

OFFICIAL STATEMENT

Dated December 19, 2024

**Rating: “AA” (Stable Outlook)/Insured
Bond Insurance: BAM
See: “MUNICIPAL BOND RATING
AND INSURANCE”**

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Bond Counsel (identified below), assuming continuing compliance by the District (defined below), after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See “TAX MATTERS” herein.)

\$14,365,000

GREEN VALLEY SPECIAL UTILITY DISTRICT

(A political subdivision of the State of Texas located within Bexar, Guadalupe and Comal Counties, Texas)
PRIOR LIEN WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2025

Dated Date: January 23, 2025

Due: September 15, as shown on page 2

Interest to Accrue from the Date of Initial Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$14,365,000 Green Valley Special Utility District (the “District”) Prior Lien Water and Wastewater System Revenue Bonds, New Series 2025 (the “Bonds”) will accrue from the Date of Initial Delivery, will be payable on September 15 and March 15 of each year commencing September 15, 2025, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE BONDS – Paying Agent/Registrar”).

AUTHORITY FOR ISSUANCE . . . The Bonds are special obligations of the District issued pursuant to the general laws of the State of Texas, including particularly Chapters 49 and 65 of the Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and the order adopted by the Board of Directors of the District (the “Order”). The Bonds, together with the District’s Previously Issued Parity Lien Obligations and any Additional Parity Obligations (each as defined in the Order) that may be issued from time to time in accordance with the Order (collectively, the “Bonds Similarly Secured”), are payable, both as to principal and interest, solely from and secured by a first and prior lien on and pledge of the Pledged Revenues (as defined in the Order) of the Combined Utility System (as defined in the Order; referred to herein as the “System”). The Bonds are further secured by amounts on deposit in the Reserve Fund (see “SELECTED PROVISIONS OF THE ORDER”). **The District has no taxing powers and has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “THE BONDS – Authority for Issuance” and “SECURITY FOR THE BONDS”).

PURPOSE . . . The proceeds of the Bonds will be used to pay costs associated with (a) designing, acquiring, purchasing, constructing, improving, enlarging, or equipping the System, including the expansion of the Santa Clara Creek Water Resource Reclamation Facility and (b) paying other costs associated with the projects listed above and the issuance of the Bonds (see “USE AND DISTRIBUTION OF BOND PROCEEDS”).



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

CUSIP PREFIX: 39356A
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Purchaser (as hereinafter defined) and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. See “LEGAL MATTERS.”

DELIVERY . . . The Bonds are expected to be available for delivery through DTC on January 23, 2025 (the “Date of Initial Delivery”).

MATURITY SCHEDULE

9/15 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers ⁽¹⁾
2026	\$ 215,000	5.000%	3.300%	39356ADR3
2027	225,000	5.000%	3.350%	39356ADS1
2028	240,000	5.000%	3.350%	39356ADT9
2029	250,000	5.000%	3.400%	39356ADU6
2030	265,000	5.000%	3.450%	39356ADV4
2031	275,000	5.000%	3.500%	39356ADW2
2032	290,000	5.000%	3.570%	39356ADX0
2033	305,000	5.000%	3.650%	39356ADY8
2034	320,000	5.000%	3.700%	39356ADZ5
2035	335,000	5.000%	3.750% ⁽²⁾	39356AEA9
2036	350,000	5.000%	3.850% ⁽²⁾	39356AEB7
***	***	***	***	***
2039	410,000	4.000%	4.050%	39356AEE1
2040	430,000	4.000%	4.070%	39356AEF8
2041	450,000	4.000%	4.130%	39356AEG6
2042	470,000	4.000%	4.200%	39356AEH4
2043	495,000	4.125%	4.220%	39356AEJ0
2044	520,000	4.125%	4.250%	39356AEK7

\$760,000 4.000% Term Bonds due September 15, 2038 Priced to Yield 4.000% – 39356AED3⁽¹⁾
\$1,120,000 4.125% Term Bonds due September 15, 2046 Priced to Yield 4.300% – 39356AEM3⁽¹⁾
\$1,235,000 4.250% Term Bonds due September 15, 2048 Priced to Yield 4.370% – 39356AEP6⁽¹⁾
\$1,360,000 4.375% Term Bonds due September 15, 2050 Priced to Yield 4.450% – 39356AER2⁽¹⁾
\$1,500,000 4.375% Term Bonds due September 15, 2052 Priced to Yield 4.470% – 39356AET8⁽¹⁾
\$2,545,000 4.375% Term Bonds due September 15, 2055 Priced to Yield 4.500% – 39356AEW1⁽¹⁾

(Interest to Accrue from the Date of Initial Delivery)

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- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on September 15, 2034, the first optional redemption date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 15, 2035 in whole or from time to time in part, on September 15, 2034, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.” Additionally, Term Bonds maturing on September 15 in the years 2038, 2046, 2048, 2050, 2052 and 2055 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

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

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Specialized

Public Finance Inc., the District's financial advisor (the "Financial Advisor"), 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in the Official Statement until delivery of the Bonds to the Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION."

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR OR THE PURCHASER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, OR THE INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE HEADING "BOND INSURANCE, AND "BOND INSURANCE GENERAL RISKS," AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District has accepted the bid of Crews & Associates, Inc. (the "Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of approximately 97.402% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Purchaser.

PRICES AND MARKETABILITY . . . The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Purchaser may over-allot or effect transactions which stabilize or maintain the market prices or the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

SECURITIES LAWS . . . No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATING AND INSURANCE

The Bonds are expected to be rated "AA"/Stable Outlook by S&P Global Ratings ("S&P") by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Bond Insurer") at the time of delivery of the Bonds. See "BOND INSURANCE" and "BOND INSURANCE RISKS."

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..... Green Valley Special Utility District (the “District”) was created at an election held on May 4, 1992, when voters approved the creation of the District and the conversion of the Green Valley Water Supply Corporation into the District in order to provide water service to Guadalupe, Comal and Bexar counties. Green Valley Water Supply Corporation was initially created as a rural water provider in 1963. The District operates under the Texas Constitution, Article XVI, Section 59, and Chapters 49 and 65 of the Texas Water Code.

The District currently serves a population of approximately 60,956 (or approximately 15,520 equivalent active single family connections) located in Guadalupe, Comal and Bexar counties (see “INTRODUCTION – Description of the District”).

THE BONDS The \$14,365,000 Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2025 are issued as serial bonds maturing on September 15 in the years 2026 through 2036, September 15, 2038, September 15 in the years 2039 through 2044, and September 15 in the years 2046, 2048, 2050, 2052, and 2055 (see “THE BONDS – Description of the Bonds”).

PAYMENT OF INTEREST Interest on the Bonds accrues from the Date of Initial Delivery and is payable on September 15, 2025, and each March 15 and September 15 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Optional Redemption”).

AUTHORITY FOR ISSUANCE The Bonds are issued pursuant to the general laws of the State, including particularly Chapters 49 and 65, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and the order (the “Order”) adopted by the Board of Directors 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 Previously Issued Parity Lien Obligations and any Additional Parity Obligations that may be issued from time to time in accordance with the Order (collectively, the “Bonds Similarly Secured”), are payable, both as to principal and interest, from and secured by a first and prior lien on and pledge of the Pledged Revenues (as defined in the Order) of the Combined Utility System (as defined in the Order; referred to herein as the “System”) (see “SELECTED PROVISIONS OF THE ORDER”). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “SECURITY FOR THE BONDS”).

REDEMPTION The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 15, 2035 in whole or from time to time in part, on September 15, 2034, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.” Additionally, Term Bonds maturing on September 15 in the years 2038, 2046, 2048, 2050, 2052 and 2055 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

TAX EXEMPTION..... In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under “TAX MATTERS” herein. Interest on the Bonds will not be includable in the alternative minimum taxable income of the owners thereof who are individuals.

USE OF PROCEEDS The proceeds of the Bonds will be used to pay costs associated with (a) designing, acquiring, purchasing, constructing, improving, enlarging, or equipping the System, including the expansion of the Santa Clara Creek Water Resource Reclamation Facility and (b) paying other costs associated with the projects listed above and the issuance of the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$13,533,850 is estimated to be required for construction costs, and \$831,150 is estimated to be required for non-construction costs.

BOND RATING AND INSURANCE... The Bonds are expected to be rated “AA”/Stable Outlook by S&P Global Ratings (“S&P”) by virtue of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS.”

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.

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Directors
John Frias
President

Shari McDaniel
Vice-President

James Hendrix
Secretary/Treasurer

Nicholas Sherman
Director

Robert Roberson
Director

Brit King
Director

Steve Cooper
Director

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Phillip Gage	General Manager	6 Months

CONSULTANTS AND ADVISORS

Auditors Brookswatson & Co.
Houston, Texas

Bond Counsel Norton Rose Fulbright US LLP
Austin, Texas

Financial Advisor..... Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the District, please contact:

Mr. Phillip Gage General Manager Green Valley Special Utility District 605 FM 465 Marion, Texas 78124 (830) 914-2330 www.gvsud.org	or	Garry Kimball Managing Director Specialized Public Finance Inc. 248 Addie Roy Road, Suite B-103 Austin, Texas 78746 (512) 275-7300 www.spfmuni.com
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**OFFICIAL STATEMENT
RELATING TO**

**\$14,365,000
GREEN VALLEY SPECIAL UTILITY DISTRICT
PRIOR LIEN WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2025**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$14,365,000 Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2025. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order (the “Order”) adopted by the Board of Directors (the “Board”) on December 19, 2024 (see “SELECTED PROVISIONS OF THE ORDER”).

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

DESCRIPTION OF THE DISTRICT . . . Green Valley Special Utility District (the “District”) was created at an election held on May 4, 1992, when voters approved the creation of the District and the conversion of the Green Valley Water Supply Corporation into the District in order to provide water service to portions of Bexar, Guadalupe and Comal Counties. Green Valley Water Supply Corporation was started as a rural water provider in 1963. The District operates under the Texas Constitution, Article XVI, Section 59, and Chapters 49 and 65 of the Texas Water Code. Texas Commission on Environmental Quality jurisdiction is provided in Sections 49.181 and 49.182 of the Water Code. The District currently serves approximately 17,416 equivalent single-family connections equal to a population of 60,956 residents. Generally commensurate with its statutory boundaries, the District holds a Water Certificate of Convenience and Necessity that authorizes and obligates the District to provide retail water service within its authorized service territory. The District is governed by a seven-member Board of Directors who are elected at large for staggered 3-year terms. Since the District does not have taxing powers, all revenues and income are generated from the sale of water and from other fees and charges (e.g., water impact fees and water connection fees). The District currently provides wastewater service through a wholesale contract with the San Antonio River Authority and plans to expand wastewater service through the development of its own regional collection and treatment sanitary sewer system.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated January 23, 2025 and mature on September 15 in each of the years and in the amounts shown on page 2 hereof. Interest accrues from the Date of Initial Delivery and will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on September 15 and March 15, commencing September 15, 2025 until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapters 49 and 65, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and the Order.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after September 15, 2035, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 15, 2034, 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 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. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on September 15 in the years 2038, 2046, 2048, 2050, 2052 and 2055 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

Term Bonds Due September 15, 2038		Term Bonds Due September 15, 2046	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 15, 2037	\$ 370,000	September 15, 2045	\$ 545,000
September 15, 2038*	390,000	September 15, 2046*	575,000

Term Bonds Due September 15, 2048		Term Bonds Due September 15, 2050	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 15, 2047	\$ 600,000	September 15, 2049	\$ 665,000
September 15, 2048*	635,000	September 15, 2050*	695,000

Term Bonds Due September 15, 2052		Term Bonds Due September 15, 2055	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 15, 2051	\$ 730,000	September 15, 2053	\$ 805,000
September 15, 2052*	770,000	September 15, 2054	850,000
		September 15, 2055*	890,000

*Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

All notices of redemption will (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, will become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, will cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, will be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Owner. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption will become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption will cease to accrue and such Bonds will not be deemed to be outstanding.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any Direct Participant (defined herein) or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), shall 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 Direct participants and then Direct 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. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct 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 Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see “BOOK-ENTRY-ONLY-SYSTEM” herein).

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on such 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, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the Authority’s Financial Advisor, the Paying/Agent Registrar, or such other qualified financial institution (as provided in the Order). The Order provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, or (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of the securities identified in in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds related to the Bonds (“Defeasance Proceeds”), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressed recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under state law as permissible Government Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished.

AMENDMENTS . . . The District may, without the consent of or notice to any Bondholders, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the Bondholders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent of Bondholders holding a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; provided; however, that, without the consent of all holders of outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“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.

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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among

Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, 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, Bond 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 none of the District, the Financial Advisor, or 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 or the Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM . . . In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under “THE BONDS – Transfer, Exchange and Registration” below.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the 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 designated 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. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for determining the party to whom interest is payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding the interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (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.

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to pay costs associated with (a) designing, acquiring, purchasing, constructing, improving, enlarging, or equipping the System, including the expansion of the Santa Clara Creek Water Resource Reclamation Facility and (b) paying other costs associated with the projects listed above and the issuance of the Bonds. The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$13,533,850 is estimated to be required for construction costs, and \$831,150 is estimated to be required for non-construction costs.

		<u>District's Share</u>
I.	<u>CONSTRUCTION COSTS</u>	
	A. Developer Contribution Items – None	
	B. District Items	
	1. WRFF Expansion	\$ 11,643,000
	2. Planning, Design, Bidding Phase Services	1,498,770
	3. Construction Phase Service	<u>392,080</u>
	Total Developer Contribution Costs	\$ 13,533,850
	Total Construction Costs	\$ 13,533,850
II.	<u>NON-CONSTRUCTION COSTS</u>	
	A. Legal Fees	\$ 143,650
	B. Fiscal Agent Fees	179,563
	C. Bond Discount (2.60%)	373,157
	D. Other Non-System Financing Costs	31,574
	E. Attorney General Fee	9,500
	F. TCEQ Fee (0.25%)	35,913
	G. Contingency	<u>57,793</u>
	Total Non-Construction Costs	\$ 831,150
	TOTAL BOND ISSUE REQUIREMENT	\$ 14,365,000

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BOND INSURANCE

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

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

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

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

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

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

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

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

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

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

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

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

incorporated herein by reference.)

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

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

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. 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 BAM at such time and in such amounts as would have been due absence such prepayment by the District unless BAM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of BAM without appropriate consent. BAM may direct and must consent to any remedies and BAM's consent may be required in connection with amendments to any applicable bond documents.

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

The enhanced long-term ratings on the Bonds are dependent in part on the financial strength of BAM and its claim paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of BAM and of the ratings on the Bonds insured by BAM will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The obligations of BAM are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the District, the Financial Advisor or the Initial Purchaser have made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. 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 BAM, particularly over the life of the investment.

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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.”

PLEGDED REVENUES . . . The Board has pledged the Pledged Revenues to secure the payment of the Bonds Similarly Secured (as defined below), which includes the Bonds and has reserved the right, subject to certain conditions, to pledge the Pledged Revenues to secure Additional Parity Obligations (as defined in the Order) from time to time in the future (see “SECURITY FOR THE BONDS – Issuance of Additional Parity Obligations”). The Order defines “Pledged Revenues” as (i) a first and prior lien on and pledge of the Net Wastewater System Revenues and (ii) a first and prior lien on and pledge of the Net Water System Revenues.

The Order defines “Net Wastewater System Revenues” as all Gross Wastewater System Revenues after the deduction of Maintenance and Operating Expenses applicable to the Wastewater System, and less that portion thereof derived from the contracts with private corporations, municipalities, or other political subdivisions which under the terms of the authorizing orders may be pledged for the requirements of the District’s Special Project Bonds issued particularly to finance Special Projects. The Order defines “Gross Wastewater System Revenues” as all income and increment, including, but not limited to, connection fees which may be derived from the ownership and/or operation of the Wastewater System as it is purchased, constructed or otherwise acquired but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) may be pledged for the requirements of the District’s Special Project Bonds issued particularly to finance the water and/or sewer facilities needed in performing any such contract or contracts.

The Order defines “Net Water System Revenues” as all Gross Water System Revenues after the deduction of Maintenance and Operating Expenses applicable to the Water System, and less that portion thereof derived from the contracts with private corporations, municipalities, or other political subdivisions which under the terms of the authorizing orders may be pledged for the requirements of the District’s Special Project Bonds issued particularly to finance Special Projects. The Order Defines “Gross Water System Revenues” as all income and increment, including, but not limited to, connection fees which may be derived from the ownership and/or operation of the Water System as it is purchased, constructed or otherwise acquired but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) may be pledged for the requirements of the District’s Special Project Bonds issued particularly to finance the water and/or sewer facilities needed in performing any such contract or contracts.

The Order defines “Maintenance and Operating Expenses” as the reasonable and necessary expenses of operation and maintenance of the Combined Utility System, including all salaries, labor, materials, repairs an extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board of Directors of the District, are necessary to keep the Combined Utility System in operation and render adequate service to the District and the customers thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Bonds), and all payments under contracts now or hereafter defined as operating expenses by the Texas Legislature (depreciation shall never be considered as a Maintenance and Operation Expense).

The Order defines “Gross Revenues” as the combined Gross Wastewater System Revenues and Gross Water System Revenues, being the Gross Revenues of the Combined Utility System. The Order defines “Net Revenues” as the combined Net Wastewater System Revenues and Net Water System Revenues, being the Net Revenues of the Combined Utility System.

The District has outstanding bonds secured by and payable from Pledged Revenues on parity with the Bonds as follows:

Dated Date	Outstanding Debt	Issue Description
03/15/2020	\$ 22,575,000	Prior Lien Water and Wastewater System Revenue Bonds, New Series 2020 (Original Par Issuance: \$24,985,000) (the “Series 2020 Prior Lien Bonds”).
09/01/2021	14,965,000	Prior Lien Water and Wastewater System Revenue Bonds, New Series 2021 (Original Par Issuance: \$15,725,000) (the “Series 2021 Prior Lien Bonds”).
09/01/2021	18,595,000	Prior Lien Water and Wastewater System Revenue Bonds, New Series 2021A (Original Par Issuance: \$19,540,000) (the “Series 2021A Prior Lien Bonds”).
08/30/2022	26,675,000	Prior Lien Water and Wastewater System Revenue Bonds, New Series 2022 (Original Par Issuance: \$27,150,000) (the “Series 2022 Prior Lien Bonds”).
03/08/2024	1,815,000	Prior Lien Water and Wastewater System Revenue Bonds, Taxable New Series 2024 (Original Par Issuance: \$1,885,000) (the “Series 2024 Prior Lien Bonds”).

The Bonds and the Series 2020 Prior Lien Bonds, Series 2021 Prior Lien Bonds, Series 2021A Prior Lien Bonds, Series 2022 Prior Lien Bonds, and Series 2024 Prior Lien Bonds are referred to herein as the “Bonds Similarly Secured.”

The District has outstanding bonds secured by and payable from a first and prior lien on and pledge of the Net Water System Revenues on parity with the Bonds as follows. The portion of the Pledged Revenues securing the Bonds Similarly Secured pertaining to the first and prior lien on and pledge of the Net Water System Revenues is on parity with the lien on and pledge securing the payment of the currently outstanding Previously Issued Prior Lien Water System Bonds (defined below).

Dated Date	Outstanding Debt	Issue Description
08/01/2003	\$ 397,000	Water System Revenue Bonds, Series 2003 (Original Par Issuance: \$584,000) (the "Series 2003 Bonds").
03/01/2020	4,672,314	Water System Revenue Bonds, Series 2020 (Original Par Issuance: \$5,110,000) (the "Series 2020 Bonds").
07/14/2020	7,185,000	Water System Revenue Refunding Bonds, Series 2020 (Original Par Issuance: \$8,400,000) (the "Series 2020 Refunding Bonds").
08/01/2020	4,906,000	Water System Revenue Bonds, Series 2020A (Original Par Issuance: \$5,290,000) (the "Series 2020A Bonds").
08/01/2020	2,634,000	Water System Revenue Bonds, Series 2020B (Original Par Issuance: \$2,840,000) (the "Series 2020B Bonds").

The Series 2003 Bonds, Series 2020 Bonds, Series 2020 Refunding Bonds, Series 2020A Bonds, and Series 2020B Bonds are referred to herein collectively as the "Previously Issued Prior Lien Water System Bonds."

RESERVE FUND . . . To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the "Required Reserve Amount") equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District hereby creates, establishes, and agrees to maintain a separate and special fund or account known as the "Green Valley Special Utility District Water System Revenue Bond Reserve Fund" (the "Reserve Fund"), which fund or account shall be maintained at the official depository bank of the District. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Combined Utility System Fund established in Section 12 of the Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$3,873,413.45. The amount of \$2,025,205.48 is already on deposit in the Reserve Fund on the Closing Date and the District will transfer \$15,401.73 to the Reserve Fund from lawfully available funds on a monthly basis as described below, which shall be accumulated, if necessary, in the following manner. Beginning on or after the twenty-fifth day of the month next following the month of delivery of the Bonds to the Purchaser and on or before the twenty-fifth day of each following month until the Required Reserve Amount has been accumulated.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of Section 14 of the Order. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the twenty-fifth day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/120th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/120th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said fund or account from the Net Revenues of the Combined Utility System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/120th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the twenty-fifth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund and as required by the orders authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of any Additional Parity Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

The District expressly reserves the right at any time to fund the Reserve Fund at the Required Reserve Amount by purchasing a Credit Facility that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Interest and Sinking Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect.

In the event a Credit Facility issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the District may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

Notwithstanding anything to the contrary contained in Section 14 of the Order, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Net Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured outstanding. In the event that the Net Revenues for any Fiscal Year are less than 135% of the Average Annual Debt Service Requirements, the District will be required to commence making the deposits to the Reserve Fund as of the next Fiscal Year, as provided above, and to continue making such deposits until the earlier of (a) such time as the Reserve Fund contains the Required Reserve Amount or (b) the Net Revenues in each of two consecutive Fiscal Years have been equal to not less than 135% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured outstanding.

RATE COVENANT. . . . In the Order, the District agrees and covenants to the holders of the Bonds Similarly Secured that it will at all times establish and maintain rates and charges for facilities and services afforded by the Combined Utility System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient: (i) to pay all Maintenance and Operating Expenses, together with any other lawfully available funds, or any expenses required by statute to be a first claim on and charge against the Gross Revenues; (ii) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Bonds Similarly Secured; (iii) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of any Junior Lien Obligations hereafter issued by the District as the same become due and payable, and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Junior Lien Obligations hereafter issued by the District; (iv) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of any Subordinate Lien Obligations hereafter issued by the District as the same become due and payable, and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Subordinate Lien Obligations hereafter issued by the District; and (v) to pay, together with any other lawfully available funds, any other legally incurred indebtedness payable from the Net Revenues and/or secured by a lien on the Combined Utility System.

The Board of Directors has enacted and will maintain in effect an order fixing rates and charges of said facilities and service which contains, among other provisions, a requirement for periodic billing of all customers of the District and a prohibition against furnishing of Combined Utility System service without charge to any person, firm, organization, or corporation.

ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. . . . In the Order, the District has reserved the right to issue Additional Parity Obligations payable from and equally secured by a pledge of Pledged Revenues all to the same extent as pledged for and in all things on a parity with the lien of the Bonds Similarly Secured.

The Additional Parity Obligations shall be issued only in accordance with the Order, but notwithstanding any provision of the Order to the contrary, no installment, series or issue of Additional Parity Obligations shall be issued or delivered unless: (i) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Parity Obligations to satisfy the District's obligations under this Order, the District is not then in default as to any covenant, condition, or obligation prescribed in this Order or in the orders authorizing the issuance of the Bonds Similarly Secured; (ii) the laws of the State of Texas in force at such time provide for the issuance of the Additional Parity Obligations; (iii) the District has secured from its General Manager or its Engineer, or an independent certified public accountant, a certificate or opinion to the effect that the Pledged Revenues, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to 1.20 times the Average Annual Debt Service

Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Pledged Revenues, the General Manager, Engineer, or independent certified public accountant may take into consideration a change in the rates and charges for services and facilities afforded by the Combined Utility System that became effective less than thirty (30) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for purposes of satisfying the Pledged Revenues test, make a pro forma determination of the Pledged Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the aforementioned certificate or opinion; (iv) the Additional Parity Obligations shall mature on March 15 and/or September 15 of each year in which they are outstanding; (v) the order authorizing the issuance of the Additional Parity Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Parity Obligations as the same mature; and (vi) the order authorizing the issuance of the Additional Parity Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Required Reserve Amount after giving effect to the issuance of the proposed Additional Parity Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within one hundred twenty (120) months from the date the Additional Parity Obligations are delivered.

All such Additional Parity Obligations provided for in Section 18 of the Order, when issued in accordance with the above provisions, shall be payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues, and the provisions of the Order relating to the use of Pledged Revenues shall be applicable to such Additional Parity Obligations as though the same were a part of such original authorization.

The right to issue such other and further Additional Parity Obligations shall exist as often as the need therefor shall arise and so long as such Additional Parity Obligations are issued in compliance with law and the terms and conditions contained in the Order. The District hereby expressly reserves the right to hereafter issue bonds, notes, warrants, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a junior and inferior lien on and pledge of the Net Revenues.

The District reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured, pursuant to any law then available, upon such terms and conditions as the Board of Directors may deem to be in the best interest of the District and its inhabitants, and if less than all such outstanding Bonds Similarly Secured are refunded, the conditions precedent prescribed, for the issuance of Additional Parity Obligations, set forth in Section 18 of the Order shall be satisfied and the certification required in subparagraph (3) shall give effect to the Debt Service Requirements of the proposed refunding bonds (but shall not give effect to the Debt Service Requirements of the bonds being refunded following their cancellation or provision being made for their payment).

BONDHOLDERS' REMEDIES . . . If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, 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, 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*, 197 S.W. 3rd 325 (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, as amended, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, 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").

Special districts, such as the District, must obtain the approval of the TCEQ as a condition of seeking relief under Chapter 9. TCEQ is required to investigate the financial condition of a financially troubled special district and authorize such district to proceed under Chapter 9 only if such special district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, if the District is permitted to proceed with Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy

Court in administering any proceeding brought before it. The Authority may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principals of equity that permit the exercise of judicial discretion.

THE COMBINED UTILITY SYSTEM

WATERWORKS SYSTEM . . . The District is currently authorized by its certificate of convenience and necessity (“CCN”) to provide water service to 97,547 acres located in Bexar, Guadalupe and Comal counties. The District currently provides treated water to 15,520 equivalent active single-family connections equal to a population of approximately 60,956.

The District’s primary source of water is groundwater from wells at the Edwards Aquifer and the Trinity Aquifer. The wells have a permitted (Edwards Aquifer Authority Permit Nos. P100-199, P100-776, P103-289, P104-016, P104-017) total capacity of 1,704,872 million gallons. The District also has a 33.333% share of water rights with the Canyon Regional Water Authority (“CWRA”) interest in the Alliance Regional Water Authority (“ARWA”) contract dated July 24, 2014.

The following table summarizes the current water supply facilities that serve the District along with the capacity of each component:

Facility	Minimum Requirements	Total Capacity (ESFCs)
Water Supply ⁽¹⁾	0.6 gpm/ESFC	11,677 gpm (19,461)
Water Wells	0.6 gpm/ESFC	4,200 gpm (7,000)
Pressure Tank	20 gal/ESFC or 30,000 gal max.	29,000 gal (1,450)
Total Storage ⁽²⁾	200 gal/ESFC	6,381,000 gal (31,905)
Elevated Storage	100 gal/ESFC	3,900,000 gal (39,000)
Booster Pumps ⁽³⁾	2 gpm/ESFC or 1,000 gpm max.	27,980 gpm (13,990)

(1) Represents a supply of water that is produced and delivered by Canyon Regional Water Authority (“CWRA”) through various wholesale contracts for purchased water through CRWA’s Dunlap and Well’s Ranch Facilities.

(2) Total storage of 6,381,000 (2,481,000 ground storage, plus 3,900,000 elevated) gallons provides capacity for 31,905 ESFCs at 200 gal/ESFC.

(3) Represents, in part, the District’s wholesale provider (CRWA) which delivers water from various pressure planes, booster pumps and water treatment plants. Total pump capacity equates to 27,980 gpm, capable of serving 46,633 ESFCs.

The District currently has seven emergency interconnects, which are normally open, with the CRWA.

The District’s existing water supply capacity is cable of serving 27,506 ESFCs (vs. 15,520 currently served).

WASTEWATER SYSTEM . . . The District currently provides wastewater service through a wholesale contract with the San Antonio River Authority and their own Santa Clara Creek Water Resource Reclamation Facility. The District closed \$24,985,000 in bonds purchased by the Texas Water Development Board on May 19, 2020 to construct wastewater treatment and transmission facilities and is currently serving approximately 200 ESFC, with over 5,000 EDU’s contracted. Currently, areas within the District’s wastewater CCN are either provided with retail service through infrastructure owned and operated by the District and treated through the wholesale contract with San Antonio River Authority, by GVSUD’s WRRF or are on septic systems.

STORM WATER DRAINAGE . . . Storm water drainage for the District drains unnamed tributaries, Santa Clara Creek and Cibolo Creek and ultimately outfalls into the Guadalupe River and San Antonio River. Drainage regulation is under the authority of the City and County Floodplain Administrators.

ENVIRONMENTAL REGULATION . . . Wastewater treatment and water supply facilities, such as the Combined Utility System, are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the

federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Water supply and discharge regulations that utility and special water districts, including the District, may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities.

Pursuant to the federal Safe Drinking Water Act ("SDWA") and EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, municipal utility and special district's provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utilities and special districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. It has a 5-year permit term and is then subject to renewal. Moreover, the Clean Water Act ("CWA") and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility and special district must comply may have an impact on a municipal utility or special district's ability to obtain and maintain compliance with TPDES permits.

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TABLE 1 – HISTORICAL WATER SOLD (GALLONS)

Fiscal Year End	Gallons Billed
2023	1,833,944,252
2022	1,750,315,994
2021	1,502,368,342
2020	1,392,008,981
2019	994,567,976
2018	1,094,870,000

TABLE 2 – TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (AS OF 8/30/2024)

Name of Taxpayer	Gallons	% of Total Gallons Billed
New Braunfels Utilities	98,272,305	5.54%
Tricon Precast Ltd.	16,910,146	0.95%
Water Services Inc.	11,125,674	0.63%
Universal Forest Products, Inc.	9,807,293	0.55%
Cypress Grove Mobile Home Park	7,319,559	0.41%
AW Texas Main Meter	7,223,632	0.41%
Canopy NBRV Ltd.	5,981,675	0.34%
Stonecreek RV Park	5,100,272	0.29%
Woodruff, James or Linda	5,049,560	0.28%
Eco Soil Stabilizers	5,036,800	0.28%
	171,826,916	9.68%

TABLE 3 – MONTHLY WATER RATES (AS OF 10/1/2024)**All sizes of meters use the following graduated rates:**

0 to 2,000	\$35.62 Base Rate
2,001 to 5,000	\$4.91 Per 1,000 Gallons
5,001 to 10,000	\$6.33 Per 1,000 Gallons
10,001 to 15,000	\$7.84 Per 1,000 Gallons
15,001 to 25,000	\$9.54 Per 1,000 Gallons
25,001 to 50,000	\$12.56 Per 1,000 Gallons
50,001 and Over	\$15.71 Per 1,000 Gallons

Monthly water rates were approved by the Board on September 28, 2024.

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DEBT INFORMATION

TABLE 4 – REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds ⁽¹⁾			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
	2025	\$ 2,809,148	\$ 2,762,227	\$ 5,571,375	\$ -	\$ 406,854	
2026	2,870,379	2,700,855	5,571,234	215,000	631,325	846,325	6,417,559
2027	2,935,672	2,639,330	5,575,003	225,000	620,575	845,575	6,420,578
2028	3,011,695	2,573,983	5,585,678	240,000	609,325	849,325	6,435,003
2029	3,073,440	2,507,777	5,581,217	250,000	597,325	847,325	6,428,542
2030	3,143,927	2,437,468	5,581,394	265,000	584,825	849,825	6,431,219
2031	3,220,482	2,362,307	5,582,790	275,000	571,575	846,575	6,429,365
2032	3,291,802	2,282,740	5,574,542	290,000	557,825	847,825	6,422,367
2033	3,370,798	2,218,112	5,588,909	305,000	543,325	848,325	6,437,234
2034	3,451,569	2,147,172	5,598,741	320,000	528,075	848,075	6,446,816
2035	3,538,418	2,069,696	5,608,113	335,000	512,075	847,075	6,455,188
2036	3,625,069	1,987,497	5,612,567	350,000	495,325	845,325	6,457,892
2037	3,718,344	1,900,734	5,619,077	370,000	477,825	847,825	6,466,902
2038	3,806,433	1,808,827	5,615,260	390,000	463,025	853,025	6,468,285
2039	3,918,607	1,713,058	5,631,665	410,000	447,425	857,425	6,489,090
2040	4,016,629	1,612,949	5,629,578	430,000	431,025	861,025	6,490,603
2041	3,920,214	1,507,158	5,427,372	450,000	413,825	863,825	6,291,197
2042	4,013,657	1,402,788	5,416,446	470,000	395,825	865,825	6,282,271
2043	3,832,195	1,294,678	5,126,873	495,000	377,025	872,025	5,998,898
2044	3,910,628	1,190,741	5,101,370	520,000	356,606	876,606	5,977,976
2045	4,023,560	1,083,883	5,107,444	545,000	335,156	880,156	5,987,600
2046	4,136,398	971,584	5,107,983	575,000	312,675	887,675	5,995,658
2047	4,254,342	855,274	5,109,616	600,000	288,956	888,956	5,998,572
2048	4,373,234	734,762	5,107,997	635,000	263,456	898,456	6,006,453
2049	4,496,553	607,807	5,104,360	665,000	236,469	901,469	6,005,829
2050	3,585,830	475,379	4,061,209	695,000	207,375	902,375	4,963,584
2051	3,699,226	352,600	4,051,826	730,000	176,969	906,969	4,958,794
2052	2,103,630	225,679	2,329,309	770,000	145,031	915,031	3,244,340
2053	498,379	143,918	642,297	805,000	111,344	916,344	1,558,641
2054	512,147	129,735	641,883	850,000	76,125	926,125	1,568,008
2055	527,046	114,998	642,044	890,000	38,938	928,938	1,570,981
2056	543,021	99,741	642,762	-	-	-	642,762
2057	558,251	83,768	642,019	-	-	-	642,019
2058	573,565	67,267	640,832	-	-	-	640,832
2059	590,026	50,177	640,203	-	-	-	640,203
2060	105,000	32,476	137,476	-	-	-	137,476
2061	110,000	25,142	135,142	-	-	-	135,142
2062	120,000	17,460	137,460	-	-	-	137,460
2063	130,000	9,079	139,079	-	-	-	139,079
	<u>\$ 104,419,314</u>	<u>\$ 47,200,827</u>	<u>\$ 151,620,142</u>	<u>\$ 14,365,000</u>	<u>\$ 12,213,504</u>	<u>\$ 26,578,504</u>	<u>\$ 178,198,646</u>

(1) Interest on the Bonds has been calculated at the rates shown on the inside cover page hereof.

ANTICIPATED ISSUANCE OF REVENUE BONDS . . . The District does not currently anticipate the issuance of additional bonds secured by Pledged Revenues in the next twelve months.

FINANCIAL INFORMATION

TABLE 5 – CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2023	2022	2021	2020	2019
<u>Revenue:</u>					
Water Sales	\$ 16,373,048	\$ 14,508,874	\$ 12,123,288	\$ 12,052,945	\$ 9,424,382
Meter Installations	844,551	822,003	865,681	621,750	620,237
Services, Materials & Supplies	4,807,831	3,897,445	2,540,465	673,714	483,227
Interest & Other Income	2,149,009	353,187	158,049	252,019	266,422
Water Acquisition Fees	2,150,500	2,247,000	2,902,757	1,666,894	1,639,444
Capital Recovery Revenue	2,976,098	3,807,590	5,026,088	4,468,451	2,725,982
Total Revenue	<u>\$ 29,301,037</u>	<u>\$ 25,636,099</u>	<u>\$ 23,616,328</u>	<u>\$ 19,735,773</u>	<u>\$ 15,159,694</u>
<u>Operating Expenses:</u>					
Water Purchases	\$ 10,721,301	\$ 8,921,234	\$ 7,636,923	\$ 6,518,354	\$ 5,368,902
Other Operating Expenses	7,963,202	8,735,657	7,617,580	7,702,143	5,369,821
Total Operating Expenses(1)	<u>\$ 18,684,503</u>	<u>\$ 17,656,891</u>	<u>\$ 15,254,503</u>	<u>\$ 14,220,497</u>	<u>\$ 10,738,723</u>
Net Available For Debt Service	<u>\$ 10,616,534</u>	<u>\$ 7,979,208</u>	<u>\$ 8,361,825</u>	<u>\$ 5,515,276</u>	<u>\$ 4,420,971</u>

(1) Excludes depreciation.

TABLE 6 – COVERAGE AND FUND BALANCES⁽¹⁾

Average Annual Principal and Interest Requirements, 2025-2063	\$4,569,196
Coverage of Average Requirements by September 30, 2023 Net Available for Debt Service.....	2.32 Times
Maximum Principal and Interest Requirements, 2040.....	\$6,490,603
Coverage of Maximum Requirements by September 30, 2023 Net Available for Debt Service	1.64 Times
Bonds Similarly Secured Outstanding (including the Bonds)	\$118,784,314

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FINANCIAL POLICIES

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

Basis of Presentation . . . The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenue and expenses. The fund type utilized by the District is the Proprietary fund type. The Proprietary fund type include the following – the Enterprise Fund. The Enterprise Fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Under GASB Statement No. 20, “Accounting and Financial Reporting for Proprietary Funds and Other Governmental entities that use Proprietary Fund Accounting,” all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989 and continue to follow FASB pronouncements unless they conflict with GASB guidance.

Pension Plan . . . The District has a defined contribution plan (the “Plan”) for employees. Benefits depend solely on amounts contributed plus investment earnings, Employees are eligible to participate after one year of employment. On a monthly basis, the employees may make contributions up to 10% of compensation. The District matches these employee contributions up to 6% of the base pay. On an annual basis, the District makes an additional contribution of 4% of the employee’s annual base salary.

The regular vesting schedule of the Plan is as follows: less than two years of service is 0% vested, two years of service is 20% vested, three years of service is 40% vested, four years of service is 60% vested, five years of service is 80% vested, and six or more years of service is 100% vested.

Current year employer discretionary contributions amounted to \$48,389.

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INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

INVESTMENT POLICIES . . . Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

CURRENT INVESTMENTS . . . As of September 30, 2024 (unaudited), \$42,212,650 of the District's investable funds were invested in interest bearing accounts (\$2,529,332), certificates of deposit (\$2,605,664) and government pooled funds (\$37,077,654).

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SELECTED PROVISIONS OF THE ORDER

The following constitutes certain selected provisions of the Order. These Provisions should be qualified by reference to other provisions of the Order referred to elsewhere in this Official Statement, and all references and summaries pertaining to the Order in this Official Statement are, separately and in whole, qualified by reference to the exact terms of the Order, a copy of which may be obtained from the District.

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 30 and 40 of the Order have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Order to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of the Order as originally adopted; and (iii) the words “herein,” “hereof,” and “hereunder” and other words of similar import refer to the Order as a whole and not to any particular Section or other subdivision.

(A) The term *Additional Parity Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future and under the terms and conditions provided in Section 18 of the Order and which are equally and ratably secured in whole or in part by a first and prior lien on and pledge of the Pledged Revenues of the Combined Utility System and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the Combined Utility System as determined by the Board of Directors in accordance with applicable law.

(B) The term *Authorized Officials* shall mean the President and Secretary, respectively, of the Board of Directors or the General Manager of the District.

(C) The term *Average Annual Debt Service Requirements* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on all outstanding Bonds Similarly Secured when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total amount of such Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of the Bonds Similarly Secured and Previously Issued Prior Lien Water System Bonds. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds and accrued interest on any Bonds Similarly Secured shall be excluded in making the aforementioned computation.

(D) The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of the Order.

(E) The term *Bonds* shall mean the “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2025,” dated January 23, 2025, authorized by the Order.

(F) The term *Bonds Similarly Secured* shall mean the Bonds, the Previously Issued Parity Obligations, and any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the Combined Utility System.

(G) The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds for the payment in full by the Purchaser.

(H) The term *Combined Utility System* shall mean the combined Water System and Wastewater System of the District.

(I) The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the District as a Credit Agreement in connection with the authorization, issuance, security, or payment of any obligation authorized by Chapter 1371, as amended, Texas Government Code or other similar law.

(J) The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a national rating agency having an outstanding rating on any Bond would rate such Bond fully insured by a standard policy issued by the insurer in its highest generic rating category for such obligations, or (ii) a letter or line of credit issued by any financial institution, provided that a national rating agency having an outstanding rating on any Bond would rate such Bond in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of such Bond and the interest thereon.

(K) The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Facility.

(L) The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the "Revenue Bond Index" or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to stated maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the District under such hedge agreement from the amounts payable by the District under such hedge agreement and such obligations.

(M) The term *Depository* shall mean an official depository bank of the District.

(N) The term *District* shall mean the Green Valley Special Utility District located in the County of Guadalupe, Texas and, where appropriate, the Board of Directors of the District.

(O) The term *Engineer* shall mean an individual, firm, or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to a special utility district similar to the Combined Utility System and such individual, firm, or corporation may be employed by, or may be an employee of, the District.

(P) The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the Combined Utility System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the District, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

(Q) The term *Government Securities* shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

(R) The term *Gross Revenues* shall mean the combined Gross Wastewater System Revenues and Gross Water System Revenues, being the Gross Revenues of the Combined Utility System.

(S) The term *Gross Wastewater System Revenues* shall mean all income and increment, including, but not limited to, connection fees which may be derived from the ownership and/or operation of the Wastewater System as it is purchased, constructed or otherwise acquired but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) may be pledged for the requirements of the District's Special Project Bonds issued particularly to finance the water and/or sewer facilities needed in performing any such contract or contracts.

(T) The term *Gross Water System Revenues* shall mean all income and increment, including, but not limited to, connection fees which may be derived from the ownership and/or operation of the Water System as it is purchased, constructed or otherwise acquired but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) may be pledged for the requirements of the District's Special Project Bonds issued particularly to finance the water and/or sewer facilities needed in performing any such contract or contracts.

(U) The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Bond.

(V) The term *Insured Obligations* shall mean the Bonds.

(W) The term *Insurance Policy* shall mean the Municipal Bond Insurance Policy issued by the Insurer that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

(X) The term *Insurance Premium* shall mean the premium paid by the Purchaser for the Insurance Policy.

(Y) The term *Insurer* shall mean Build America Mutual Assurance Company or any successor thereto or assignee. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being September 15 and March 15 of each year, commencing September 15, 2025, while any of the Bonds remain Outstanding.

(Z) The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other obligations hereafter issued by the District payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Pledged Revenues, that is junior and inferior to the lien on and pledge thereof securing the payment of any Bonds Similarly Secured, currently outstanding or hereafter issued by the District, all as further provided in Section 19 of the Order, and (ii) any obligations issued to refund the foregoing that are payable from and secured by a junior and inferior lien on and pledge of the Pledged Revenues as determined by the Board of Directors in accordance with any applicable law.

(AA) The term *Maintenance and Operating Expenses* shall mean the reasonable and necessary expenses of operation and maintenance of the Combined Utility 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 of Directors of the District, are necessary to keep the Combined Utility System in operation and render adequate service to the District and the customers thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Bonds), and all payments under contracts now or hereafter defined as operating expenses by the Texas Legislature. Depreciation shall never be considered as a Maintenance and Operation Expense.

(BB) The term *Net Revenues* shall mean the combined Net Wastewater System Revenues and Net Water System Revenues, being the Net Revenues of the Combined Utility System.

(CC) The term *Net Wastewater System Revenues* shall mean all Gross Wastewater System Revenues after the deduction of Maintenance and Operating Expenses applicable to the Wastewater System, and less that portion thereof derived from the contracts with private corporations, municipalities, or other political subdivisions which under the terms of the authorizing orders may be pledged for the requirements of the District's Special Project Bonds issued particularly to finance Special Projects.

(DD) The term *Net Water System Revenues* shall mean all Gross Water System Revenues after the deduction of Maintenance and Operating Expenses applicable to the Water System, and less that portion thereof derived from the contracts with private corporations, municipalities, or other political subdivisions which under the terms of the authorizing orders may be pledged for the requirements of the District's Special Project Bonds issued particularly to finance Special Projects.

(EE) The term *Order* shall mean the Order adopted by the Board of Directors on December 19, 2024.

(FF) The term *Outstanding* shall mean, when used in the Order with respect to Bonds as of the date of determination, all Bonds theretofore issued and delivered under the Order, except:

(1) those Bonds cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

(2) those Bonds for which payment has been duly provided by the District in accordance with the provisions of Section 32 of the Order by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to the Order or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 28 hereof.

(GG) The term *Pledged Revenues* shall mean, with respect to the Bonds Similarly Secured (i) a first and prior lien on and pledge of the Net Wastewater System Revenues and (ii) a first and prior lien on and pledge of the Net Water System Revenues, such lien on and pledge of the Net Water System Revenues being on parity with the lien on and pledge securing the payment of the currently outstanding Previously Issued Prior Lien Water System Bonds. The lien on and pledge of the Pledged Revenues shall be superior to the lien on and pledge thereof securing the payment of any Junior Lien Obligations or Subordinate Lien Obligations hereafter issued by the District.

(HH) The term *Previously Issued Parity Lien Obligations* shall mean (i) the currently outstanding and unpaid obligations of the District that are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues and designated as follows:

(1) “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2020,” dated March 15, 2020, issued in the original principal amount of \$24,985,000;

(2) “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2021,” dated September 1, 2021, issued in the original principal amount of \$15,725,000;

(3) “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2021A,” dated September 1, 2021, issued in the original principal amount of \$19,540,000;

(4) “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, Taxable New Series 2024,” dated March 8, 2024, issued in the original principal amount of \$1,885,000; and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and secured by a first and prior lien on and pledge of the Pledged Revenues of the Combined Utility System as determined by the Board of Directors in accordance with any applicable law;

(II) The term *Previously Issued Prior Lien Water System Bonds* shall mean (i) the currently outstanding and unpaid obligations of the District that are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Water System Revenues and designated as follows:

(1) “Green Valley Special Utility District Water System Revenue Bonds, Series 2003,” dated August 1, 2003, issued in the original principal amount of \$584,000;

(2) “Green Valley Special Utility District Water System Revenue Bonds, Series 2021,” dated March 1, 2020, issued in the original principal amount of \$5,110,000;

(3) “Green Valley Special Utility District Water System Revenue Refunding Bonds, Series 2020,” dated July 14, 2020, issued in the original principal amount of \$8,400,000

(4) “Green Valley Special Utility District Water System Revenue Bonds, Series 2020A,” dated August 1, 2020, issued in the original principal amount of \$5,290,000;

(5) “Green Valley Special Utility District Water System Revenue Bonds, Series 2020B,” dated August 1, 2020, issued in the original principal amount of \$2,840,000; and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and secured by a first and prior lien on and pledge of the Net Water System Revenues as determined by the Board of Directors in accordance with any applicable law.

(JJ) The term *Purchaser* shall mean the initial purchaser or purchasers of the Bonds named in Section 29 of the Order.

(KK) The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of the Order.

(LL) The term *Required Reserve Fund Deposits* shall mean the monthly deposit required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of the Order.

(MM) The term *Special Project* shall mean, to the extent permitted by law, any water, sewer, wastewater reuse, or drainage system property, improvement, or facility declared by the District, upon the recommendation of the Board of Directors, not to be part of the Combined Utility System, for which the costs of acquisition, construction, and installation are paid from proceeds of Special Project Bonds (hereinafter defined) being a financing transaction other than the issuance of bonds payable from Pledged Revenues, and for which all maintenance and operating expenses are payable from sources other than Gross 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 Special Project Bonds.

(NN) The term *Special Project Bonds* shall mean bonds which the District expressly reserves the right to issue in Section 20 of the Order.

(OO) The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on September 15 of each year, as set forth in Section 2 of the Order.

(PP) The term *Subordinate Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future and under the terms and conditions provided in Section 19 of the Order and which are equally and ratably secured, in whole or in part, by a subordinate and

inferior lien on and pledge of the Pledged Revenues, such lien on and pledge thereof being subordinate and inferior to the lien on and pledge of the Pledged Revenues securing any Bonds Similarly Secured currently outstanding or hereafter issued by the District, and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Pledged Revenues as determined by the Board of Directors in accordance with applicable law.

(QQ) The term *Wastewater System* shall mean and include, whether now existing or hereinafter added, the District's wastewater and sanitary sewer system, together with all future extensions, improvements, enlargements, and additions thereto including, to the extent permitted by law (and to be added at the sole discretion of the District), storm sewer and drainage within the wastewater and sanitary sewer system, solid waste disposal system, additional utility (including electricity), telecommunications, technology, and any other similar enterprise services, and all replacements, additions, and improvements to any of the foregoing, within the District; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not include any facilities which are declared by the District to be a Special Project and not a part of the System and which are hereafter acquired or constructed by the District with the proceeds from the issuance of Special Project Bonds. For the avoidance of doubt, the term Wastewater System as used herein shall not include the Water System.

(RR) The term *Water System* shall mean all properties, facilities, improvements, equipment, interests and rights constituting the Water System of the District, including all future extensions, replacements, betterment, additions and improvements to the Water System. The Water System shall include the District's Water System only, and shall not include any Special Project, sanitary sewer system or drainage system of the District. For the avoidance of doubt, the Water System as used herein shall not include the Wastewater System.

SECTION 10: Pledge of Pledged Revenues.

(A) The District hereby covenants and agrees that the Pledged Revenues of the Combined Utility System are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds, and the interest thereon, shall constitute a first and prior lien on and pledge of the Pledged Revenues, and such lien on and pledge thereof is valid and binding without any physical delivery thereof or further act by the District.

(B) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of Pledged Revenues granted by the District under subsection (A) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the District is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the Board of Directors agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges.

For the benefit of the Holders of the Bonds Similarly Secured, and in addition to all provisions and covenants in the laws of the State of Texas and in the Order, the District hereby expressly stipulates and agrees, while any Bonds Similarly Secured are outstanding, along with satisfying each of the contractual covenants contained in the orders authorizing the issuance of the Bonds Similarly Secured, to establish and maintain rates and charges for facilities and services afforded by the Combined Utility System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(1) to pay all Maintenance and Operating Expenses, together with any other lawfully available funds, or any expenses required by statute to be a first claim on and charge against the Gross Revenues;

(2) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Bonds Similarly Secured;

(3) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of any Junior Lien Obligations hereafter issued by the District as the same become due and payable, and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Junior Lien Obligations hereafter issued by the District;

(4) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of any Subordinate Lien Obligations hereafter issued by the District as the same become due and payable,

and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Subordinate Lien Obligations hereafter issued by the District; and

(5) to pay, together with any other lawfully available funds, any other legally incurred indebtedness payable from the Net Revenues and/or secured by a lien on the Combined Utility System.

SECTION 12: Combined Utility System Fund.

The District hereby covenants, agrees, and reaffirms that the Gross Revenues shall be deposited, as collected and received, into a separate fund or account to be created, established, and maintained with the Depository known as the “Green Valley Special Utility District Utility System Revenue Fund” (the Combined Utility System Fund) and that the Gross Revenues shall be kept separate and apart from all other funds of the District. All Gross Revenues deposited into the Combined Utility System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

(1) FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute to be a first charge on and claim against the Gross Revenues.

(2) SECOND: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of the Bonds Similarly Secured as the same become due and payable.

(3) THIRD: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued by the District as the same become due and payable.

(4) FOURTH: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the District as the same become due and payable.

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

SECTION 13: Bond Fund – Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds as the same become due and payable, the District agrees to maintain, at the Depository, a separate and special fund or account to be created and known as the “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2025 Interest and Sinking Fund” (the Bond Fund).

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

Accrued interest, if any, received from the Purchaser shall be taken into consideration and reduce the amount of the monthly deposits hereinabove required to be deposited into the Bond Fund from the Pledged Revenues of the Combined Utility System. Additionally, any proceeds of the Bonds, and investment income thereon, not expended for authorized purposes shall be deposited into the Bond Fund and shall be taken into consideration and reduce the amount of monthly deposits required to be deposited into the Bond Fund or Reserve Fund from the Pledged Revenues of the Combined Utility System.

SECTION 14: Reserve Fund.

To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the Required Reserve Amount) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District hereby creates, establishes, and agrees to maintain a separate and special fund or account known as the “Green Valley Special Utility District Revenue Bond Reserve Fund” (the Reserve Fund), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of the Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$3,873,413.45 (\$2,025,205.48 is currently on deposit in the Reserve Fund) and the District will transfer \$15,401.73 to the Reserve Fund from lawfully available funds on a monthly basis as described below, which shall be accumulated, if necessary, in the following manner. Beginning on or before the twenty-fifth day of the month next following the month of delivery of the Bonds to the Purchaser and on or before the twenty-fifth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the

District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$15,401.73 being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the twenty-fifth day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/120th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/120th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said fund or account from the Net Revenues of the Combined Utility System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/120th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the twenty-fifth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund and as required by the orders authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of the Order and any other order pertaining to the issuance of any Additional Parity Obligations.

During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

The District expressly reserves the right at any time to fund the Reserve Fund at the Required Reserve Amount by purchasing a Credit Facility that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve Amount in the event funds on deposit in the Bond Fund are not sufficient to pay the debt service requirements on the Bonds Similarly Secured. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect.

In the event a Credit Facility issued to satisfy all or part of the District's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount, the District may transfer such excess amount to any fund or account established for the payment of or security for the Bonds Similarly Secured (including any escrow established for the final payment of any such obligations pursuant to Chapter 1207, as amended, Texas Government Code) or use such excess amount for any lawful purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Net Revenues for each Fiscal Year are equal to at least 135% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured outstanding. In the event that the Net Revenues for any Fiscal Year are less than 135% of the Average Annual Debt Service Requirements, the District will be required to commence making the deposits to the Reserve Fund as of the next Fiscal Year, as provided above, and to continue making such deposits until the earlier of (a) such time as the Reserve Fund contains the Required Reserve Amount or (b) the Net Revenues in each of two consecutive Fiscal Years have been equal to not less than 135% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured then outstanding.

SECTION 15: Deficiencies – Excess Net Revenues. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Net Revenues, or from any other source available for such purpose. Subject to making the required deposits set forth above and to the Bond Fund and the Reserve Fund when and as required by the Order, or any order authorizing the issuance of any Bonds Similarly Secured, or the payments required by the provisions of the orders authorizing the issuance of any Junior Lien Obligations or Subordinate Lien Obligations hereafter issued by the District, the excess Net Revenues of the Combined Utility System may be used by the District for any lawful purpose.

SECTION 16: Payment of Bonds Similarly Secured. While any of the Bonds Similarly Secured are Outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond

Fund and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 17: Investments. Funds held in any fund or account created, established, or maintained pursuant to the Order, at the option of the District, may be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of Additional Parity Lien Obligations. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14, be credited to and deposited in the Combined Utility System Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 18: Issuance of Additional Parity Obligations. The District hereby expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a lien on and pledge of all or part of the Pledged Revenues with the following priorities, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing orders, laws, or otherwise:

(1) except for a refunding to cure a default, or the deposit of a portion of the proceeds of any Additional Parity Obligations to satisfy the District's obligations under the Order, the District is not then in default as to any covenant, condition, or obligation prescribed in the Order or in the orders authorizing the issuance of the Bonds Similarly Secured;

(2) the laws of the State of Texas in force at such time provide for the issuance of the Additional Parity Obligations;

(3) the District has secured from its General Manager or its Engineer, or an independent certified public accountant, a certificate or opinion to the effect that the Pledged Revenues, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to 1.20 times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Pledged Revenues, the General Manager, Engineer, or independent certified public accountant may take into consideration a change in the rates and charges for services and facilities afforded by the Combined Utility System that became effective less than thirty (30) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for purposes of satisfying the Pledged Revenues test, make a pro forma determination of the Pledged Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the aforementioned certificate or opinion;

(4) the Additional Parity Obligations shall mature on March 15 and/or September 15 of each year in which they are outstanding;

(5) the order authorizing the issuance of the Additional Parity Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Parity Obligations as the same mature; and

(6) the order authorizing the issuance of the Additional Parity Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Required Reserve Amount after giving effect to the issuance of the proposed Additional Parity Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within one hundred twenty (120) months from the date the Additional Parity Obligations are delivered.

All such Additional Parity Obligations provided for in this Section 18, when issued in accordance with the above provisions, shall be payable from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues, and the provisions

of the Order relating to the use of Pledged Revenues shall be applicable to such Additional Parity Obligations as though the same were a part of such original authorization.

The right to issue such other and further Additional Parity Obligations shall exist as often as the need therefor shall arise and so long as such Additional Parity Obligations are issued in compliance with law and the terms and conditions contained in the Order. The District hereby expressly reserves the right to hereafter issue bonds, notes, warrants, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a junior and inferior lien on and pledge of the Net Revenues.

The District reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured, pursuant to any law then available, upon such terms and conditions as the Board of Directors may deem to be in the best interest of the District and its inhabitants, and if less than all such outstanding Bonds Similarly Secured are refunded, the conditions precedent prescribed, for the issuance of Additional Parity Obligations, set forth in Section 18 of the Order shall be satisfied and the certification required in subparagraph (3) shall give effect to the Debt Service Requirements of the proposed refunding bonds (but shall not give effect to the Debt Service Requirements of the bonds being refunded following their cancellation or provision being made for their payment).

SECTION 19: Additional Revenue Obligations. The District hereby reserves the right to issue, at any time, obligations including, but not limited to, inferior lien obligations (including but not limited to Junior Lien Obligations and 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 the Net Revenues securing the payment of the Bonds Similarly Secured as may be authorized by the laws of the State of Texas, upon satisfying any conditions precedent contained in the orders authorizing the issuance of the Bonds Similarly Secured.

SECTION 20: Special Project Bonds. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner.

SECTION 21: Special Covenants. The District further covenants and agrees by and through the Order as follows:

(A) It has the lawful power to pledge the Pledged Revenues supporting the Bonds and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapters 49 and 65, as amended, Texas Water Code;

(B) The Bonds shall be equally and ratably secured by a lien on and pledge of the Pledged Revenues of the Combined Utility System in a manner that one bond shall have no preference over any other bond;

(C) Other than for the payment of the Bonds Similarly Secured, the Pledged Revenues of the Combined Utility System have not in any manner been pledged to the payment of any debt or obligation of the District or of the Combined Utility System;

(D) So long as any Bonds Similarly Secured, or any interest thereon, remain outstanding, the District will not sell, lease, or encumber the Combined Utility System or any substantial part thereof (except as provided in Sections 18, 19, and 20 of the Order) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the Combined Utility System;

(E) So long as any Bonds Similarly Secured remain outstanding the District will maintain and operate the Combined Utility System with all possible efficiency and maintain casualty and other insurance on the properties of the Combined Utility System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the Combined Utility System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in the Order shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the Combined Utility System but nothing herein shall be construed as preventing the District from doing so.

(F) So long as any of Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the Combined Utility System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Chapters 49 and 65, as amended, Texas Water Code, or other applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the Combined Utility System and all properties comprising the same. The District further agrees that following (and in no event later than 135 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified

public accountants. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, the District's Financial Advisor and, upon request, to the original purchaser of the Bonds and subsequent Holders of any of said Bonds. The audits herein required shall be made within 120 days following the close of each Fiscal Year insofar as is possible. Expenses incurred in making the annual audit of the operations of the Combined Utility System are to be regarded as Maintenance and Operating Expenses.

(G) No free service of the Combined Utility System shall be allowed and, should the District or any of its agents or instrumentalities make use of the services and facilities of the Combined Utility System, payment of the reasonable value thereof shall be made by the District out of funds from sources other than the revenues and income of the Combined Utility System;

(H) The District will pay and discharge from time to time and before the same become delinquent all lawful debts and liabilities of the District and all lawful claims for rents, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon any part of the Combined Utility System the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and the District will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such debts, liabilities or claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District; and

(I) To the extent that it legally may, the District further covenants and agrees that, so long as any of the Bonds Similarly Secured, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing utility systems other than those owned by the District, and the operation of any such systems by anyone other than the District is hereby prohibited.

SECTION 22: Limited Obligations of the District. The Bonds Similarly Secured are limited, special obligations of the District payable from and equally and ratably secured solely by a lien on and pledge of the Pledged Revenues of the Combined Utility System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the District.

SECTION 23: Security of Funds. All money on deposit in the funds or accounts for which the 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 Texas for the security of public funds, and money on deposit in such funds or accounts shall be used only for the purposes permitted by the Order.

SECTION 24: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas and specifically to confirm that the Purchaser have all rights and remedies available under Texas law hereunder, the District also covenants and agrees particularly that in the event the District (a) defaults in the payments to be made to the Bond Fund or Reserve Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Order, 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 District and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in the Order.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

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TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel’s opinion appears in APPENDIX B hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the “IRS”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

TAX CHANGES . . . Existing law may change to reduce or eliminate the benefit to registered owners of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

ANCILLARY TAX CONSEQUENCES . . . Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (FASIT), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

TAX ACCOUNTING TREATMENT OF DISCOUNT BONDS . . . The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the “Discount Bonds”). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, corporations subject to the alternative minimum tax on adjusted financial statement income, property and casualty insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price on such Bonds at maturity (the “Premium Bonds”). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the State and local tax consequences of owning and disposing of Premium Bonds.

LEGAL MATTERS

LEGAL OPINIONS . . . The District will furnish the Purchaser with a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding special obligations of the District. The District will also furnish the approving legal opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that (i) based upon an examination of such transcript, the Bonds are valid and legally binding special obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of 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 under the captions “SALE AND DISTRIBUTION OF BONDS – Securities Laws,” “THE BONDS” (except for the subcaption “Payment Record,” as to which no opinion is expressed), “LEGAL MATTERS – Legal Opinions” (except for the last sentence of the first paragraph thereof, as to which no opinion is expressed), “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “Compliance with Prior Undertakings,” as to which no opinion is expressed) to determine that the information relating to the Bonds and the Order contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are 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 or attached to the Bonds in the event of 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available free of charge by the MSRB via the Electronic Municipal Market Access System (“EMMA”) at 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 with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement in Tables 1 through 6 and “APPENDIX A – Audited Financial Statement of the District.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024. The District will provide the updated information in an electronic format, all as prescribed by the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within 12 months after the District’s fiscal year end, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such twelve-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Order, to such other account principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The District will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The District will provide notice of any of the following events with respect to the Bonds: (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 Beneficial Owners 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 or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, 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 the Order, the District will adopt policies and procedures to ensure timely compliance with its continuing disclosure obligations. Neither the Bonds nor the Order make any provision for credit enhancement (although the District has made an application for municipal bond insurance), liquidity enhancement, or the appointment of a trustee.

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

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under “– Annual Reports.”

AVAILABILITY OF INFORMATION . . . The District has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed with the MSRB pursuant to its Electronic Municipal Market Access (“EMMA”) System. The MSRB intends to make

the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the 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 or the business of the Developer, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Order if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Purchaser from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next 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 financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five years, the District has complied in all material respects with its continuing disclosure agreements made by it in accordance with the Rule except as follows: On August 29, 2020 the District entered into financial obligations with USA Rural Utilities Services for Series 2020A and Series 2020B bonds but failed to file an event notice. This notice along with a late notice were filed on January 14, 2021.

The District is an Obligated Party to Canyon Regional Water Authority’s debt and while all the District’s audits have been posted to EMMA on time for the last five years the District did not link the CUSIPs for Canyon Regional’s Debt to those audits for some years. Those audits were available to investors through the District’s home page on EMMA. The CUSIPs have since been added to all audits.

OTHER INFORMATION

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, Government Code, as amended, provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, trustees, or for the sinking funds of municipal or other political subdivisions or public agencies of the State. Section 49.186, as amended, Texas Water Code, States the same with regard to the Bonds. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA, Chapter 2256, Government Code, as amended, 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 – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LITIGATION . . . In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and 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 body.

FORWARD-LOOKING STATEMENT . . . The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the expectations, hopes, intentions, or strategies of the Authority 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 District assumes any obligation to update any such forward-looking statements. The actual results of the District 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 AS TO OFFICIAL STATEMENT . . . At the time of payment for and delivery of the Bonds, the District and will furnish the Purchaser a certificate, executed by an authorized representative of the District acting in such capacities, to the effect that to the best of such persons' knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in the Official Statement, and any addenda, supplement or amendment thereto, on the date of the Official Statement, on the date of sale of the 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 is concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their respective activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has any 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 their respective last audited financial statements.

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

The Order authorized the issuance of the Bonds and approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Purchaser. This Official Statement has been approved by the Board of Directors for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

/s/ John Frias
President, Board of Directors
Green Valley Special Utility District

ATTEST:

/s/ James Hendrix
Secretary, Board of Directors
Green Valley Special Utility District

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APPENDIX A

**EXCERPTS FROM THE
GREEN VALLEY SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2023**

The information contained in this APPENDIX A consists of excerpts from the Green Valley Special Utility District Annual Financial Report for the Year Ended September 30, 2023 and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Green Valley Special Utility District:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and the major fund of Green Valley Special Utility District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of September 30, 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Green Valley Special Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Green Valley Special Utility District's 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 Green Valley

Special Utility District's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, 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 Green Valley Special Utility District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Green Valley Special Utility District's ability to continue as a going concern for a reasonable period of time.

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

Emphasis of Matter

As discussed in Note 14 to the financial statements, due to corrections to balance sheet items in the prior year, the District restated beginning net position within business-type activities proprietary fund. Our opinion is not modified with respect to this matter.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green Valley Special Utility District's basic financial statements. The Texas Supplementary Information ("TSI") schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The TSI 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. Such 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 TSI is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
February 8, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Green Valley Special Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2023

As management of the Green Valley Special Utility District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows (net position) at September 30, 2023 by \$57,820,381.
- The District's total net position increased by \$8,395,354. The unrestricted portion of net position is \$14,367,077.
- At the end of the fiscal year, the District's capital assets totaled \$117,865,760, net of accumulated depreciation.

OVERVIEW OF THE FINANCIAL STATEMENTS

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the District for the year ended September 30, 2023. The analysis is based on currently known facts, decisions, or economic conditions. It presents a short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

The District's basic financial statements include (1) Statement of Net Position; (2) Statement of Revenues, Expenses, and Changes in Net Position; (3) statement of cash flows; and (4) notes to the financial statements.

Basic Financial Statements

The Statement of Net Position presents information on all of the District's assets, deferred outflows, and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as the District's property tax base and the condition of the District's infrastructure, need to be considered to assess the overall health of the District.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows, which is the accrual method.

Green Valley Special Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2023

The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position present the District using one class of activity:

1. Business-Type Activities – The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position present the District using one class of activity:

The statement of cash flows presents information about the District's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provides answers to such questions as where cash came from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

The basic financial statements can be found after the MD&A within this report.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to basic financial statements, the MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the proprietary fund. RSI can be found after the notes to the basic financial statements. The District adopts an annual unappropriated budget for its proprietary fund. A budgetary comparison schedule has been provided for the proprietary fund to demonstrate compliance with this budget. Additionally, Texas Supplementary Information (TSI) has been included to comply with state reporting requirements.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of the District's financial position. The District's assets and deferred outflows of resources exceeded liabilities by \$57,820,381 at the close of the most recent fiscal year.

An important portion of the District's net position, is \$31,651,037, which reflects its investments in capital assets (e.g., land, building, machinery, equipment, infrastructure, etc.), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to

Green Valley Special Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2023

provide services to citizens; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	Business-Type Activities		
	2023	2022	Variance
Current and other assets	\$ 53,025,371	\$ 65,006,846	\$ (11,981,475)
Capital assets, net	117,865,760	101,139,726	16,726,034
Total Assets	170,891,131	166,146,572	4,744,559
Deferred outflows of resources	159,182	166,464	(7,282)
Long-term liabilities	102,122,431	108,005,851	(5,883,420)
Other liabilities	11,107,501	8,882,158	2,225,343
Total Liabilities	113,229,932	116,888,009	(3,658,077)
Net position:			
Net investment in capital	31,651,037	26,834,145	4,816,892
Restricted	11,802,267	10,858,440	943,827
Unrestricted	14,367,077	11,732,442	2,634,635
Total Net Position	\$ 57,820,381	\$ 49,425,027	\$ 8,395,354

A portion of the District's net position represents resources that are subject to restrictions on how they may be used, which is \$11,802,267. \$31,651,037 of the net position represents the net investment in capital assets. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to citizens and creditors. The financial condition of the District increased due primarily to capital recovery revenue and revenue from connections.

The District's net position increased \$8,395,354 to \$57,820,381. The District's net investment in capital assets increased when compared to the prior year primarily due to new utility infrastructure improvements in the current year. Current and other assets decreased by \$11,981,475 due primarily to declining cash balances, which is a result of the utilization of funds for ongoing capital projects. Capital assets increased by \$16,726,034 due to the aforementioned utility infrastructure improvements added in the current year. Other liabilities increased by \$2,225,343 as a result of greater payables owed for utility contract services, accrued interest at the end of the current year, and the timing of disbursements for ongoing capital projects. Long-term liabilities decreased by \$5,883,420 due to the principal payments made in current year.

Green Valley Special Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2023

Statement of Activities:

The following table provides a summary of the District's changes in net position for the years ended September 30:

	Business-Type Activities		
	2023	2022	Variance
Operations			
Program revenues	\$ 22,025,430	\$ 19,228,322	\$ 2,797,108
Operating expenses	(21,560,853)	(19,962,503)	(1,598,350)
Operating Income (Loss)	464,577	(734,181)	1,198,758
Nonoperating Revenues (Expenses)			
Other revenues	2,151,195	2,211,879	(60,684)
Capital recovery revenue	2,976,098	3,807,590	(831,492)
Developer contributions	3,251,379	131,156	3,120,223
Intergovernmental revenue	-	1,230,725	(1,230,725)
Interest income	2,148,314	257,152	1,891,162
Interest expense and bond issuance costs	(2,596,209)	(3,048,443)	452,234
Change in Net Position	8,395,354	3,855,878	3,340,718
Beginning Net Position	49,425,027	45,569,149	3,855,878
Ending Net Position	\$ 57,820,381	\$ 49,425,027	\$ 8,395,354

Compared to the prior year, program revenues and operating expenses for business-type activities increased by \$2,797,108 and \$1,598,350, respectively. These increases are primarily due to more new connections and water consumption which resulted in an increase in service revenues and operational expenses. Capital recovery revenues decreased by \$831,492 from the prior year primarily due to less impact fees collected. Intergovernmental revenues decreased by 100% due to nonrecurring TxDOT funds received in the prior year. Developer contributions increased by \$3,120,223 due to new agreements for current infrastructure development. Interest income increased of \$1,891,162 due to higher interest rates and higher balances held in interest bearing accounts. There was a decrease of \$452,234 in interest expense and bond issuance costs due to nonrecurring debt issuance issued in the prior year.

Proprietary Fund Budgetary Highlights

Actual proprietary fund revenues were greater than budgeted revenues by \$3,863,195 during the year primarily due to more revenue received that is restricted for capital projects such as revenue from capital recoveries, water acquisitions, and other charges from impact fees.

Green Valley Special Utility District

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

For the Year Ended September 30, 2023

Budgeted proprietary fund operating expenses were less than actual expenses by \$2,958,427 during the year primarily due to depreciation expense along with repairs and maintenance. Nonoperating revenues and expenses had a positive budget variance of \$4,348,238, primarily due to developer contributions received during the year. Overall, the budget reflected a total positive budget variance of \$11,169,860.

Capital Assets

At the end of the year, the District's business-type activities had invested \$117,865,760 in a variety of capital assets, net of accumulated depreciation. This represents a net increase of \$16,726,034 during the fiscal year. The increase in capital assets is primarily due to an increase in construction in progress in relation to plant development.

Major capital asset additions during the year included several vehicles, plant infrastructure, and additions to construction projects in progress.

More detailed information about the District's capital assets is presented in note 7 to the financial statements.

Long-Term Debt

At the end of the year, the District reported total long-term debt of \$104,822,204 (net of discount and premium). The District made \$3,054,725 of debt principal payments in the current year.

More detailed information about the District's long-term liabilities is presented in note 8 to the financial statements.

Economic Factors

The District will continue to expand with growth in the area. It is the District's aim to continue to provide quality services while maintaining a reasonable level of expenses in the area. The total budgeted operating expenses, including capital outlay, for fiscal year ended September 30, 2024 is \$31,811,537.

Requests for Information

This financial report is designed to provide a general overview of the finances of the District. Questions concerning this report or requests for additional financial information should be directed to the District at P.O. Box 99, Marion, Texas 78124-0099.

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FINANCIAL STATEMENTS

Green Valley Special Utility District

STATEMENT OF NET POSITION

PROPRIETRY FUND

September 30, 2023

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash	\$ 29,220,103
Investments	567,163
Receivables	3,700,175
Inventory	1,109,607
Restricted Current Assets:	
Cash	14,609,421
Investments	3,059,363
Total Current Assets	52,265,832
Noncurrent Assets:	
Capital Assets:	
Land	3,380,052
Construction in progress	18,316,775
Depreciable capital assets, net of accumulated depreciation	96,168,933
Other Assets:	
Water rights	759,539
Total Noncurrent Assets	118,625,299
Total Assets	\$ 170,891,131
<u>Deferred Outflows of Resources</u>	
Deferred charge on refunding	159,182
Total Deferred Outflow of Resources	159,182
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable and accrued liabilities	\$ 5,709,873
Customer deposits	2,499,011
Accrued interest payable	110,776
Compensated absences - due within one year	52,841
Bonds payable - due within one year	2,735,000
Total Current Liabilities	11,107,501
Noncurrent liabilities:	
Compensated absences - due after one year	35,227
Bonds payable - due after one year	102,087,204
Total Noncurrent Liabilities	102,122,431
Total Liabilities	\$ 113,229,932
<u>Net Position</u>	
Net investment in capital assets	31,651,037
Restricted for:	
Water rights	759,539
Debt service	2,403,965
Capital improvements	8,638,763
Unrestricted	14,367,077
Total Net Position	\$ 57,820,381

See Notes to Financial Statements.

Green Valley Special Utility District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUND

For the Year Ended September 30, 2023

	<u>Enterprise Fund</u>
<u>Operating Revenues</u>	
Charges for water services	\$ 16,373,048
Meter installations and trip charges	844,551
Penalties & other connection charges	4,722,013
Miscellaneous income	85,818
Total Revenues	<u>22,025,430</u>
<u>Operating Expenses</u>	
Service Operations:	
Personnel	4,322,763
Professional fees	983,741
Edwards' Aquifer fees	153,998
Repairs and maintenance	818,798
Purchased water services	10,721,301
Utilities	277,817
Materials and supplies	920,066
Office supplies	443,390
Other	42,629
Depreciation	2,876,350
Total Operating Expenses	<u>21,560,853</u>
Operating Income (Loss)	464,577
<u>Nonoperating Revenues (Expenses)</u>	
Interest (expense)	(2,596,209)
Interest income	2,148,314
Antenna service income	695
Water acquisition	2,150,500
Capital recovery revenue	2,976,098
Developer contributions	3,251,379
Total Nonoperating Revenues	<u>7,930,777</u>
Change in Net Position	8,395,354
Beginning Net Position	<u>49,425,027</u>
Ending Net Position	<u><u>\$ 57,820,381</u></u>

See Notes to Financial Statements.

Green Valley Special Utility District

STATEMENT OF CASH FLOWS (Page 1 of 2)

PROPRIETARY FUND

For the Year Ended September 30, 2023

	<u>Enterprise Fund</u>
<u>Cash Flows from Operating Activities</u>	
Payments to employees	\$ (4,372,421)
Payments to suppliers	(15,698,514)
Receipts from customers	21,563,999
Net Cash Provided (Used) by Operating Activities	<u>1,493,064</u>
<u>Cash Flows from Nonoperating Activities</u>	
Water acquisition	2,150,500
Intergovernmental	695
Net Cash Provided (Used) by Nonoperating Activities	<u>2,151,195</u>
<u>Cash Flows from Capital and Related Financing Activities</u>	
Acquisition and construction of capital assets	(19,602,383)
Capital contributions and developer payments	6,227,477
Interest paid on capital debt	(2,729,721)
Principal paid on capital debt	(3,054,725)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(19,159,352)</u>
<u>Cash Flows from Investing Activities</u>	
Purchase of investments	(56,407)
Interest on investments	2,148,314
Net Cash Provided (Used) by Investing Activities	<u>2,091,907</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(13,423,186)
Beginning cash and cash equivalents	<u>57,252,710</u>
Ending Cash and Cash Equivalents (including restricted cash)	<u><u>\$ 43,829,524</u></u>

See Notes to Financial Statements.

Green Valley Special Utility District

STATEMENT OF CASH FLOWS (Page 2 of 2)

PROPRIETARY FUND

For the Year Ended September 30, 2023

	<u>Enterprise Fund</u>
<u>Reconciliation of Operating Income (Loss)</u>	
<u>to Net Cash Provided (Used) by Operating Activities</u>	
Operating Income (Loss)	\$ 464,577
Adjustments to reconcile operating income (loss) to net cash provided (used):	
Depreciation	2,876,350
Changes in Operating Assets and Liabilities:	
(Increase) Decrease in:	
Accounts receivable	(706,382)
Inventory	(678,923)
Increase (Decrease) in:	
Accounts payable and accrued liabilities	(657,851)
Customer deposits	244,951
Compensated absences	(49,658)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,493,064</u></u>

See Notes to Financial Statements.

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Green Valley Special Utility District

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2023

NOTE 1 – CREATION OF DISTRICT

The Green Valley Special Utility District (the “District”) was created May 4, 1992 by a vote of the members of the Green Valley Water Supply Corporation. The District operates under the Texas Constitution, Article XVI, Section 59, Chapter 65 of the Texas Water Code. The District’s services are as follows:

- To purchase, own, hold, lease, and otherwise acquire sources of water supply;
- To build, operate, and maintain facilities for the transportation of water;
- To sell water to towns, cities, other political subdivisions, and to private individuals and businesses;
- To protect, preserve, and restore the purity and sanitary condition of water; and
- To carry out the duties and powers of a Special Utility District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and accounting policies of the District are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District’s significant accounting policies are described below.

A. Reporting Entity

The District has adopted Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity*. In accordance with these statements, a financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. There are no component units that are legally separate for which the District is considered financially accountable.

The District is governed by a board of directors consisting of seven individuals who are residents or owners of property within the District and are elected by voters within the District. Board members that resign prior to the completion of their term are appointed by the board. As required by generally accepted accounting principles, these financial statements present the activities of the District, which is considered to be the primary government, as well as the reporting entity. There are no other organizations which meet the criteria for inclusion herein as part of the financial reporting entity.

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

B. Basis of accounting

The District is a proprietary fund accounted for on an accrual basis, which is a flow of economic resources measurement focus. Revenues and expenses are recognized in the accounting period in which they are earned and incurred, respectively, and in which net income is determined.

1. Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets and deferred outflows, liabilities and deferred inflows, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items.

Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

The proprietary fund types used by the District include the following:

Enterprise Fund

The enterprise fund is used to account for water operations. The services 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 will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for reporting purposes.

2. Budget

An unappropriated budget is adopted for the proprietary fund. The budget is prepared using the same method of accounting as for financial reporting and serves as a planning tool. Encumbrance accounting is not utilized.

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

C. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

1. *Cash and cash equivalents*

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

2. *Investments*

Temporary investments consist of certificates of deposit and time deposits and are stated at cost, which approximates market value.

Applicable state laws and regulations allow the District to invest its funds in direct or indirect obligations of the United States, the State, or any county, city, school district, or other political subdivision of the State. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the State. Related state statutes and provisions included in the District's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the District reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940 are reported using the pools' share price.

Credit Risk – Investments. Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At year end, the District's investment in money market mutual funds was rated AAAM by Standard & Poor's and Aaa-mf by Moody's.

Interest Rate Risk – Investments. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in the money market mutual fund to have a maturity of less than one year due to the fact the share positions can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

3. *Fair Value*

The District has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

4. *Receivables and Payables*

Accounts receivable consist of amounts due from customers of the District. Accounts payable consist of trade payables and other accrued expenses including accrued payroll taxes.

5. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines, sewer lines, and storm sewers), are reported in the applicable business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Asset Description	Estimated Useful Life
Property improvements	5 to 30 years
Water supply system plant and distribution system	25 to 50 years
Machinery and equipment	5 to 10 years

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

6. *Water Rights*

Water rights are a non-depreciable asset. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

7. *Inventories and prepaid items*

The costs of business-type fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

8. *Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The District has only one type of item, which results from the difference in the carrying value of refunded debt and its reacquisition price. A deferred charge on refunding is deferred and amortized over the shorter of the life of the refunded or refunding debt.

9. *Net position flow assumption*

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

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

10. Compensated absences

It is the District's policy to permit employees to accumulate an amount of earned but unused vacation, which will be paid to employees upon separation from the District's service.

11. Customer Deposits

The District requires customers to make deposits to provide service. These deposits are refundable upon the termination of services. These deposits are not set aside in restricted bank accounts by the District.

12. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable business-type activities statement of net position. The long-term debt consists primarily of revenue bonds payable.

Assets acquired under the terms of leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease.

13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 4 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Board of Directors prior to the beginning of the year. Management may not amend the budget without the approval of the Board.

The District has adopted a non-appropriated budget in accordance with Title 30 of the Texas Administrative Code, Section 293.97. The budget is prepared using the same method of accounting as for financial reporting and a budgetary comparison schedule for the proprietary fund is presented as supplementary information to the basic financial statements.

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

NOTE 5 – CASH AND TEMPORARY INVESTMENTS

A. Deposits and Investments

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District requires funds on deposit at the depository bank to be collateralized by securities. As of yearend, the District’s bank balances were fully covered by FDIC and pledged securities.

Interest rate risk: In compliance with the District’s Investment Policy, as of September 30, 2023, the District minimized the interest rate risk, related to current events market turmoil in the portfolio by: limiting the effective duration of security types not to exceed two years with the exception of securities purchases related to reserve funds; structuring the investment portfolio so that securities matured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the secondary market prior to maturity; monitoring credit ratings of portfolio positions to assure compliance with rating requirements imposed by the Public Funds Investment Act; and investing operating funds primarily in certificates of deposit and money market mutual funds.

As of September 30, 2023, the District had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (years)</u>
Investment pools	\$ 28,992,765	0.10
Certificates of deposit	3,626,526	0.35
Portfolio total	<u>\$ 32,619,291</u>	<u>0.23</u>

Green Valley Special Utility District

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the Year Ended September 30, 2023

LOGIC

The Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. The Act allows eligible local governments, state agencies, and nonprofit corporations of the State (each a "Government Entity") to jointly invest their funds in permitted investments. Capitalized terms used but not defined herein shall have the meaning ascribed to them in the LOGIC investment policies. The LOGIC's governing body is a six-member Board of Directors (the "Board") comprised of employees, officers, or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory Board members represents the co-administrators of LOGIC. As of September 30, 2023, the District had \$27,912,178 invested in LOGIC. Accounts for review. There were no limitations or restrictions on withdrawals.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. As of September 30, 2023, the District had \$1,080,587 invested in TexPool. Accounts for review. There were no limitations or restrictions on withdrawals.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of \$1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool’s liquidity.

B. Fair Value Measurement

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are remeasured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District’s financial instruments consist of cash and cash equivalents, investments in certificates of deposits maturing in greater than three months, bonds, accounts payable and accounts receivable. The estimated fair value of cash, cash equivalents, investments, accounts payable and accounts receivable approximate their carrying amounts due to the short-term nature of these instruments. Certificates of deposit with a year or less maturity are recorded at face value.

NOTE 6 – RECEIVABLES

The following comprise the receivable balances at year end:

	<u>Enterprise</u>
Accounts receivable	\$ 3,717,363
Allowance	(17,188)
	<u>\$ 3,700,175</u>

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

NOTE 7 – CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended is as follows:

	Beginning Balances	Increases	(Decreases)	Ending Balances
Capital assets, not being depreciated:				
Land and land improvements	\$ 3,380,052	\$ -	\$ -	\$ 3,380,052
Construction in progress	38,343,515	19,149,620	(39,176,360)	18,316,775
Total capital assets not being depreciated	<u>41,723,567</u>	<u>19,149,620</u>	<u>(39,176,360)</u>	<u>21,696,827</u>
Capital assets, being depreciated:				
Furniture and fixtures	62,651	216,213	(10,497)	268,367
Lines, pumps, equipment, and plant	74,193,335	83,665	39,176,360	113,453,360
Office building and equipment	1,317,260	-	-	1,317,260
Ship building and equipment	518,085	-	-	518,085
Vehicles and equipment	2,816,088	152,885	(42,901)	2,926,072
Total capital assets being depreciated	<u>78,907,419</u>	<u>452,763</u>	<u>39,122,962</u>	<u>118,483,144</u>
Less accumulated depreciation	<u>(19,491,259)</u>	<u>(2,876,350)</u>	<u>53,398</u>	<u>(22,314,211)</u>
Net capital assets being depreciated	<u>59,416,160</u>	<u>(2,423,587)</u>	<u>39,176,360</u>	<u>96,168,933</u>
Total Capital Assets	<u><u>\$ 101,139,727</u></u>	<u><u>\$ 16,726,033</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 117,865,760</u></u>

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

**NOTE 8 – CHANGES IN LONG-TERM DEBT, DEBT SERVICE REQUIREMENTS, AND
BOND RESOLUTION REQUIREMENTS**

The following is a summary of changes in the District's total governmental long-term liabilities for the year ended. In general, the District uses the debt service fund to liquidate governmental long-term liabilities:

	Beginning Balance	Additions	Retired	Ending Balance	Amounts Due Within One Year
Revenue bonds payable					
Series 2003	\$ 423,000	\$ -	\$ (13,000)	\$ 410,000	\$ 13,000
Series 2020 Refunding	7,820,000	-	(310,000)	7,510,000	325,000
Series 2020 TWDB	24,225,000	-	(825,000)	23,400,000	825,000
Series 2020 USDA	4,388,829	-	(78,000)	4,310,829	80,000
Series 2020A USDA	5,102,000	-	(97,000)	5,005,000	99,000
Series 2020B USDA	2,739,000	-	(891,725)	1,847,275	53,000
Series 2021 TWDB	15,725,000	-	(375,000)	15,350,000	385,000
Series 2021A TWDB	19,540,000	-	(465,000)	19,075,000	480,000
Series 2022	27,150,000	-	-	27,150,000	475,000
Plus: Premium - Series 2022	790,523	-	(26,423)	764,100	-
Total	\$ 107,903,352	\$ -	\$ (3,081,148)	\$ 104,822,204	\$ 2,735,000
					\$ 102,087,204

Bonds payable as of September 30, 2023 are comprised of the following:

	Amounts Outstanding	Interest Rates	Maturity Interest Payment Dates	Callable Date
Series 2003	\$ 410,000	3.75% to 5.50%	March 15, September 15	Any date
Series 2020 Refunding	7,510,000	2.00% to 4.00%	March 15, September 15	Any date
Series 2020 TWDB	23,400,000	0.00% to 1.40%	March 15, September 15	March 15, 2030
Series 2020 USDA	4,310,829	2.75%	March 15, September 15	September 15, 2025
Series 2020A USDA	5,005,000	1.88%	March 15, September 15	Any date
Series 2020B USDA	1,847,275	1.88%	March 15, September 15	Any date
Series 2021 TWDB	15,350,000	0.47% to 2.91%	March 15, September 15	September 15, 2031
Series 2021A TWDB	19,075,000	0.47% to 2.91%	March 15, September 15	September 15, 2031
Series 2022	27,150,000	4.17%	March 15, September 15	September 15, 2031
	\$ 104,058,104			

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

As of September 30, 2023, the debt service requirements on bonds outstanding were as follows:

Due During Fiscal Year Ended September 30	Principal	Interest
2024	\$ 2,735,000	\$ 2,627,363
2025	2,800,000	2,570,562
2026	2,861,000	2,510,582
2027	2,927,000	2,450,474
2028	3,003,000	2,386,216
2029-2033	16,032,000	10,896,488
2034-2038	18,043,000	9,061,534
2039-2043	19,564,000	6,735,615
2044-2048	20,502,000	4,128,272
2049-2053	13,851,275	1,216,604
2054-2058	1,549,829	97,281
2059-2063	190,000	3,563
Total	\$ 104,058,104	\$ 44,684,554

C. Deferred Charges on Refunding

Deferred charges resulting from the issuance of series 2020 refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense annually over the term of the refunding bonds. The current balance totaled \$159,182 as of year end. Current year amortization expense totaled \$7,282.

D. Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, a substantial liability to the District could result. The District periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

NOTE 9 – COMPENSATED ABSENCES

The following summarizes the changes in the compensated absences balances of the District during the year.

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Business-Type Activities:					
Compensated absences	\$ 102,499	\$	\$ (14,431)	\$ 88,068	\$ 52,841
Total Business-Type Activities	<u>\$ 102,499</u>	<u>\$ -</u>	<u>\$ (14,431)</u>	<u>\$ 88,068</u>	<u>\$ 52,841</u>
Other long-term liabilities due in more than one year				<u>\$ 35,227</u>	

NOTE 10 – DEFINED CONTRIBUTION

The District has a defined contribution plan (the “Plan”) for employees. Benefits depend solely on amounts contributed plus investment earnings. Employees are eligible to participate after one month of employment. On a monthly basis, the employees may make contributions up to 10% of compensation. The District matches these employee contributions up to 6% of the base pay. On an annual basis, the District makes an additional contribution of 4% of the employee’s annual base salary.

The regular vesting schedule of the Plan is as follows: less than one year of service is 0% vested, one year of service is 25% vested, two years of service is 50% vested, three years of service is 75% vested, and four years of service is 100% vested.

Current year employer discretionary contributions amounted to \$107,369.

NOTE 11 – WATER RIGHTS

The District purchased the right to pump 309 acre-feet of Edwards’ Aquifer water from the Regional Water Resources Development Group (RWRDG) for \$274,539, and 190 acre-feet of Guadalupe Water for \$475,000. Additionally, the District has invested \$10,000 toward Canyon Regional Water Authority (CRWA).

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance coverage. There have been no significant reductions in coverage from the prior year.

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The District entered into contracts with various entities for water supply, sewer outfall construction, and wholesale wastewater service.

Water Supply Contracts

The District has acquired certain water rights and entered into supply contracts with Canyon Regional Water Authority (CRWA), Well Ranch, Edwards’ Aquifer, Laguna Water II LTD, Hays Caldwell Public Utility Agency (HCPUA), and Guadalupe-Blanco River Authority (GBRA) that will require payments that may change based on the actual rates and consumption.

The estimated commitments are as follows:

Fiscal Year	CRWA	Wells Ranch	Edwards Aquifer	Laguna Water II, LTD	HCPUA	GBRA	Totals
2024	\$ 2,358,478	\$ 4,748,624	\$ 60,000	\$ 83,556	\$ 1,692,187	\$ 171,253	\$ 9,114,098
2025	2,452,817	4,938,569	-	86,898	1,759,874	178,103	9,416,261
2026	2,550,930	5,136,112	-	90,374	1,830,269	185,227	9,792,912
2027	2,652,967	5,341,556	-	93,989	1,903,480	192,636	10,184,628
2028	2,759,086	5,555,218	-	97,749	1,979,619	200,341	10,592,013
2029-2033	14,347,247	28,887,134	-	195,497	10,294,019	1,041,773	54,765,670
2034-2038	14,921,137	30,042,619	-	-	10,705,780	1,083,444	56,752,980
2039-2043	15,517,982	31,244,324	-	-	11,134,011	1,126,782	59,023,099
2044-2048	16,138,701	32,494,097	-	-	11,579,371	946,497	61,158,666
2049-2053	16,784,249	33,793,861	-	-	12,042,546	-	62,620,656
2054-2058	17,455,619	35,145,615	-	-	12,524,248	-	65,125,482
2059-2063	14,662,720	31,985,455	-	-	13,025,218	-	59,673,393
	<u>\$ 122,601,933</u>	<u>\$ 249,313,184</u>	<u>\$ 60,000</u>	<u>\$ 648,063</u>	<u>\$ 90,470,622</u>	<u>\$ 5,126,056</u>	<u>\$ 468,219,858</u>

Sewer Outfall Construction Agreement

On May 4, 2017, the District entered into a interlocal agreement with San Antonio River Authority (the “Authority”) for sewer outfall construction. The Authority owns and operates the wastewater treatment system. The District contracts with the Authority to construct a sanitary sewer outfall line to serve current and future customers. The District will pay the actual cost line minus the Developer’s contribution for the line extension. The District will be the owner of the sanitary sewer outfall line.

Wholesale Wastewater Services Agreement

In November 2021, the District amended its wholesale wastewater services agreement (the “Agreement”) with the City of Marion, Texas (the “City”). The City owns and

Green Valley Special Utility District
NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2023

operates a wastewater system and treatment facility. The District obtains wholesale wastewater treatment and disposal services from the City. The District will be responsible for construction of any improvements necessary to collect wastewater from the District’s customers within the Woods of St. Clare subdivision. The City agrees to expend and improve the City’s sewer system to provide adequate service to the District.

This Agreement shall become effective upon the effective date and shall extend for a term of five years unless terminated earlier. The District provides at least six months written notice to the City and it may renew this Agreement for one additional term of five years.

NOTE 14 – RESTATEMENT OF NET POSITION

Due to corrections to compensated absences, accrued interest payable, capital assets and long-term debt, the District restated beginning net position. The restatement of beginning net position is as follows:

Prior year ending net position as reported	\$	49,457,240
Correct compensated absences		90,446
Correct accrued liabilities for unapplied credits		(89,562)
Correct accrued interest payable		(33,097)
Correct capital assets		(499,171)
Correct long-term debt		499,171
Restated beginning net position	\$	<u><u>49,425,027</u></u>

NOTE 15 – RELATED PARTY

Cibolo Creek Municipal Authority has an intergovernmental arrangement with the District for wastewater services. As an employee of Cibolo Creek Municipal Authority, Board of Directors member Nicholas Sherman has disclosed a potential conflict of interest and abstained from all related voting.

NOTE 16 – SUBSEQUENT EVENTS

We have evaluated subsequent events through February 8, 2024, the date the financial statements were issued. There were no subsequent events through this date which materially impact the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

Green Valley Special Utility District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

BUDGETARY COMPARISON SCHEDULE (Page 1 of 2)

PROPRIETARY FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Operating Revenues				
Charges for water services	\$ 14,500,000	\$ 14,500,000	\$ 16,373,048	\$ 1,873,048
Meter installations and trip charges	875,000	875,000	844,551	(30,449)
Penalties & other connection charges	2,775,235	2,775,235	4,722,013	1,946,778
Miscellaneous income	12,000	12,000	85,818	73,818
Total Operating Revenues	18,162,235	18,162,235	22,025,430	3,863,195
Operating Expenses				
Personnel	4,938,011	4,938,011	4,322,763	615,248
Professional fees	970,000	990,000	983,741	6,259
Edwards' Aquifer fees	155,000	155,000	153,998	1,002
Repairs and maintenance	307,000	317,000	818,798	(501,798)
Purchased water services	11,518,015	11,419,015	10,721,301	697,714
Utilities	250,000	250,000	277,817	(27,817)
Materials and supplies	115,000	123,000	920,066	(797,066)
Office supplies	384,500	410,400	443,390	(32,990)
Other	-	-	42,629	(42,629)
Depreciation	-	-	2,876,350	(2,876,350)
Total Operating Expenditures	18,637,526	18,602,426	21,560,853	(2,958,427)
Operating Income (Loss)	(475,291)	(440,191)	464,577	6,821,622

Green Valley Special Utility District

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGETARY COMPARISON SCHEDULE (Page 2 of 2)

PROPRIETARY FUND

For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Nonoperating Revenues (Expenses)				
Interest (expense)	(1,479,582)	(1,550,582)	(2,596,209)	(1,045,627)
Interest income	97,121	97,121	2,148,314	2,051,193
Antenna service income	95,000	95,000	695	(94,305)
Water acquisition	1,800,000	1,800,000	2,150,500	350,500
Capital recovery revenue	3,141,000	3,141,000	2,976,098	(164,902)
Developer contributions	-	-	3,251,379	3,251,379
Total Nonoperating Revenues (Expenses)	3,653,539	3,582,539	7,930,777	4,348,238
Change in Net Position	\$ 3,178,248	\$ 3,142,348	\$ 8,395,354	\$ 11,169,860
Beginning Net Position			49,425,027	
Ending Net Position			\$ 57,820,381	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP), with the exception that capital outlay is budgeted but excluded from above.

Change in Net Position - GAAP	\$ 3,142,348
Capital Outlay	5,641,257
Change in Net Position - Budget	\$ (2,498,909)

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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January 23, 2025

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
Fax +1 512 536 4598
nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the “Green Valley Special Utility District Prior Lien Water and Wastewater System Revenue Bonds, New Series 2025” (the *Bonds*), dated January 23, 2025, in the aggregate principal amount of \$14,365,000 we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Green Valley Special Utility District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of September 15 in each of the years 2026 through 2036, September 15, 2038, September 15 in each of the years 2039 through 2044, September 15, 2046, September 15, 2048, September 15, 2050, September 15, 2052 and September 15, 2055, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system (the *Combined Utility System*). We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Application to the Texas Water Development Board prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Directors of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of GREEN VALLEY SPECIAL UTILITY DISTRICT PRIOR LIEN WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2025

all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Pledged Revenues derived from the operation of the Combined Utility System. In the Order, the Issuer retains the right to issue Additional Parity Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Issuer, except with respect to the Pledged Revenues. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. The pledge of Pledged Revenues is subject to the right of a city, under existing Texas law, to annex all of the territory within the Issuer; to take over all properties and assets of the Issuer; to assume all debts, liabilities, and obligations of the Issuer, including the Bonds; and to abolish the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals, and (3) the Bonds are not "private activity bonds" within the meaning of section 141 of the Code.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax exempt obligations.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of GREEN VALLEY SPECIAL UTILITY DISTRICT PRIOR LIEN WATER AND WASTEWATER SYSTEM REVENUE BONDS, NEW SERIES 2025

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES