMBER 31, 2023**

	<b>Balances Beginning of Year</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balances End of Year</b>
<b>PHYSICAL FACILITIES</b>				
Land	\$ 2,660,769	\$ -	\$ -	\$ 2,660,769
Interior Water System	3,797,133	-	-	3,797,133
Water Distribution System	26,806,320	3,376,363	-	30,182,683
Raw Water Transmission Line	1,502,713	-	-	1,502,713
Machinery & Equipment	2,279,506	1,020,978	-	3,300,484
Vehicles	2,304,681	603,524	-	2,908,205
Furniture & Equipment	114,967	-	-	114,967
Construction in Progress	47,210,253	7,362,108	-	54,572,361
Totals	<u>\$ 86,676,342</u>	<u>\$ 12,362,973</u>	<u>\$ -</u>	<u>\$ 99,039,315</u>
<b>OTHER DEFERRED CHARGES</b>				
BRA Financing Costs	\$ 673,369	\$ -	\$ -	\$ 673,369
BRA Construction Fund	583,259	-	-	583,259
BRA Bond Reserves	513,862	-	-	513,862
Totals	<u>\$ 1,770,490</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,770,490</u>
<b>DISTRICT ORGANIZATION COSTS</b>				
Legal Fees	\$ 2,768	\$ -	\$ -	\$ 2,768
Other Costs	1,783	-	-	1,783
Other Financing Costs	26,884	-	-	26,884
TWDB Issuance Cost	51,421	-	-	51,421
Totals	<u>82,856</u>	<u>-</u>	<u>-</u>	<u>82,856</u>
<b>Total Fixed Assets &amp; Org. Costs</b>	<u><u>\$ 88,529,688</u></u>	<u><u>\$ 12,362,973</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,892,661</u></u>
<b>AMOUNTS PROVIDED BY:</b>				
Farmers Home Administration Loan				
Proceeds	\$ 1,312,200	\$ -	\$ -	\$ 1,312,200
USDA Rural Development Loan Proceed:	1,033,800	-	-	1,033,800
Issue of TWDB Bonds	6,661,053	-	-	6,661,053
Payable to BRA	1,196,855	-	-	1,196,855
Revenues	65,373,091	12,362,973	-	77,736,064
Developer Contributions	3,794,433	-	-	3,794,433
BRA Installment Agreement	9,158,256	-	-	9,158,256
<b>TOTAL</b>	<u><u>\$ 88,529,688</u></u>	<u><u>\$ 12,362,973</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,892,661</u></u>



**JONAH WATER SPECIAL UTILITY DISTRICT  
(I) SCHEDULE OF MATURITIES AND SINKING FUND REQUIREMENTS BY YEARS  
December 31, 2023**

**Paid off in full during year ended December 31, 2021.**

**JONAH WATER SPECIAL UTILITY DISTRICT  
REGIONS BANK DEVELOPMENT BONDS  
(J) Waterworks System Revenue Refunding Bonds  
Series 2011  
For the Year Ending December 31, 2023**

**Paid off in full during year ended December 31, 2021**

**JONAH WATER SPECIAL UTILITY DISTRICT**  
**(K) COMPARATIVE STATEMENT OF REVENUE AND EXPENDITURES**  
**WATER FUND - YEAR ENDED DECEMBER 31, 2023**

	<b>AMOUNTS</b>					<b>PERCENT OF FUND TOTAL REVENUES</b>				
	2023	2022	2021	2020	2019	2023	2022	2021	2020	2019
<b>REVENUES:</b>										
Water Sales	\$ 20,902,545	\$ 18,267,813	\$ 13,948,946	\$ 13,681,340	\$ 10,518,885	48.08%	63.56%	52.16%	48.40%	52.01%
Installation Fees	19,908,354	9,737,364	12,412,468	14,192,308	7,830,488	45.79%	33.88%	46.42%	50.20%	38.71%
Other Revenues	-	-	- x	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Impact/Expansion Fees	156,760	90,253	190,008	111,992	1,314,945	0.36%	0.31%	0.71%	0.40%	6.50%
Forfeited Builder Deposits	-	-	- x	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Interest and Other Income	2,508,294	646,359	189,388	284,349	562,292	5.77%	2.25%	0.71%	1.01%	2.78%
<b>TOTAL REVENUES:</b>	<u>43,475,953</u>	<u>28,741,789</u>	<u>26,740,810</u>	<u>28,269,989</u>	<u>20,226,610</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
<b>EXPENSES:</b>										
Payroll & Fringe Benefits	4,156,023	3,465,036	3,065,630	2,703,266	2,269,343	9.56%	18.22%	19.27%	9.56%	11.22%
Office & Occupancy Expenses	743,087	660,406	526,228	156,731	349,444	1.71%	3.47%	3.31%	0.55%	1.73%
Utilities and Telephone	508,115	234,325	575,199	157,563	312,575	1.17%	1.23%	3.62%	0.56%	1.55%
System Repair, Maint & Supplies	1,424,722	1,648,283	1,275,589	1,288,679	1,228,509	3.28%	8.67%	8.02%	4.56%	6.07%
Legal & Professional	703,015	556,457	315,540	362,256	300,929	1.62%	2.93%	1.98%	1.28%	1.49%
Insurance	148,279	136,581	98,567	83,764	74,009	0.34%	0.72%	0.62%	0.30%	0.37%
Other Expenses	333,933	1,418,760	2,131,136	332,897	531,033	0.77%	7.46%	13.40%	1.18%	2.63%
Equipment Repair & Expense	526,545	569,569	325,990	325,990	325,002	1.21%	3.00%	2.05%	1.15%	1.61%
Depreciation & Amortization	2,662,270	2,334,379	1,992,892	1,305,655	1,176,131	6.12%	12.28%	12.53%	4.62%	5.81%
Purchased Water	7,382,507	5,204,678	2,814,980	2,578,006	2,283,540	16.98%	27.37%	17.70%	9.12%	11.29%
Reserve Water Rights	1,546,772	1,609,607	1,573,464	1,100,299	1,197,127	3.56%	8.47%	9.89%	3.89%	5.92%
Interest Expense	1,147,957	1,175,581	1,210,195	1,523,945	1,523,945	2.64%	6.18%	7.61%	5.39%	7.53%
<b>TOTAL EXPENSES</b>	<u>21,283,225</u>	<u>19,013,662</u>	<u>15,905,410</u>	<u>11,919,051</u>	<u>11,571,587</u>	<u>48.95%</u>	<u>66.15%</u>	<u>59.48%</u>	<u>42.16%</u>	<u>57.21%</u>
<b>NET INCOME LOSS</b>	<u>\$ 22,192,728</u>	<u>\$ 9,728,127</u>	<u>\$ 10,835,400</u>	<u>\$ 16,350,938</u>	<u>\$ 8,655,023</u>	<u>51.05%</u>	<u>33.85%</u>	<u>40.52%</u>	<u>57.84%</u>	<u>42.79%</u>

**JONAH WATER SPECIAL UTILITY DISTRICT  
(L) INSURANCE COVERAGE  
DECEMBER 31, 2023**

Company Policy Coverage	Amount of Coverage	From	To	Annual Premium
<b>Texas Municipal League Intergovernmental Risk Pool</b>				
Fire & Extended Coverage - Replacement Value (\$2,500 deductible, \$25,000 flood & earthquakes)	\$ 25,816,165	10/1/2023	10/1/2024	\$ 49,664
Boiler & Machinery (\$2,500 deductible)	17,000,000	10/1/2023	10/1/2024	Included
Equipment (\$500 deductible)	459,885	10/1/2023	10/1/2024	2,858
Flood & Equipment	2,581,616	10/1/2023	10/1/2024	18,889
General Liability (Including Pollution)				6,547
Each Occurrence	2,000,000	10/1/2023	10/1/2024	
Aggregate Limit	4,000,000	10/1/2023	10/1/2024	
Automobile				26,410
Liability - Combined single Limit Each Accident (bodily injury and property damage)	1,000,000	10/1/2023	10/1/2024	
Medical Payments	25,000	10/1/2023	10/1/2024	
Uninsured Motorists (property \$250 deductible)	1,000,000	10/1/2023	10/1/2024	
Physical Damage (\$500 deductible; \$10,000 per occurrence)	10,000	10/1/2023	10/1/2024	
Workers Compensation				38,830
Bodily Injury by Disability - Limit Statutory	1,000,000	10/1/2023	10/1/2024	
Employee Dishonesty - per employee (\$0 deductible)	250,000	10/1/2023	10/1/2024	294
Directors & Officers		10/1/2023	10/1/2024	4,787
Directors and Officers Liability - Each Act (\$1,000 deductible; retroactive to 1/1/04-12/31/08)	5,000,000			
Aggregate Limit	10,000,000			<u>\$ 148,279</u>

**JONAH WATER SPECIAL UTILITY DISTRICT  
(M) BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
December 31, 2023**

<b>Name &amp; Address</b>	<b>Term of Office Elected &amp; Expires or Date Hired</b>	<b>Fees &amp; Expenses Reimbursements FYE 12/31/2023</b>	<b>Title at Year End</b>	<b>Resident of District</b>
<b><u>Board Members:</u></b>				
Jeff Maurice 310 Heritage Loop Hutto, TX 78634	9/12/2022 9/12/2025	\$ 1,800	Director	Yes
Pete Correa 1003 Farm Creek Cove Hutto, TX 78634	9/6/2021 9/6/2024	\$ 1,950	Director	Yes
Carol Fox P.O. Box 345 Taylor, TX 76574	9/6/2021 9/6/2024	\$ 1,800	Director	Yes
Kenneth Jirasek 801 Comanche Bluff Road Taylor, TX 76574	9/12/2020 9/12/2023	\$ -	Director	Yes
James "Jim" Stuewe 3880 FM 972 Georgetown TX 78626	9/12/2023 9/12/2026	\$ 1,800	Director	Yes
Derek M. Shires P.O. Box 49 Walburg, TX 78673	9/6/2021 9/6/2024	\$ -	President	Yes
Douglas Gattis 9800 E. Hwy 29 Georgetown TX 78626	2/8/2023 9/6/2026	\$ 1,350	Director	Yes
Betty Zimmerhanel 600 FM 1331 Taylor, TX 76574	9/12/2023 9/12/2026	\$ 1,950	Vice President Director	Yes
William E. Wehling 2201 County Road 156 Granger, TX 76530	9/12/2022 9/12/2025	\$ 1,950	Sec/Treasurer	Yes

<b>Name &amp; Address</b>	<b>Term of Office Elected &amp; Expire or Date Hired</b>	<b>Fees &amp; Expenses Reimbursements FYE 12/31/2023</b>	<b>Title at Year End</b>	<b>Resident of District</b>
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**Key Administrative Personnel:**

William L. Brown 4050 FM 1660 Hutto, TX 78634	02/15/2007 -	\$ 194,936	General Manager	
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**Consultants:**

Cayote Consulting, LLC P.O. Box 4248 Waco, TX 76708		\$ 450,688	Engineer	
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The Carlton Law Firm, PLLC 2705 Bee Cave Road, Suite 110 Austin, TX 78746		\$ 183,418	Attorney	
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Donald L. Allman, CPA, PC 4749 Williams Drive Suite 322 Georgetown, TX 78633		\$ 11,000	Auditor	
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Complete District Mailing Address P.O. Box 455  
Hutto, TX 78634

District Business Telephone Number 512-759-1286

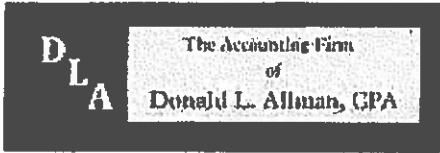
**JONAH WATER SPECIAL UTILITY DISTRICT  
(N) SCHEDULE OF NOTES PAYABLE  
December 31, 2023**

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Payable End of Year</u>	<u>Accrued Interest on Notes</u>
U.S. Dept. of Agriculture - REDC	5%	5/9/2033	\$ 442,319	\$ -
Total			<u>\$ 442,319</u>	<u>\$ -</u>

**JONAH WATER SPECIAL UTILITY DISTRICT**  
**(O) STATEMENT OF ACTIVITIES AND CHANGE IN NET POSITION**  
**ACTUAL AND BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	ADJUSTMENT TO BUDGET BASIS	ACTUAL ON BUDGET BASIS	VARIANCE FAVORABLE UNFAVORABLE
<b>Operating Revenues</b>						
Water/Wastewater Sales	\$ 14,706,513	\$ 15,317,897	\$ 20,902,545	\$ -	\$ 20,902,545	\$ 5,584,648
Installation Fees	2,866,421	3,447,109	1,022,388	-	1,022,388	(2,424,721)
Other Revenues	2,039,384	1,941,032	156,760	-	156,760	(1,784,272)
Total Operating Revenues	<u>19,612,318</u>	<u>20,706,038</u>	<u>22,081,693</u>	-	<u>22,081,693</u>	<u>1,375,655</u>
<b>Expenditures</b>						
Payroll & Fringe Benefits	4,673,614	4,602,256	4,156,023	-	4,156,023	446,233
Purchased Water	7,913,384	8,447,552	7,382,507	-	7,382,507	1,065,045
Reserve Water Rights	-	-	1,546,772	-	1,546,772	(1,546,772)
Office & Occupancy Expense	694,949	467,976	743,087	-	743,087	(275,111)
Utilities & Telephone	512,227	373,834	508,115	-	508,115	(134,281)
System Repair, Maint & Supplies	1,853,110	2,014,994	1,424,722	-	1,424,722	590,272
Equipment Repair & Expense	545,700	1,833,520	526,545	-	526,545	1,306,975
Legal & Professional	357,000	645,736	703,015	-	703,015	(57,279)
Insurance	140,000	140,000	148,279	-	148,279	(8,279)
Other Expense	39,450	78,768	333,933	-	333,933	(255,165)
Depreciation	-	-	2,641,593	-	2,641,593	(2,641,593)
Total Operating Expenses	<u>16,729,434</u>	<u>18,604,636</u>	<u>20,114,591</u>	-	<u>20,114,591</u>	<u>(1,509,955)</u>
Operating Income	2,882,884	2,101,402	1,967,102	-	1,967,102	(134,300)
<b>Non-operating Revenues (Expenses)</b>						
Impact & Connection Fees	-	-	18,885,966	-	18,885,966	18,885,966
Forfeited Builder Deposits	-	-	-	-	-	-
Interest Income	-	-	2,508,294	-	2,508,294	2,508,294
Other Income	-	-	-	-	-	-
Interest Expense	-	-	(1,147,957)	-	(1,147,957)	(1,147,957)
Amortization	-	-	(20,677)	-	(24,593)	(24,593)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>20,225,626</u>	-	<u>20,221,710</u>	<u>20,221,710</u>
Net Income (Loss)	<u>2,882,884</u>	<u>2,101,402</u>	<u>22,192,728</u>	-	<u>22,188,812</u>	<u>20,087,410</u>
<b>Financing and Capital Expenditures</b>						
Debt Principal Payments	(2,882,884)	(2,068,528)	(912,246)	-	(912,246)	(912,246)
Capital Expenditures	-	-	(12,362,973)	-	(12,362,973)	(12,362,973)
Total Financing & Capital Expenditures	<u>(2,882,884)</u>	<u>(2,068,528)</u>	<u>(13,275,219)</u>	-	<u>(13,275,219)</u>	<u>(13,275,219)</u>
Net Income (Loss) after Financing and Capital Expenditures	<u>\$ -</u>	<u>\$ 32,874</u>	<u>\$ 8,917,509</u>	<u>\$ -</u>	<u>\$ 8,913,593</u>	<u>\$ 6,812,191</u>
Net Position - Beginning			\$ 90,392,576			
Net Income (Loss)			<u>22,192,728</u>			
Prior Period Adjustment			-			
Net Position - Ending			<u>\$ 112,585,304</u>			





Donald L. Allman, CPA, PC  
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Georgetown, Texas 78633

CERTIFIED PUBLIC ACCOUNTANT

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

**To the Board of Directors  
Jonah Water Special Utility District**

We have audited the financial statements of Jonah Water SUD, as of and for the year ended December 31, 2023, which collectively comprise the Jonah Water SUD' basic financial statements and have issued our report thereon dated April 22, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Jonah Water SUD, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Jonah Water SUD's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Jonah Water SUD's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Jonah Water SUD's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Jonah Water SUD' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Donald L. Allman, CPA, PC

Georgetown, TX  
April 22, 2024

**JONAH WATER SPECIAL UTILITY DISTRICT  
NOTE TO STATEMENT OF ACTIVITIES AND  
CHANGE IN NET POSITION  
ACTUAL AND BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2023**

**Budget Adoption**

The budget is prepared on the accrual basis. The Board of Directors adopted the annual budget at a regularly scheduled meeting prior to the beginning of the fiscal year. The budget was amended by the Directors when planned revenue or expenditures exceeded the original budget by substantial amounts.

**Adjustment to the Budget Basis**

The district budgets total debt payments, including principal and interest. Actual debt principal payments are recorded as reduction of the liabilities in the balance sheet.

The District does not budget the provision for depreciation because it does not reflect an expenditure of cash.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

**Proposed Form of Opinion of Bond Counsel**

*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.*

**JONAH WATER SPECIAL UTILITY DISTRICT  
REVENUE BONDS, SERIES 2025  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$\_\_\_\_\_**

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**AS BOND COUNSEL** for the Jonah Water Special Utility District (the "Issuer"), we have examined into the legality and validity of the issue of bonds described above (the "Bonds"), which bear interest in the manner and from the dates and mature on the dates specified in the text of the Bonds, all in accordance with the Order adopted by the Board of Directors of the Issuer authorizing the issuance of the Bonds (the "Order"). Capitalized terms used but not defined in this opinion shall have the meanings given said terms in the Order.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas; a transcript of certified proceedings of the Issuer relating to the authorization, issuance, sale and delivery of the Bonds, including the Order; certificates of officials of the Issuer; and other pertinent instruments relating to the issuance of the Bonds. We have also examined one of the executed Bonds which we found to be in due form and properly executed.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Bonds have been authorized for issuance by the Order, and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer, and that the Bonds are payable from, and secured by, a first lien on and pledge of the "Pledged Revenues" of the "System" (which is generally described as the Issuer's waterworks system) as provided in the Order.

**THE ISSUER HAS RESERVED** the right, subject to the restrictions stated in the Order, to issue Additional Prior Lien Obligations (as defined in the Order) which also may be made payable from, and secured by, a first lien on and pledge of the Pledged Revenues of the System of the Issuer.

**THE ISSUER HAS ALSO RESERVED** the right to amend the Order as provided therein and subject to the restrictions therein stated.



**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; and the Bonds are payable solely from sources described in the Order, and is not payable from any other funds or resources of the Issuer.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order 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.

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

**WE CALL YOUR ATTENTION TO THE FACT THAT** the interest on tax-exempt obligations, such as the Bonds, is 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.

**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.



**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds 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. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the 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 certificates executed by officials of the Issuer as to the availability and sufficiency of the revenues pledged by the Issuer to the payment of the Bonds. 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.

Respectfully,