

**PRELIMINARY OFFICIAL STATEMENT**

**Date: February 2, 2026**

**Ratings:**

**S&P: "AA" (AG Insured)**

**S&P: "A" (Underlying) (see "OTHER INFORMATION - Ratings", "BOND INSURANCE" and "BOND INSURANCE RISKS" herein)**

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

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

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

**\$1,845,000\***  
**MACBEE SPECIAL UTILITY DISTRICT**  
**(Van Zandt, Hunt and Kaufman Counties)**  
**REVENUE BONDS, SERIES 2026**

**Dated Date: February 1, 2026**

**Due: August 15, as shown on page 2**

**Interest accrues from Delivery Date**

**PAYMENT TERMS.** . . Interest on the \$1,845,000\* MacBee Special Utility District Revenue Bonds, Series 2026 (the "Bonds") will accrue from February 26, 2026 (the "Delivery Date") and will be payable February 15 and August 15 of each year commencing February 15, 2027, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System"). The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Irving, Texas (see "THE BONDS - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE.** . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Article XVI, Section 59 of the Texas Constitution, Chapter 65, Texas Water Code, as amended, Section 49.001(1), Texas Water Code as amended, an order of the Texas Commission on Environmental Quality ("TCEQ") approving the Bonds, and by an order (the "Order") expected to be adopted by the Board of Directors of the MacBee Special Utility District (the "District") on February 9, 2026. The Bonds are special obligations of the District payable, both as to principal and interest, solely from and secured by the first lien on and pledge of the Pledged Revenues of the District's water system (the "System"). The District has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation. The District does not have the authority to levy ad valorem property taxes (see "THE BONDS - Authority for Issuance").

**PURPOSE.** . . Proceeds from the sale of the Bonds will be used to (i) construct, renovate and upgrade the System, including to improve certain distribution lines, (ii) fund a debt service reserve fund, and (iii) pay the costs associated with the issuance of the Bonds.

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**CUSIP PREFIX: [TBD]**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Schedule on Page 2**

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**INSURANCE.** . . 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 ASSURED GUARANTY INC. ("AG") (see "BOND INSURANCE", "BOND INSURANCE RISKS", and "Appendix C - Specimen Municipal Bond Insurance Policy").

**ASSURED  
GUARANTY**

**LEGALITY.** . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser (defined herein) and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix B - "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Dallas, Texas as Disclosure Counsel to the District.

**DELIVERY.** . . It is expected that the Bonds will be available for delivery through the facilities of DTC on February 26, 2026.

**BIDS DUE MONDAY, FEBRUARY 9, 2026 AT 9:00 AM CENTRAL TIME**

\* Preliminary, subject to change.

**MATURITY SCHEDULE\*****CUSIP Prefix: [TBD]<sup>(1)</sup>**

| Amount    | Maturity*<br>15-Aug | Interest<br>Rate | Initial<br>Yield | CUSIP<br>Suffix <sup>(1)</sup> |
|-----------|---------------------|------------------|------------------|--------------------------------|
| \$ 40,000 | 2028                |                  |                  |                                |
| 45,000    | 2029                |                  |                  |                                |
| 45,000    | 2030                |                  |                  |                                |
| 50,000    | 2031                |                  |                  |                                |
| 50,000    | 2032                |                  |                  |                                |
| 55,000    | 2033                |                  |                  |                                |
| 60,000    | 2034                |                  |                  |                                |
| 60,000    | 2035                |                  |                  |                                |
| 65,000    | 2036                |                  |                  |                                |
| 65,000    | 2037                |                  |                  |                                |
| 70,000    | 2038                |                  |                  |                                |
| 75,000    | 2039                |                  |                  |                                |
| 80,000    | 2040                |                  |                  |                                |
| 85,000    | 2041                |                  |                  |                                |
| 90,000    | 2042                |                  |                  |                                |
| 95,000    | 2043                |                  |                  |                                |
| 100,000   | 2044                |                  |                  |                                |
| 105,000   | 2045                |                  |                  |                                |
| 110,000   | 2046                |                  |                  |                                |
| 115,000   | 2047                |                  |                  |                                |
| 120,000   | 2048                |                  |                  |                                |
| 130,000   | 2049                |                  |                  |                                |
| 135,000   | 2050                |                  |                  |                                |

**(Interest to accrue from Delivery Date)**

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**OPTIONAL REDEMPTION.** . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2034, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”).

\* Preliminary, subject to change.

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

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

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

The Bonds are exempt from registration with the United States Securities and Exchange Commission and consequently have not been registered therewith. The registration, qualification, or exemption of the Bonds in accordance with applicable securities law provisions of the jurisdiction in which the Bonds have been registered, qualified, or exempted should not be regarded as a recommendation thereof.

Neither the District, its Municipal Advisor, nor the Initial Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding DTC or its Book-Entry-Only System in such information has been provided by DTC.

In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

**Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading “BOND INSURANCE” and “Appendix C – Specimen Municipal Bond Insurance Policy”.**

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Preliminary 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. See “Continuing Disclosure of Information” for a description of the District’s undertaking to provide certain information on a continuing basis.

The cover page contains certain information for general reference only and are not intended as a summary of this offering. Investors should read the entire Official Statement, including the Schedule and all Appendices attached hereto, to obtain information essential to making an informed investment decision.

This Preliminary Official Statement contains “Forward-Looking” Statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from future results, performance, and achievements expressed or implied by such Forward-Looking Statements. Investors are cautioned that the actual results could differ materially from those set forth in the Forward-Looking Statements

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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.

## 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.

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>THE DISTRICT</b> .....                     | The MacBee Special Utility District (the “District”) is located in Van Zandt, Hunt and Kaufman Counties. The District covers approximately 98.256 square miles (see “Introduction - Description of the District”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>THE BONDS</b> .....                        | The Bonds are issued as \$1,845,000* Revenue Bonds, Series 2026. The Bonds are issued as serial bonds maturing August 15 in each of the years 2028 through 2050 (see “THE BONDS - Description of the Bonds”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>PAYMENT OF INTEREST</b> .....              | Interest on the Bonds accrues from the Delivery Date, and is payable February 15, 2027, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE BONDS - Description of the Bonds” and “THE BONDS - Optional Redemption”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>AUTHORITY FOR ISSUANCE</b> .....           | The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Article XVI, Section 59 of the Texas Constitution, Chapter 65, Texas Water Code, as amended, Section 49.001(1), Texas Water Code as amended, an order of the Texas Commission on Environmental Quality (“TCEQ”) approving the Bonds, and by an order (the “Order”) expected to be adopted by the Board of Directors of the District on February 9, 2026 (see “THE BONDS - Authority for Issuance”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>SECURITY FOR THE BONDS</b> .....           | The Bonds constitute special obligations of the District and are payable solely from and secured by an irrevocable first lien on and pledge of the Pledged Revenues of the System (as defined in the Order). The Pledged Revenues consist of the net revenues of the System that remain after payment of all costs of operating and maintaining the System, plus any additional payment sources that may be pledged to secure the Bonds and any additional Parity Obligations that may be issued in the future. The Bonds are further secured by amounts on deposit in the debt service reserve fund to be created for the benefit of the Bonds (the “2026 Reserve Fund”). The Bonds do not constitute a general obligation of the District, the State of Texas (the “State”) nor any political subdivision of the State. 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. None of the State of Texas, Van Zandt County, Hunt County, Kaufman County, or any other political subdivision thereof, other than the District, shall be obligated to pay the principal of or interest on the Bonds (see “THE BONDS - Security and Source of Payment”). |
| <b>QUALIFIED TAX-EXEMPT OBLIGATIONS</b> ..... | The District will designate the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>REDEMPTION</b> .....                       | The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2034, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS - Optional Redemption”). Additionally, if the principal amounts of two or more consecutive maturities designated in the serial maturity schedule on page ii hereof are combined by the Initial Purchaser to create one or more term Bonds (“Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption and described in the final Official Statement (see “THE BONDS - Mandatory Sinking Fund Redemption” herein).                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>DEBT SERVICE RESERVE FUND</b> ...          | In connection with the issuance of the Bonds, the District may fund a debt service reserve fund solely for the benefit of the Bonds (the “2026 Reserve Fund”). The 2026 Reserve Fund is expected to be funded in the amount of \$_____ which is the Average Annual Debt Service Requirements (as defined herein) of the Bonds. The 2026 Required Reserve Amount shall be funded at the delivery date of the Bonds by the deposit of a Reserve Fund Obligation in the form of a surety policy (the “Reserve Policy”) to be issued by Assured Guaranty Inc., as provided in the Order.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| <b>TAX EXEMPTION</b> .....                    | In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

\* Preliminary, subject to change.

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>USE OF PROCEEDS</b> .....        | Proceeds from the sale of the Bonds will be used to (i) construct, renovate and upgrade the System, including to improve certain distribution lines, (ii) fund a debt service reserve fund, and (iii) pay the costs associated with the issuance of the Bonds.                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>RATINGS</b> .....                | The Bonds are expected to be rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued concurrently by Assured Guaranty Inc. upon delivery of the Bonds to the Initial Purchaser. The Bonds are also rated “A” (stable outlooks) by S&P without virtue of credit enhancement (See “OTHER INFORMATION – Ratings” and “BOND INSURANCE”).                                                                                                                                                                                                                                        |
| <b>BOOK-ENTRY-ONLY SYSTEM</b> ..... | 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 within a maturity. 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”). |
| <b>PAYMENT RECORD</b> .....         | The District has never defaulted in payment of its bonds.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

### SELECTED FINANCIAL INFORMATION

|                                                        | Fiscal Year Ended December 31, |             |             |             |             |
|--------------------------------------------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                                                        | 2024                           | 2023        | 2022        | 2021        | 2020        |
| Total Operating Revenue                                | \$3,637,918                    | \$2,856,328 | \$2,725,903 | \$1,907,079 | \$1,830,192 |
| Total Operating Expense                                | 1,696,626                      | 1,537,364   | 1,752,581   | 1,384,445   | 1,177,353   |
| Net Revenues Available for Debt Service <sup>(1)</sup> | \$1,941,292                    | \$1,318,964 | \$ 973,322  | \$ 522,634  | \$ 652,839  |
| Annual Bond Payment                                    | \$ -                           | \$ -        | \$ 95,571   | \$ 95,833   | \$ 95,785   |
| Coverage (Times)                                       | n/a                            | n/a         | 10.18       | 5.45        | 6.82        |

(1) Depreciation, amortization and interest expenses not included in calculation of Net Revenues Available for Debt Service.

For additional information regarding the District, please contact:

Tim Smith – Interim General Manager  
Vonda Farthing – Office Manager  
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## DISTRICT OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

| Board Members                    | Term Expires | Total Length of Service |
|----------------------------------|--------------|-------------------------|
| David R. Laney<br>President      | May 2026     | 40 Years                |
| Dr. Dan Turner<br>Vice President | May 2028     | 4 Year                  |
| Don Eggleston<br>Director        | May 2028     | 30 Years                |
| Tommy Looney<br>Director         | May 2026     | 11 Years                |
| Richard Carpenter<br>Director    | May 2027     | 1 Year                  |
| Dave Marshall<br>Director        | May 2027     | 1 Year                  |
| William Green<br>Director        | May 2027     | 8 Months                |
| Victor Garcia<br>Director        | May 2026     | 2 Months                |

### SELECTED ADMINISTRATIVE STAFF

| Name           | Position                | Length of Service to District |
|----------------|-------------------------|-------------------------------|
| Tim Smith      | Interim General Manager | 26 Years                      |
| Vonda Farthing | Office Manager          | 8 Years                       |
| Darron Thorn   | Distribution Manager    | 31 Years                      |

### CONSULTANTS AND ADVISORS

|                          |                                                    |
|--------------------------|----------------------------------------------------|
| Auditors .....           | MCPA, PC<br>Forney, Texas                          |
| Bond Counsel.....        | McCall, Parkhurst & Horton L.L.P.<br>Dallas, Texas |
| Municipal Advisor .....  | Hilltop Securities Inc.<br>Dallas, Texas           |
| Disclosure Counsel ..... | McCall, Parkhurst & Horton L.L.P.<br>Dallas, Texas |

**OFFICIAL STATEMENT**  
**RELATING TO**  
**\$1,845,000\***  
**MACBEE SPECIAL UTILITY DISTRICT**  
**WATER SYSTEM REVENUE BONDS, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$1,845,000\* MacBee Special Utility District Revenue Bonds, Series 2025 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein (see "SELECTED PROVISIONS OF THE ORDER").

There follows in this Official Statement descriptions of the Bonds and certain information regarding the 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 Municipal Advisor, Hilltop Securities Inc., Dallas, Texas.

**DESCRIPTION OF THE DISTRICT . . .** The MacBee Special Utility District was created by an election held on September 14, 2002 and was organized as set forth under Article XVI, Section 59, Texas Constitution and Chapter 65 of the Texas Water Code. The District does not have the authority to levy ad valorem taxes or issue bonds payable from ad valorem taxes. The Board of Directors, a nine-member body elected by the qualified voters of the District, is the governing body responsible for the control and management supervision over all affairs of the District. The Directors serve three-year staggered terms of office. The District receives funding from various local, state and federal sources and must comply with the requirements of these funding entities. The District and its operations are subject to regulatory control by the Texas Commission on Environmental Quality ("TCEQ") pursuant to various provisions of the Texas Water Code.

The District covers approximately 98.256 square miles. The District's service area under CCN No. 10845 is bound on the north by Lake Tawakoni, on the south by FM 1651, on the west by Kaufman County and on the east by the City of Edgewood.

**PLAN OF FINANCING**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used to (i) construct, renovate and upgrade the System, including to improve certain distribution lines, (ii) fund a debt service reserve fund, and (iii) pay the costs associated with the issuance of the Bonds.

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

**Sources of Funds**

|                            |             |
|----------------------------|-------------|
| Par Amount of Bonds        | \$ -        |
| Net Original Issue Premium | -           |
| Total Sources of Funds     | <u>\$ -</u> |

**Uses of Funds**

|                              |             |
|------------------------------|-------------|
| Project Fund                 | \$ -        |
| Debt Service Reserve Fund    | -           |
| Costs of Issuance            | -           |
| Initial Purchaser's Discount | -           |
| Total Uses of Funds          | <u>\$ -</u> |

\* Preliminary, subject to change.

## THE BONDS

**DESCRIPTION OF THE BONDS...** The Bonds are dated February 1, 2026, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from date of delivery and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, 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 issued pursuant to the Constitution and general laws of the State of Texas, including particularly Article XVI, Section 59 of the Texas Constitution, Chapter 65, Texas Water Code, as amended, Section 49.001(1), Texas Water Code as amended, an order of the Texas Commission on Environmental Quality ("TCEQ") approving the Bonds, and by an order (the "Order") expected to be adopted by the Board of Directors of the MacBee Special Utility District (the "District") on February 9, 2026.

**SECURITY AND SOURCE OF PAYMENT...** 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 "SELECTED PROVISIONS OF THE ORDER."

The Order defines the "System" as the District's water system, including all properties, facilities, plants, improvements, equipment, interests and rights owned, operated and maintained by the District for the supply, treatment, and transmission and distribution of treated potable water. In the Order, the District has retained the right to (i) sell or disaggregate the System as set forth in Section 16 of the Order and (ii) incorporate any other utility system as provided by the laws of the State of Texas as a part of the System. The System shall not include any Special Projects, or any disaggregated part of the System as provided in Sections 16 and 19 of the Order.

The Board has pledged the Pledged Revenues to secure the payment of the Bonds and has reserved the right, subject to certain conditions, to pledge the Pledged Revenues to secure additional parity obligations (the "Additional Parity Obligations" from time to time in the future. The Order defines Pledged Revenue as (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the District to the payment of the Parity Obligations, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues. The Order defines Net Revenues as Gross Revenues remaining after deducting the Maintenance and Operating Expenses, which are defined as the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Obligations), and all payments under contracts for materials and services provided to the District that are required to enable the District to render efficient service. The Order provides that depreciation shall never be considered as a Maintenance and Operating Expense of the District.

The District has no outstanding bonds secured by and payable from Pledged Revenues.

**FLOW OF FUNDS...** The Order provides that the District shall create and maintain on the books of the District, a Revenue Fund, an Interest and Sinking Fund and the 2026 Reserve Fund, and further provides that the District shall make such deposits into such funds or into such other funds as may be established in connection with the issuance or incurrence of future Debt, in the order of priority with respect to the funds and accounts described below:

All Gross Revenues deposited and credited to the Revenue Fund shall be applied in the following order of priority:

First: to the payment of all necessary and reasonable Maintenance and Operating Expenses.

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

Third: to the payment of the amounts required (i) to be deposited and credited, if any, to the 2026 Reserve Fund (hereinafter defined) created and established for the Bonds to fund or maintain the amount required therein by the Order, and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Parity Obligations hereafter issued by the District (collectively, all such debt service reserve funds are the "Reserve Funds").

Fourth: to the payment, including reserve fund requirements, of Subordinate Lien Obligations.

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

See “SELECTED PROVISIONS OF THE ORDER - System Fund”.

**RATES AND CHARGES...** In the Order, the District has covenanted to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient: (A) to pay Maintenance and Operating Expenses; (B) to produce Pledged Revenues sufficient to pay the principal and interest on the Bonds and any Additional Parity Obligations hereafter issued as such principal and interest come due; (C) to produce Pledged Revenues in amounts sufficient to enable the District to make the deposits and credits, if any, from Pledged Revenues to the Reserve Funds to make the deposits required to be made thereto, including the payment of any Reserve Fund Obligation Payment then due; (D) to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the District expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the District and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Pledged Revenues; and (E) to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

In addition, the District has covenanted that while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce the Net Earnings at least equal to the sum of 1.00 times the Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of all Parity Obligations Outstanding during each Fiscal Year. See “SELECTED PROVISIONS OF THE ORDER - Rates and Charges”.

**RESERVE FUND...** The District expects to provide for the creation of the 2026 Reserve Fund, to be held at a depository of the District, solely for the benefit of the Bonds. Upon the delivery of the Bonds, the District shall deposit and credit to the 2026 Reserve Fund an amount equal to Annual Average Debt Service Requirements of the Bonds (such amount is \$\_\_\_\_\_, and is hereinafter, the “2026 Required Reserve Amount”). The 2026 Required Reserve Amount shall be funded at the delivery date of the Bonds by the deposit of a Reserve Fund Obligation in the form of a surety policy (the “Reserve Policy”) to be issued by Assured Guaranty Inc., as provided in the Order. All funds, investments and Reserve Fund Obligations on deposit and credited to the 2026 Reserve Fund from time to time shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds.

When and for so long as the cash, investments and/or Reserve Fund Obligations in the 2026 Reserve Fund equal the 2026 Required Reserve Amount, no deposits need be made to the credit of the 2026 Reserve Fund; but following the full funding of the 2026 Required Reserve Amount in accordance with the Order, if thereafter the 2026 Reserve Fund at any time contains less than the 2026 Required Reserve Amount, the District must restore the deficiency in the 2026 Reserve Fund by making deposits equal to one-sixtieth of the 2026 Required Reserve Amount to the 2026 Reserve Fund on or before the last day of each month until the 2026 Required Reserve Amount has been fully restored or in accordance with the terms of any Reserve Fund Obligation held in the 2026 Reserve Fund.

#### **DISTRICT’S RIGHT TO ISSUE ADDITIONAL BONDS**

In the Order, the Board has reserved the right to issue or incur Parity Obligations for any purpose authorized by law provided that: (i) a designated officer of the District certifies (A) that the District is not then in default as to any covenant or requirement contained in any order authorizing the issuance of Outstanding Parity Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all outstanding Parity Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency; (ii) a designated officer of the District certifies that based on the books and records of the District, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Earnings (as defined in the Order) at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Obligations and the Additional Parity Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations; and (iii) in making a determination of Net Earnings, such officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the date the order authorizing the issuance of the Additional Parity Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by such certification based on such change in rates and charges being in effect for the entire period covered by the certification.

In addition to the issuance of Additional Parity Obligations, in the Order, the District has reserved the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects. The Order defines “Special Project” as any drainage project, water system property, improvement or facility or other public improvement declared by the District not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable

from sources other than Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

In the Order, the District has also reserved the right to issue bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt issued by the District that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Pledged Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Pledged Revenues that are or will be pledged to the payment of any Parity Obligations ("Subordinate Lien Obligations"). The District does not currently have any Subordinate Lien Obligations. See "SELECTED PROVISIONS OF THE ORDER - Issuance of Additional Bonds" for more detail on the District's authority to issue Additional Bonds.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds having stated maturities on, or after August 15, 2034, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2033, or any date thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all the Bonds of a stated maturity are to be redeemed, the Bonds, or portions thereof, within such maturity to be redeemed shall be selected by lot or other customary method.

**MANDATORY SINKING FUND REDEMPTION . . .** If principal amounts designated in the serial maturity schedule as shown on inside cover are combined to create Term Bonds, each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule as shown on inside cover. Term Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par and shall be selected by lot from and among the Term Bonds then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Bonds of the maturity then subject to redemption which have been purchased and canceled by the District or have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

**NOTICE OF REDEMPTION. . .** The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the registered owner of each Bond to be redeemed, in whole or in part, at the address of the registered owner shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE 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 CONDITION TO REDEMPTION SPECIFIED THEREIN HAVING BEEN 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.

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

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

are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

**AMENDMENTS...** In the Order, the District reserves the right to amend the Order without the consent of any Registered Owner for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect, or omission therein that does not materially adversely affect the interest of the Registered Owners, (ii) grant additional rights or security for the benefit of the Registered Owners, (iii) add events of defaults as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interest of the Registered Owners, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof, and which in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the Registered Owners.

The Order further provides that the Registered Owners of the Bonds aggregating in principal amount of 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the Registered Owners in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal of or interest or redemption premium if any on any outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds, necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

**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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond 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 rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 the District takes no responsibility for the accuracy thereof.

**Use of Certain Terms in Other Sections of this Official Statement...** In reading this Official Statement it should be understood that while the 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 Initial 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.

**PAYING AGENT/REGISTRAR...** The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Irving, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar with respect to the Bonds. The Paying Agent/Registrar may be removed from its duties upon not less than forty-five (45) days written notice to the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar for the Bonds until the Bonds are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized and doing business under the laws of the United States or any state, and authorized under such laws to act as 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 affected by the change, which notice shall 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 owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

All Bonds issued in any transfer or exchange of Bonds shall be delivered to the Registered Owners at the designated office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid to the Registered Owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the District, evidencing the same obligation to pay, and entitled to the same benefits under the Order, as the Bonds surrendered in such transfer or exchange.

**RECORD DATE FOR INTEREST PAYMENT...** The record date (“Record Date”) for the interest payable on any interest payment date of the Bonds means the close of business on the last day of the calendar month (whether or not a business day) next preceding such 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 Registered Owner of an affected Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**BONDHOLDERS’ REMEDIES...** The Order provides that in the event the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or any Reserve Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Order, the Registered Owners of any of the Bonds will 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. Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A Registered Owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a Registered Owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. District of Mexia*, 197 S.W.3d 325 (Tex. 2006) (“*Tooke*”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued”, in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code, as amended (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by

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

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. The opinion of Bond Counsel will note that the rights of bondholders are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, by principals of governmental immunity and may be limited by general principles of equity which permit the exercise of judicial discretion.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Preliminary Official Statement.

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

### **Assured Guaranty Inc.**

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO.” AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.*

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

### *Current Financial Strength Ratings*

On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2024.

#### *Capitalization of AG*

At September 30, 2025:

- The policyholders' surplus of AG was approximately \$3,268 million.
- The contingency reserve of AG was approximately \$1,481 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,431 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (filed by AGL with the SEC on November 7, 2025).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

#### *Miscellaneous Matters*

AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "BOND INSURANCE".

## BOND INSURANCE RISKS

**BOND INSURANCE RISK FACTORS** . . . 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 Bond shall have a claim under the “Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by AG at such time and in such amounts as would have been due absent such prepayment by the District unless AG chooses to pay such amounts at an earlier date.

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

In the event AG 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. In the event bond insurance is purchased, the long-term rating on the Bonds will be dependent in part on the financial strength of the bond insurer and its claims paying ability. AG’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 AG and of the Bonds insured by the bond insurer 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 AG under the Policy are general obligations of AG and in an event of default by AG, the remedies may be limited by applicable bankruptcy law. Neither the District nor the Municipal Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of AG is given.

**CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS** . . . Moody’s Investors Services, Inc., S&P Global Ratings, and Fitch Ratings, Inc. (collectively the “Rating Agencies”) have, since 2008, downgraded, and/or placed on negative credit watch, the claims-paying ability and financial strength of all providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all Bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of municipal bond insurers. Thus, when making an investment decision, potential investors should carefully consider the ability of any such municipal bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

## THE SYSTEM

The District provides wholesale and retail water services to certain areas within Hunt, Kaufman and Van Zandt Counties; and also participates in joint venture, regional system and/or wastewater service. The District has no control over development or zoning regulations within its boundaries. The development of land in the District's service area is approximately 98% residential, 1.00% commercial and 1.00% industrial. All property that is not currently zoned for residential, commercial or industrial use, is zoned for agricultural use. The District does not provide wastewater treatment service.

### WATERWORKS SYSTEM

The District's source of raw water is the Sabine River Authority (the “SRA”) pursuant to an agreement dated October 1, 2009. The agreement with the SRA notes that each year new purchase rates will be provided. As of January 1, 2026, the monthly raw water purchase rate is \$10,402.

**TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS) <sup>(1)</sup>**

| Fiscal Year<br>Ended |               |           |            | Total Gallons<br>Pumped into<br>System | Water Revenue |
|----------------------|---------------|-----------|------------|----------------------------------------|---------------|
| 12/31                | Daily Average | Peak Day  | Peak Month |                                        |               |
| 2020                 | 552,275       | 1,047,000 | 23,269,000 | 201,580,200                            | \$ 1,644,552  |
| 2021                 | 533,448       | 1,663,000 | 19,233,000 | 194,708,400                            | 1,630,560     |
| 2022                 | 708,294       | 1,399,000 | 34,301,000 | 258,527,400                            | 2,419,401     |
| 2023                 | 810,737       | 1,557,000 | 37,116,000 | 295,918,900                            | 2,427,147     |
| 2024                 | 767,910       | 1,338,000 | 27,883,000 | 280,287,000                            | 3,223,154     |

(1) Source: District Staff and District’s audited financial statements.

**TABLE 2 - TEN LARGEST WATER CUSTOMERS <sup>(1)</sup>**

| Customer                    | Type of Industry              | Water Usage<br>(Gallons) | % of<br>Total<br>Water<br>Usage | Water<br>Revenue  | % of<br>Total<br>Water<br>Revenue |
|-----------------------------|-------------------------------|--------------------------|---------------------------------|-------------------|-----------------------------------|
| Holiday Estates Water Sys-5 | Lake-side housing development | 6,019,500                | 3.25%                           | \$ 51,810         | 1.61%                             |
| Chris Brumley               | Plant Nursery                 | 1,114,400                | 0.60%                           | 11,807            | 0.37%                             |
| HMP                         | I-20 Motel                    | 1,029,900                | 0.56%                           | 11,074            | 0.34%                             |
| Big Tex Trailers            | Trailer Manufacturing Co.     | 977,000                  | 0.53%                           | 9,759             | 0.30%                             |
| Tanner Anderson             | Residential                   | 951,900                  | 0.51%                           | 9,859             | 0.31%                             |
| Bill Roy                    | Tree Farm                     | 816,000                  | 0.44%                           | 9,028             | 0.28%                             |
| Barry Roark                 | Residential                   | 610,000                  | 0.33%                           | 6,459             | 0.20%                             |
| Canton Creek RV Park        | RV Park                       | 584,900                  | 0.32%                           | 5,904             | 0.18%                             |
| Rocking L Guess Ranch       | Ranch Retreat/Event Center    | 578,600                  | 0.31%                           | 6,086             | 0.19%                             |
| TJ-NS Gitche Gume LLC       | Residential                   | 507,300                  | 0.27%                           | 5,409             | 0.17%                             |
|                             |                               | <u>13,189,500</u>        | <u>7.12%</u>                    | <u>\$ 127,194</u> | <u>3.95%</u>                      |

(1) Source: The District. As of Fiscal Year 2024.

**TABLE 3 - MONTHLY WATER RATES**

| New Rates (Effective 4/1/2024)  |                         |
|---------------------------------|-------------------------|
| Base Rate                       | Base Charge             |
| 5/8" x 3/4" Meter               | \$50.00                 |
| 1" Meter                        | \$125.00                |
| 1 1/2 Meter                     | \$250.00 <sup>(1)</sup> |
| 2" Meter                        | \$400.00                |
| 100 Gallons to 4,000 Gallons    | \$8.50/Thousand         |
| 4,100 Gallons to 8,000 Gallons  | \$9.50/Thousand         |
| 8,100 Gallons to 20,000 Gallons | \$10.50/Thousand        |
| 20,100 Gallons and over         | \$11.50/Thousand        |

Source: The District.

(1) 2.50 x Meter Equivalent

#### ENVIRONMENTAL REGULATION

Wastewater treatment and water supply facilities, including the 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 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 & Discharge Issues

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. Each of these is addressed below:

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 4 - PRO-FORMA UTILITY SYSTEM REVENUE DEBT SERVICE REQUIREMENTS**

| Fiscal<br>Year<br>Ended<br>12/31 | Outstanding Debt Service |             |             | The Bonds <sup>(1)</sup> |                     |                     | Total<br>Utility<br>System<br>Debt Service | % of<br>Principal<br>Retired |
|----------------------------------|--------------------------|-------------|-------------|--------------------------|---------------------|---------------------|--------------------------------------------|------------------------------|
|                                  | Principal                | Interest    | Total       | Principal                | Interest            | Total               |                                            |                              |
| 2026                             | \$ -                     | \$ -        | \$ -        | \$ -                     | \$ -                | \$ -                | \$ -                                       |                              |
| 2027                             | -                        | -           | -           | -                        | 149,112             | 149,112             | 149,112                                    |                              |
| 2028                             | -                        | -           | -           | 40,000                   | 101,475             | 141,475             | 141,475                                    |                              |
| 2029                             | -                        | -           | -           | 45,000                   | 99,275              | 144,275             | 144,275                                    |                              |
| 2030                             | -                        | -           | -           | 45,000                   | 96,800              | 141,800             | 141,800                                    | 7.05%                        |
| 2031                             | -                        | -           | -           | 50,000                   | 94,325              | 144,325             | 144,325                                    |                              |
| 2032                             | -                        | -           | -           | 50,000                   | 91,575              | 141,575             | 141,575                                    |                              |
| 2033                             | -                        | -           | -           | 55,000                   | 88,825              | 143,825             | 143,825                                    |                              |
| 2034                             | -                        | -           | -           | 60,000                   | 85,800              | 145,800             | 145,800                                    |                              |
| 2035                             | -                        | -           | -           | 60,000                   | 82,500              | 142,500             | 142,500                                    | 21.95%                       |
| 2036                             | -                        | -           | -           | 65,000                   | 79,200              | 144,200             | 144,200                                    |                              |
| 2037                             | -                        | -           | -           | 65,000                   | 75,625              | 140,625             | 140,625                                    |                              |
| 2038                             | -                        | -           | -           | 70,000                   | 72,050              | 142,050             | 142,050                                    |                              |
| 2039                             | -                        | -           | -           | 75,000                   | 68,200              | 143,200             | 143,200                                    |                              |
| 2040                             | -                        | -           | -           | 80,000                   | 64,075              | 144,075             | 144,075                                    | 41.19%                       |
| 2041                             | -                        | -           | -           | 85,000                   | 59,675              | 144,675             | 144,675                                    |                              |
| 2042                             | -                        | -           | -           | 90,000                   | 55,000              | 145,000             | 145,000                                    |                              |
| 2043                             | -                        | -           | -           | 95,000                   | 50,050              | 145,050             | 145,050                                    |                              |
| 2044                             | -                        | -           | -           | 100,000                  | 44,825              | 144,825             | 144,825                                    |                              |
| 2045                             | -                        | -           | -           | 105,000                  | 39,325              | 144,325             | 144,325                                    | 66.94%                       |
| 2046                             | -                        | -           | -           | 110,000                  | 33,550              | 143,550             | 143,550                                    |                              |
| 2047                             | -                        | -           | -           | 115,000                  | 27,500              | 142,500             | 142,500                                    |                              |
| 2048                             | -                        | -           | -           | 120,000                  | 21,175              | 141,175             | 141,175                                    |                              |
| 2049                             | -                        | -           | -           | 130,000                  | 14,575              | 144,575             | 144,575                                    |                              |
| 2050                             | -                        | -           | -           | 135,000                  | 7,425               | 142,425             | 142,425                                    | 100.00%                      |
|                                  | <u>\$ -</u>              | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,845,000</u>      | <u>\$ 1,601,937</u> | <u>\$ 3,446,937</u> | <u>\$ 3,446,937</u>                        |                              |

(1) Interest rate calculated at market interest rate for purposes of illustration only. Preliminary; subject to change.

**ANTICIPATED ISSUANCE OF ADDITIONAL REVENUE BONDS...**The District does not anticipate the issuance of additional System revenue debt within the next 12 months.

**EMPLOYEE BENEFITS...** The District employees participate in a 457 plan administered by Mission Square. Employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. In a 401 Plan, the District matches employee contributions dollar for dollar up to a maximum of 5% of the employee's compensation as determined by the Board annually, or the limit set by the Internal Revenue Service, whichever is less. The District's matching contributions to the 401 plan during the fiscal year totaled \$29,027 and \$28,099 during 2023.

Employees of the District are entitled to paid vacation and sick days depending on length of service and other factors. Accumulated unpaid vacation as of year-end 2024 was \$27,552, and at the end of 2023 it was \$24,916. The maximum allowable accumulation of unused vacation leave is fifteen days; of which only five days of this can accumulate from the current year. See notes to financial statements in Appendix A – MacBee Special Utility District Annual Financial Report.

## FINANCIAL INFORMATION

**TABLE 5 - PROPRIETARY FUND REVENUE AND EXPENSE HISTORY**

|                                         | Fiscal Year Ended December 31, |                     |                     |                     |                     |
|-----------------------------------------|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                         | 2024                           | 2023                | 2022                | 2021                | 2020                |
| <b>Revenues</b>                         |                                |                     |                     |                     |                     |
| Water Sales                             | \$ 3,223,154                   | \$ 2,427,147        | \$ 2,419,401        | \$ 1,630,560        | \$ 1,644,552        |
| Customer Charges / Fees                 | 250,091                        | 231,398             | 268,699             | 235,212             | 163,903             |
| <b>Total Revenues</b>                   | <b>\$ 3,473,245</b>            | <b>\$ 2,658,545</b> | <b>\$ 2,688,100</b> | <b>\$ 1,865,772</b> | <b>\$ 1,808,455</b> |
| <b>Cost of Sales</b>                    |                                |                     |                     |                     |                     |
| Payroll & Benefits                      | \$ 642,197                     | \$ 592,527          | \$ 545,041          | \$ 443,878          | \$ 374,003          |
| Water Purchased                         | 105,914                        | 98,276              | 94,657              | 91,980              | 91,980              |
| Supplies & Analysis                     | 291,648                        | 290,366             | 279,753             | 200,208             | 142,101             |
| Repairs & Maintenance                   | 350,943                        | 263,266             | 499,506             | 245,569             | 204,971             |
| <b>Total Cost of Sales</b>              | <b>\$ 1,390,702</b>            | <b>\$ 1,244,435</b> | <b>\$ 1,418,957</b> | <b>\$ 981,635</b>   | <b>\$ 813,055</b>   |
| <b>Operating Expenses</b>               |                                |                     |                     |                     |                     |
| Payroll & Benefits                      | \$ 145,213                     | \$ 125,473          | \$ 134,237          | \$ 237,929          | \$ 216,623          |
| General & Administrative                | 58,628                         | 56,282              | 92,483              | 73,647              | 65,830              |
| Maintenance & Equipment                 | 36,596                         | 34,525              | 43,341              | 30,167              | 34,316              |
| Professional Fees                       | 24,624                         | 37,903              | 21,228              | 22,362              | 10,544              |
| Insurance                               | 19,883                         | 16,806              | 14,729              | 12,711              | 12,600              |
| Other Operating Costs                   | 20,980                         | 21,940              | 27,606              | 25,994              | 24,384              |
| Depreciation & Amortization             | 508,414                        | 443,378             | 407,026             | 341,996             | 342,705             |
| <b>Total Operating Expenses</b>         | <b>\$ 814,338</b>              | <b>\$ 736,307</b>   | <b>\$ 740,650</b>   | <b>\$ 744,806</b>   | <b>\$ 707,003</b>   |
| <b>Non-Operating Revenue (Expenses)</b> |                                |                     |                     |                     |                     |
| Interest Income                         | 164,673                        | 156,780             | 34,298              | 9,049               | 21,737              |
| Gain / (Loss) on Sale of Asset          | -                              | 41,003              | 3,505               | 32,258              | -                   |
| System Development Fees                 | 1,631,081                      | 600,436             | 86,589              | 195,652             | 164,027             |
| Capital Contributions                   | 261,000                        | 207,000             | 378,000             | 219,000             | 175,500             |
| <b>Total Non-Operating Expenses</b>     | <b>\$ 2,056,754</b>            | <b>\$ 1,005,219</b> | <b>\$ 502,392</b>   | <b>\$ 455,959</b>   | <b>\$ 361,264</b>   |
| <b>Change in Net Assets</b>             | <b>\$ 3,324,959</b>            | <b>\$ 1,683,022</b> | <b>\$ 1,030,885</b> | <b>\$ 595,290</b>   | <b>\$ 649,661</b>   |
| <b>Total Net Assets - Beginning</b>     | <b>11,596,996</b>              | <b>9,913,974</b>    | <b>8,883,089</b>    | <b>8,287,799</b>    | <b>7,638,138</b>    |
| <b>Total Net Assets - Ending</b>        | <b>14,921,955</b>              | <b>11,596,996</b>   | <b>9,913,974</b>    | <b>8,883,089</b>    | <b>8,287,799</b>    |

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**TABLE 6 - UTILITY SYSTEM CONDENSED STATEMENT OF OPERATIONS**

|                                                        | Fiscal Year Ended December 31, |             |             |             |             |
|--------------------------------------------------------|--------------------------------|-------------|-------------|-------------|-------------|
|                                                        | 2024                           | 2023        | 2022        | 2021        | 2020        |
| Total Operating Revenue                                | \$3,637,918                    | \$2,856,328 | \$2,725,903 | \$1,907,079 | \$1,830,192 |
| Total Operating Expense                                | 1,696,626                      | 1,537,364   | 1,752,581   | 1,384,445   | 1,177,353   |
| Net Revenues Available for Debt Service <sup>(1)</sup> | \$1,941,292                    | \$1,318,964 | \$ 973,322  | \$ 522,634  | \$ 652,839  |
| Annual Bond Payment                                    | \$ -                           | \$ -        | \$ 95,571   | \$ 95,833   | \$ 95,785   |
| Coverage (Times)                                       | n/a                            | n/a         | 10.18       | 5.45        | 6.82        |

(1) Depreciation, amortization and interest expenses not included in calculation of Net Revenues Available for Debt Service.

**TABLE 7 - COVERAGE AND FUND BALANCES**

|                                                                                   |                     |
|-----------------------------------------------------------------------------------|---------------------|
| Average Annual Principal and Interest Requirements, (2027 to 2050) <sup>(1)</sup> | \$ 143,622          |
| Coverage of Average Annual Requirements by 12/31/2024 Net Revenues                | 13.52x              |
| Maximum Principal and Interest Requirements, (2027) <sup>(1)</sup>                | \$ 149,112          |
| Coverage of Average Annual Requirements by 12/31/2024 Net Revenues                | 13.02x              |
| Revenue Bonds Outstanding, 2/1/2026                                               | \$ -                |
| The Bonds <sup>(2)</sup>                                                          | 1,845,000           |
| Total Utility System Revenue Bonds Outstanding                                    | <u>\$ 1,845,000</u> |
| Interest and Sinking Fund, 2/1/2026                                               | \$ -                |
| Debt Service Reserve Fund, 2/1/2026                                               | \$ -                |

(1) Includes the Bonds. Preliminary; subject to change.

(2) Preliminary; subject to change.

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## FINANCIAL POLICIES

**Basis of Accounting** . . . The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The proprietary financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered available within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if collected within sixty days after the current fiscal period. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. However, materials and supplies inventories are not considered expenditures until they are consumed. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net assets.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for customers for sales or services and fees charged with the intention of recovering costs associated with connecting new customers. Principal operating expenses are the costs of providing the water services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting these criteria are reported as general revenues and expenses.

**Budgetary Procedures** . . . The Board adopts an annual budget for the Utility Fund. It is prepared by the office manager of the District and adopted under a basis that is consistent with generally accepted accounting principles. Board approval is required for amendments, if any.

## INVESTMENTS

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

**LEGAL INVESTMENTS**... Under State law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency

if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

**INVESTMENT POLICIES...**Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund group, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

**TABLE 8 - CURRENT INVESTMENTS**

As of December 31, 2025, the District's investable funds were invested in the following categories:

| Description            | Market Value        | % of total<br>Market Value |
|------------------------|---------------------|----------------------------|
| Certificate of Deposit | \$ 1,640,720        | 28.95%                     |
| Checking Accounts      | 845,227             | 14.91%                     |
| TexStar Pool           | 3,181,734           | 56.14%                     |
| Total                  | <u>\$ 5,667,681</u> | <u>100.00%</u>             |

### SELECTED PROVISIONS OF THE ORDER

The following are excerpts of certain provisions of the Order. These provisions are not to be considered a full statement of the terms of the Order. Accordingly, these selected provisions are qualified in their entirety by reference to the Order and are subject to the full text thereof.

"2026 Required Reserve Amount" means the amount required to be maintained in the 2026 Reserve Fund pursuant to the provisions of Section 11 of this Order.

"2026 Reserve Fund" means the special fund created, established and maintained by the provisions of Section 11 of this Order.

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

"Additional Parity Obligations" means bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt which the Issuer reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 17 of this Order and which obligations are equally and ratably secured solely by a lien on and pledge of the Pledged Revenues on a parity with the Bonds.

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

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

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

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

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

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

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

"Average Annual Debt Service Requirements" means that average amount which, at the time of computation, will be required to pay the Annual Debt Service Requirements when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Annual Debt Service Requirements by the number of Fiscal Years then remaining before Stated Maturity of such Parity Obligations. For the 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, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

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

"Bonds" means the MacBee Special Utility District Revenue Bonds, Series 2026 authorized by this Order.

"Debt" and "Debt of the Issuer payable from Pledged Revenues" mean:

(1) all indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the Issuer for borrowed money and all other financing obligations of the System payable from Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the Issuer, or that is in effect guaranteed, directly or indirectly, by the Issuer through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

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

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

"Fiscal Year" means the twelve-month accounting period used by the Issuer in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Issuer, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

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

"Gross Revenues" and "Gross Revenues of the Issuer's System" mean all revenues, income and receipts of every nature derived or received by the Issuer from the operation and ownership of the System; including (except to the extent provided by this Order or any order authorizing the issuance of Additional Parity Obligations or Subordinate Lien Obligations) the interest income from investment or deposit of money in any Fund created by this Order or maintained by the Issuer in connection with the System; and any other revenues hereafter pledged to the payment of all Parity Obligations.

"Holder" or "Holders" means the registered owner, whose name appears in the Registration Books, for any Parity Obligation.

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

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

"Issuer" means the MacBee Special Utility District, and where appropriate, the Board.

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

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

"Maximum Annual Debt Service Requirements" means the greatest requirements of Annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any future Fiscal Year or in the then current Fiscal Year for the particular obligations for which such calculation is made. Capitalized interest payments provided from Debt proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

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

"Net Revenues" and "Net Revenues of the Issuer's System" mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"Order" means this order, finally adopted by the Board on January 20, 2026.

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

- (1) Parity Obligations theretofore cancelled and delivered to the Issuer or delivered to the Paying Agent/Registrar for cancellation;
- (2) Parity Obligations deemed paid pursuant to the provisions of Section 25 of this Order or any comparable section of any order authorizing Additional Parity Obligations;
- (3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Order and any order authorizing Additional Parity Obligations; and
- (4) Parity Obligations under which the obligations of the Issuer have been released, discharged or extinguished in accordance with the terms thereof.

"Parity Obligations" means any Additional Parity Obligations hereafter issued by the Issuer or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues.

"Paying Agent/Registrar" shall have the meaning set forth in Section 4(a) hereof.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

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

"Project" means the properties, facilities, plants, improvements, equipment, interests in land to be funded with proceeds of the Bonds for the purpose of planning, acquisition, design and construction of improvements to the System, including construction of an elevated storage tank and water distribution lines related thereto.

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

"Record Date" means Record Date as defined in the Form of Bonds in Exhibit \_\_\_\_ " to the Order.

"Reserve Fund Obligation" means, to the extent permitted by law, (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 at the time of issuance of any such policy or surety bond a Rating Agency having an Outstanding rating on Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the Issuer of such Reserve Fund Obligation in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that at the time of issuance of any such letter or line of credit a Rating Agency having an Outstanding rating on the Parity Obligations would rate the Parity Obligations in any 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 the Parity Obligations and the interest thereon.

"Reserve Fund Obligation Payment" means any subrogation payment the Issuer is obligated to make from Pledged Revenues deposited in the Reserve Fund with respect to a Reserve Fund Obligation.

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

"Stated Maturity" means the annual principal payments of the Parity Obligations payable on the respective dates set forth in the orders which authorized the issuance of such Parity Obligations.

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

"System" means as currently comprised, the Issuer's utility system, which currently consists of a water system, including all properties, facilities, plants, improvements, equipment, interests and rights owned, operated and maintained by the Issuer for the supply, treatment, and transmission and distribution of treated potable water; provided, however, that the Issuer expressly retains the right to (i) sell or disaggregate the System as set forth in Section 16 of this Order and (ii) incorporate any other utility system as provided by the laws of the State of Texas as a part of the System. The System shall not include any Special Project or any disaggregated part of the System as provided in Sections 16 and 19 of this Order.

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

"Term of Issue" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

## Section 6. PLEDGE OF PLEDGED REVENUES.

(a) The Issuer hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Parity Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by

the Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations heretofore or hereafter issued or assumed by the Issuer.

(b) The Issuer hereby covenants and agrees that it will not at any time in the future issue any additional obligations in any way superior in security to the Parity Obligations.

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

Section 7. SPECIAL FUNDS. To provide for the payment of the Bonds and any Additional Parity Obligations the funds described in clauses (a) through (d) below are hereby ordered created, and in all instances shall be maintained so long as the Bonds and any Addition Parity Obligations secured by such funds are Outstanding, the following limited special funds:

(a) MacBee Special Utility District Utility System Revenue Fund, hereinafter called the "Revenue Fund."

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

(c) MacBee Special Utility District Utility System Revenue Bonds Series 2026 Reserve Fund, hereinafter called the "2026 Reserve Fund."

(d) There is hereby created, established and maintained on the books of the Issuer, a separate fund to be entitled the MacBee Special Utility District Utility System Revenue Bonds Series 2026 Construction Fund, hereinafter called the "Construction Fund." Monies in the Construction Fund shall be maintained at an official depository bank of the Issuer.

Except as otherwise provided in Section 26(b) hereof, the proceeds of the Bonds shall be deposited into the Construction Fund and used by the Issuer for payment of the costs of the Project, and the payment of costs associated therewith, including any costs for engineering, financing, financial consultation, administrative, auditing and legal expenses.

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

Section 8. REVENUE FUND. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received. All Maintenance and Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

#### Section 9. FLOW OF FUNDS.

(a) All Gross Revenues deposited and credited to the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

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

Third: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2026 Reserve Fund hereby created and established for the Bonds to fund or maintain the Required Reserve Amount (as hereinafter defined) in accordance with the provisions of this Order, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2026 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2026 Reserve Fund and (ii) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Parity Obligations hereafter issued by the Issuer (collectively, all such debt service reserve funds are the "Reserve Funds").

Fourth: to the payment, including reserve fund requirements, of Subordinate Lien Obligations.

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

#### Section 10. INTEREST AND SINKING FUND.

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

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund and the Reserve Funds, and excluding any Reserve Fund Obligation in any such Reserve Fund, is equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest) or (ii) the Parity Obligations are no longer Outstanding.

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

#### Section 11. 2026 RESERVE FUND.

(a) There is hereby created and ordered held at a depository of the Issuer, for the benefit of the Bonds, the 2026 Reserve Fund. Concurrently with the delivery of the Bonds, the Issuer shall deposit and credit to the 2026 Reserve Fund an amount equal to the average annual debt service for the Bonds, being the sum of \$[ ] (the "2026 Required Reserve Amount"). The 2026 Required Reserve Amount shall be funded at the delivery date of the Bonds by the deposit of a Reserve Fund Obligation in the form of a surety policy (the "Reserve Policy") to be issued by Assured Guaranty Inc. The terms and conditions with respect to the Reserve Policy are included in Section 38 and such provisions shall apply to the 2026 Reserve Fund notwithstanding any other provision of this Order to the contrary. Upon making the 2026 Required Reserve Amount deposit to the 2026 Reserve Fund upon the delivery of the Bonds, such amount shall thereafter be maintained at all times while there are any Bonds Outstanding. All funds, investments and Reserve Fund Obligations on deposit and credited to the 2026 Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the 2026 Reserve Fund equal the 2026 Required Reserve Amount, no deposits need be made to the credit of the 2026 Reserve Fund; but in the event that draws are made on the 2026 Reserve Fund, or if for any other reason the amount on deposit therein is less than the amount then required to be on deposit therein, the Issuer covenants and agrees that the Issuer shall cure the deficiency in the 2026 Reserve Fund by making monthly deposits in the amount equal to one-sixtieth of the 2026 Required Reserve Amount to such Fund from the Pledged Revenues in accordance with Section 10, with any such deficiency payments being made on or before the last day of each month until the 2026 Required Reserve Amount has been fully restored. In addition, in the event that all or a portion of the 2026 Required Reserve Amount is satisfied by a Reserve Fund Obligation and the Reserve Fund Obligation is drawn on in accordance with its terms, the 2026 Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the Revenue Fund in accordance with Section 10, but subject to making the full deposits and credits to the Interest and Sinking Fund required to be made by Section 11 until the amount equal to the maximum available policy limit of the Reserve Fund Obligation has been restored. The Issuer further covenants and agrees that, subject only to the prior deposits to be made to the Interest and Sinking Fund and in accordance with Section 10, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the amount in the Reserve Funds in the amount required by each order authorizing Parity Obligations that establishes a debt service reserve fund, including by paying any Reserve Fund Obligation Payments when due, and to cure any deficiency in such amounts as required by the terms of any order pertaining to the issuance of Additional Parity Obligations. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the 2026 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the 2026 Reserve Fund shall be retained in the 2026 Reserve Fund until the 2026 Reserve Fund contains the 2026 Required Reserve Amount. During such time as the 2026 Reserve Fund contains the 2026 Required Reserve Amount or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the Issuer may, at its option, withdraw all surplus funds in the 2026 Reserve Fund and deposit such surplus in the Revenue Fund; provided that the face amount of any Reserve Fund Obligation may be reduced at the option of the Issuer in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the 2026 Reserve Fund that consist of proceeds of the Bonds or interest thereon shall be used for purposes for which the Bonds were issued or deposited to the Interest and Sinking Fund.

(d) The Issuer may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the 2026 Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the order authorizing the substitution of the Reserve Fund Obligation for

all or part of the 2026 Required Reserve Amount contains a finding that such substitution is cost effective. The Issuer will utilize a Reserve Fund Obligation in connection with the initial issuance of the Bonds.

(e) If the Issuer is required to make a withdrawal from the 2026 Reserve Fund for any of the purposes described in this Section, the Issuer shall promptly notify the issuer of any such Reserve Fund Obligation of the necessity for a withdrawal from the 2026 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the 2026 Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the Issuer shall reimburse the issuer of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 9 hereof.

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

### Section 13. INVESTMENT OF FUNDS; VALUATION; TRANSFER OF INVESTMENT INCOME.

(a) Money in the Revenue Fund, the Interest and Sinking Fund and the 2026 Reserve Fund may, at the option of the Issuer, be invested in Permitted Investments; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued in terms of current market value no less frequently than the last business day of the Issuer's Fiscal Year, except that any direct obligations of the United States of America B State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the Issuer. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the Issuer, in common investments of the kind described above, or in a common pool of such investments held by the Issuer or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the 2026 Reserve Fund if the 2026 Reserve Fund does not contain the Required Reserve Amount) shall be credited to the Revenue Fund semi-annually and shall constitute Gross Revenues.

Section 14. PAYMENT OF THE BONDS. Subject to the payment priorities of Section 9 hereof, while any of the Bonds are Outstanding, the Issuer shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary with respect to the Bonds, in the 2026 Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Bonds as shall become due on each interest or principal payment date, or date of redemption of the Bonds; 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 not later than the business day next preceding the date such payment is due on the Parity Obligations. The Paying Agent/Registrar shall destroy all paid Bonds and furnish the Issuer with an appropriate certificate of cancellation or destruction.

### Section 15. RATES AND CHARGES.

(a) For the benefit of the Holders of the Parity Obligations, the Issuer hereby covenants and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

- A. to pay Maintenance and Operating Expenses;
- B. to produce Pledged Revenues sufficient to pay the principal and interest on the Parity Obligations as such principal and interest come due;
- C. to produce Pledged Revenues in amounts sufficient to enable the Issuer to make the deposits and credits, if any, from Pledged Revenues to the Reserve Funds to make the deposits required to be made thereto, including the payment of any Reserve Fund Obligation Payment then due;

D. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the Issuer expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the Issuer and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Pledged Revenues; and

E. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

(b) For the benefit of the Holders of the Parity Obligations, the Issuer hereby covenants and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce the Net Earnings at least equal to the sum of 1.00 times the Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of all Parity Obligations Outstanding during each Fiscal Year.

Section 16. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

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

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

(c) Title. It has or will obtain lawful title to the lands, buildings, structures and facilities constituting the System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

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

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

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

(g) Sale or Disposal of Property. While the Parity Obligations are Outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the Issuer retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the System if (i) the Board makes a finding and determination to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the Issuer contained in the orders authorizing the issuance of Parity Obligations; (ii) the Issuer obtains a certificate or opinion of an Accountant, an Independent Engineer or a certified financial analyst to the effect that, or certificates or opinions of a combination of the foregoing that together are to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient

in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the Issuer contained in this Order and in the orders authorizing the issuance of Additional Parity Obligations; and (iii) each Rating Agency then maintaining a rating on any Parity Obligation delivers a letter to the Issuer confirming that it will not withdraw or lower the rating then in effect after it has been informed by the Issuer of such sale, conveyance, mortgage, encumbrance, lease or other disposition. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Parity Obligations.

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

(i) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System, and which have been obtained from any governmental agency; and the Issuer has or will obtain and keep in full force and effect all franchises, permits, authorization and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

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

#### Section 17. ADDITIONAL PARITY OBLIGATIONS.

(a) The Issuer shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations"), in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Parity Obligations, Subordinate Lien Obligations or other obligations of the Issuer incurred in connection with the ownership or operation of the System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with this Order, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

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

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

(i) The General Manager of the Issuer shall have executed a certificate stating (A) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any order authorizing the issuance of Outstanding Parity Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(ii) The Designated Financial Officer signs and delivers to the Board a written certificate to the effect that based on the books and records of the Issuer, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Earnings at least equal to lesser of (i) the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations, or (ii) the sum of 1.10 times the Maximum Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations.

(iii) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the date the order authorizing the issuance of the Additional Parity Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(d) Parity Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to the best interest of the Issuer and its inhabitants, and if less than all such Outstanding Parity Obligations are refunded the proposed

refunding bonds shall be considered as "Additional Parity Obligations" under the provisions of this Section and the certificate required in subdivision (c) shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provision being made for their payment).

Section 18. **ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS.** The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the Parity Obligations, as may be authorized by the laws of the State of Texas.

## **TAX MATTERS**

**OPINION . . .** On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the District will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "Appendix B – Form of Bond Counsel's Opinion."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**FUTURE AND PROPOSED LEGISLATION . . .** Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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

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

## **CONTINUING DISCLOSURE OF INFORMATION**

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of municipal securities outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, the District in the Order, 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 material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system to make such continuing disclosure available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS.** . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District that is customarily prepared by the District and publicly available, which currently consists of an annual audited financial statement. The District will update and provide this information within twelve (12) months after the end of each fiscal year ending in and after 2025. The District will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org)

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule 15c2-12 (the "Rule") of the SEC. The updated information will include audited financial statements. If audited financial statements are not available by the required time, the District will provide unaudited financial information by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles the District may be required to employ from time to time pursuant to State law or regulation.

The District's fiscal year end is December 31. Accordingly, audited financial statements must be provided by each December 31, commencing on December 31, 2025 (or unaudited financial statements if audited financial statements are not available), 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 timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under Annual Reports.

For these purposes, any event described in (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.

**AVAILABILITY OF INFORMATION.** . . The District has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS.** . . The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 the registered and 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 to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the registered and beneficial owners of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS.** . . The District has not previously entered into a continuing disclosure agreement in accordance with the Rule.

## **OTHER INFORMATION**

### **RATINGS**

The Bonds are expected to be rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued concurrently by Assured Guaranty Inc. upon delivery of the Bonds to the Initial Purchaser. The Bonds are also rated “A” (stable outlook) by S&P without virtue of credit enhancement. An explanation of the significance of each rating may be obtained from the company furnishing the rating. Each rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

### **LITIGATION**

In the opinion of certain District officials, the District is not a party to any litigation or other proceeding pending or to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition or operations of the District.

At the time of the initial delivery of the Bonds, the District will provide the Initial Purchaser (hereinafter defined) with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

### **CYBERSECURITY**

The District’s operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking other similar measures. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District’s control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District’s operations and/or financial condition.

### **RISK FROM WEATHER EVENTS**

All of the State, including the District, is subject to extreme weather events that can cause loss of life and damage to property through strong winds, wildfires, hurricanes, tropical storms, flooding, heavy rains and freezes. It is impossible to predict whether similar events will occur in the District and the impact they may have on the District.

### **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

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

### **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

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

## **LEGAL OPINIONS**

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

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 that expression of professional judgment, of the transaction opened upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

## **CERTIFICATION AS TO OFFICIAL STATEMENT**

At the time of payment for and delivery of the Bonds, the District will furnish a certificate to the Initial Purchaser of the Bonds, executed by a proper officer, acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, and any addenda, supplement or amendment hereto, on the date of this Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in this Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District.

## **MUNICIPAL ADVISOR**

Hilltop Securities Inc. is employed as Municipal Advisor (the “Municipal Advisor”) to the District in connection with the issuance of the Bonds. The Municipal Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

## **INITIAL PURCHASER**

After requesting competitive bids for the Bonds, the District accepted the bid of \_\_\_\_\_ (the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of (%) of par plus a cash premium (if any) of \$ \_\_\_\_\_, which provides compensation to the Initial Purchaser in the amount of \$ \_\_\_\_\_. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

## **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement

are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

#### **MISCELLANEOUS**

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

The Order authorizing the issuance of the Bonds will approve the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and will authorize its further use in the reoffering of the Bonds by the Initial Purchaser.

/s/

\_\_\_\_\_  
President, Board of Directors  
MacBee Special Utility District

ATTEST:

/s/

\_\_\_\_\_  
Secretary, Board of Directors  
MacBee Special Utility District

## **APPENDIX A**

EXCERPTS FROM THE  
MACBEE SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
For the Year Ended December 31, 2024

The information contained in this Appendix consists of excerpts from the MacBee Special Utility District, Annual Financial Report for the Year Ended December 31, 2024, 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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**MACBEE**  
**SPECIAL UTILITY DISTRICT**  
**AUDITED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024**

**MCPA, PC**  
**Certified Public Accountants**

MacBee Special Utility District  
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December 31, 2024

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## ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF VAN ZANDT

I, VONDA FARTHING, OFFICE MANAGER of the

(Name of Duly Authorized District Representative)

MACBEE SPECIAL UTILITY DISTRICT

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 10th day of MARCH its annual audit report for the fiscal year or period ended DECEMBER 31, 2024 and those copies of the annual audit report have been filed in the district office, located at:

402 E. SOUTH COMMERCE STREET, WILLS POINT, TEXAS 75169

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: March 10, 2025

By:

[Signature]  
(Signature of District Representative)

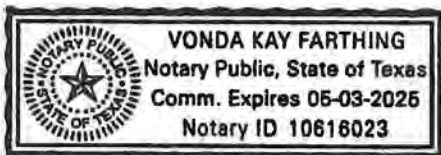
President, Board of Directors

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 10th day of March, 2025

(SEAL)

Vonda Kay Farthing  
(Signature of Notary)



My Commission Expires On: May 3, 2025

Notary Public in the State of Texas.

# MCPA, PC

Certified Public Accountants

KYLE CAPERTON, CPA | ERIC PASCHALL, CPA | KYLE ALLIS, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
MacBee Special Utility District  
Wills Point, Texas

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINIONS

We have audited the accompanying financial statements of the business-type activities of the MacBee Special Utility District ("District"), as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the MacBee Special Utility District, as of December 31, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### BASIS FOR OPINIONS

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MacBee 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 opinion.

#### RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

## REQUIRED SUPPLEMENTARY INFORMATION

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and budgetary comparison information on pages 6-9 and 21 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 the District's basic financial statements. The Texas Supplementary Information (TSI) schedules on pages 23-30 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate 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 schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*MCPA, PC*

MCPA, P.C.  
*Certified Public Accountants*  
Forney, Texas  
February 18, 2025

MacBee Special Utility District  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2024

Schedule  
Reference  
Number

Findings

(None noted)

MacBee Special Utility District  
Corrective Actions Planned  
For the Year Ended December 31, 2024

Schedule  
Reference  
Number

Actions Planned

(None)

MacBee Special Utility District  
Management's Discussion and Analysis  
December 31, 2024

This section of MacBee Special Utility District's (District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2024. Please read it in conjunction with the District's basic financial statements.

#### FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$14,921,956 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$11,596,996. Of the \$14,921,956 in net assets, \$3,818,946 (unrestricted net assets) may be used to meet the District's ongoing obligations to customers and creditors.
- During the year, the District's operating revenues of \$3,473,245 generated from charges for services, customer charges and fees and investments for business-type activities exceeded expenses by \$1,268,206. Non-Operating contributions and gains/losses led to a total Change in Net Assets of \$3,324,960.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

Three components of the District's annual financial report include: 1) management's discussion and analysis, 2) the basic financial statements, and 3) other supplementary information.

##### *District-wide financial statements*

The District's annual report includes two district-wide financial statements.

The first of these financial statements is the *Statement of Net Assets*. This is a statement of financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, the increases or decreases of net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

The second financial statement is the *Statement of Activities and Changes in Net Assets*, which reports how the District's net assets changed during the current fiscal year. All current year revenue and expenses are included regardless of when cash is received or paid.

Both financial statements distinguish the functions of the District that are principally supported by functions that collect user fees and charges (business-type activities) used to recover all or a significant portion of their costs. The District's utility operations are the only business-type activities.

*Utility Funds* are reported in the fund financial statements and generally reports services for which the District charges customers a fee. The District maintains one utility fund.

#### *Notes to Financial Statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

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

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at fiscal year-end are \$14,921,956. Of this amount, 74.40% reflects its investments in capital assets such as land, buildings, distribution system, improvements, machinery and equipment and construction in progress, less any debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to customers and are therefore not available for future spending. Please note, however, that even though the investments in capital assets are reported net of their related debt, that the capital assets themselves cannot be used to liquidate this debt, those resources must be provided from other sources. The following table provides a summary of the District's net assets at December 31:

#### SUMMARY OF NET ASSETS

|                                                    | Business-Type Activities |                      |
|----------------------------------------------------|--------------------------|----------------------|
|                                                    | 2024                     | 2023                 |
| Assets:                                            |                          |                      |
| Cash and Cash Equivalents                          | \$ 4,092,040             | \$ 4,002,929         |
| Other Current Assets                               | 280,095                  | 199,061              |
| Non-Current Assets, net                            | 11,103,009               | 9,617,427            |
| Total assets                                       | <u>\$ 15,475,145</u>     | <u>\$ 13,819,417</u> |
| Liabilities:                                       |                          |                      |
| Current Liabilities                                | \$ 89,016                | \$ 1,785,088         |
| Long-term Liabilities                              | 464,173                  | 437,332              |
| Total Liabilities                                  | <u>553,189</u>           | <u>2,222,421</u>     |
| Net assets:                                        |                          |                      |
| Invested in capital assets,<br>net of related debt | 11,103,010               | 9,617,427            |
| Unrestricted                                       | 3,818,948                | 1,979,569            |
| Total net assets                                   | <u>14,921,956</u>        | <u>11,596,997</u>    |
| Total Liabilities and Net Assets                   | <u>\$ 15,475,145</u>     | <u>\$ 13,819,417</u> |

## ANALYSIS OF THE DISTRICT'S OPERATIONS

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net assets for the year ended December 31, 2024. Business-type activities increased the District's net assets by \$3,324,960.

### SUMMARY OF CHANGES IN NET ASSETS

|                                           | <u>2024</u>          | <u>2023</u>          |
|-------------------------------------------|----------------------|----------------------|
| OPERATING REVENUES:                       |                      |                      |
| Water sales                               | \$ 3,223,154         | \$ 2,427,147         |
| Customer charges/fees                     | <u>250,091</u>       | <u>231,397</u>       |
| Total operating revenues                  | <u>3,473,245</u>     | <u>2,658,545</u>     |
| OPERATING EXPENSES:                       |                      |                      |
| Cost of sales                             | 1,390,701            | 1,244,434            |
| Operating expenses                        | 305,925              | 292,930              |
| Depreciation and amortization             | <u>508,414</u>       | <u>443,378</u>       |
| Total operating expenses                  | <u>2,205,040</u>     | <u>1,980,742</u>     |
| Net operating revenue (expenses)          | <u>1,268,206</u>     | <u>677,803</u>       |
| NON-OPERATING REVENUES<br>(EXPENSES)      |                      |                      |
| Interest income                           | 164,673              | 156,780              |
| Payment of aid of construction            | 1,631,081            | 600,436              |
| Capital contribution                      | 261,000              | 207,000              |
| Gain (Loss) on disposal of assets         | <u>-</u>             | <u>41,003</u>        |
| Total nonoperating revenue<br>(expenses): | <u>2,056,754</u>     | <u>1,005,219</u>     |
| NET REVENUES (EXPENSES)                   | <u>3,324,960</u>     | <u>1,683,021</u>     |
| NET POSITION - BEGINNING                  | <u>11,596,996</u>    | <u>9,913,974</u>     |
| NET POSITION - ENDING                     | <u>\$ 14,921,956</u> | <u>\$ 11,569,997</u> |

## CAPITAL ASSETS

The District's investment in capital assets for its business-type activities, net of depreciation and related debt, as of December 31, 2024 is \$11,103,009. These include land, buildings, improvements, machinery and equipment, infrastructure and construction in progress.

|                          | <u>2024</u>          | <u>2023</u>         |
|--------------------------|----------------------|---------------------|
| Land                     | \$ 337,430           | \$ 337,430          |
| Water Utility Plants     | 7,281,360            | 7,224,553           |
| Water Distribution Lines | 11,587,303           | 7,601,482           |
| Buildings                | 635,092              | 635,092             |
| Vehicles                 | 347,981              | 347,981             |
| Machinery and Equipment  | 474,357              | 453,253             |
| Office Equipment         | 203,381              | 203,381             |
| Construction in Progress | <u>34,687</u>        | <u>2,104,422</u>    |
| Total at Historical Cost | 20,901,590           | 18,907,594          |
| Total Accumulated        |                      |                     |
| Depreciation             | <u>(9,798,581)</u>   | <u>(9,290,167)</u>  |
| Net Capital Assets       | <u>\$ 11,103,009</u> | <u>\$ 9,617,427</u> |

Capital assets are comprised of the various long-term assets through which the District receives, treats, and distributes the water to the residents and businesses of the area. Capital assets are depreciated over the estimated useful life of the assets and the District charges this depreciation as an operating expense. The District recognized \$508,414 of depreciation expense in 2024 compared to the prior year when depreciation was \$443,378. Capital asset items sold or deemed obsolete and any related accumulated depreciation are removed from the capital asset listing each year.

## ECONOMIC ENVIRONMENT AND NEXT YEAR'S BUDGETS AND RATES

At this time, MacBee Special Utility District is not aware of any decisions or conditions that would impact the District's operations through 2025.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

MacBee Special Utility District  
Statement of Net Assets  
Utility Fund  
December 31, 2024

|                                                 | Business-type<br>Activities-Enterprise<br>(Utility Fund) |
|-------------------------------------------------|----------------------------------------------------------|
| <b>ASSETS</b>                                   |                                                          |
| Current assets:                                 |                                                          |
| Cash and cash equivalents                       | \$ 2,519,238                                             |
| Certificates of Deposit                         | 1,572,803                                                |
| Accounts receivable (net)                       | 258,394                                                  |
| Payment plans receivable                        | 11,696                                                   |
| Inventory and other assets                      | 10,004                                                   |
| Total current assets                            | <u>4,372,135</u>                                         |
| Non-current assets                              |                                                          |
| Capital assets (net)                            | 10,730,893                                               |
| Land                                            | 337,430                                                  |
| Construction in progress                        | 34,687                                                   |
| Total non-current assets                        | <u>11,103,010</u>                                        |
| <b>TOTAL ASSETS</b>                             | <u><u>\$ 15,475,145</u></u>                              |
| <b>LIABILITIES</b>                              |                                                          |
| Current liabilities:                            |                                                          |
| Accounts payable                                | \$ 22,296                                                |
| Accrued expenses                                | 28,284                                                   |
| Assessments collected and payable               | 16,609                                                   |
| Customer / Developer construction deposits      | 21,827                                                   |
| Total current liabilities                       | <u>89,016</u>                                            |
| Non-current liabilities:                        |                                                          |
| Customer deposits payable                       | 464,173                                                  |
| Total non-current liabilities                   | <u>464,173</u>                                           |
| <b>TOTAL LIABILITIES</b>                        | <u>553,189</u>                                           |
| <b>NET ASSETS</b>                               |                                                          |
| Invested in capital assets, net of related debt | 11,103,010                                               |
| Unrestricted                                    | 3,818,946                                                |
| <b>TOTAL NET ASSETS</b>                         | <u>14,921,956</u>                                        |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>         | <u><u>\$ 15,475,145</u></u>                              |

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

MacBee Special Utility District  
Statement of Activities and Changes in Net Assets  
Utility Fund  
For the Year Ended December 31, 2024

|                                        | Business-type<br>Activities-Enterprise<br>(Utility Fund) |
|----------------------------------------|----------------------------------------------------------|
| OPERATING REVENUES:                    |                                                          |
| Water sales                            | \$ 3,223,154                                             |
| Customer charges/fees                  | 250,091                                                  |
| Total operating revenues               | <u>3,473,245</u>                                         |
| COST OF SALES:                         |                                                          |
| Payroll & benefits                     | 642,197                                                  |
| Water purchased                        | 105,914                                                  |
| Supplies & analysis                    | 291,648                                                  |
| Repairs and maintenance                | 350,942                                                  |
| Total cost of sales expenses           | <u>1,390,701</u>                                         |
| OPERATING EXPENSES:                    |                                                          |
| Payroll & benefits                     | 145,213                                                  |
| General & administrative               | 58,628                                                   |
| Maintenance & equipment                | 36,596                                                   |
| Professional fees                      | 24,624                                                   |
| Insurance                              | 19,883                                                   |
| Other operating costs                  | 20,980                                                   |
| Depreciation and amortization          | 508,414                                                  |
| Total operating expenses               | <u>814,338</u>                                           |
| Net operating revenue (expenses)       | <u>1,268,206</u>                                         |
| NON-OPERATING REVENUES (EXPENSES)      |                                                          |
| Interest income                        | 164,673                                                  |
| Gain / (loss) on sale of assets        | -                                                        |
| System development fees                | 1,631,081                                                |
| Capital contributions                  | 261,000                                                  |
| Total nonoperating revenue (expenses): | <u>2,056,754</u>                                         |
| CHANGE IN NET ASSETS:                  | 3,324,960                                                |
| TOTAL NET ASSETS - BEGINNING           | <u>11,596,996</u>                                        |
| TOTAL NET ASSETS - ENDING              | <u>\$ 14,921,956</u>                                     |

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

MacBee Special Utility District  
Statement of Cash Flows  
Utility Fund  
For the Year Ended December 31, 2024

|                                                                      | Business-type<br>Activities-Enterprise<br>(Utility Fund) |
|----------------------------------------------------------------------|----------------------------------------------------------|
| Cash flows from operating activities:                                |                                                          |
| Receipts from customers and users                                    | \$ 3,380,201                                             |
| Payments to suppliers                                                | (2,566,437)                                              |
| Payments to employees                                                | (787,410)                                                |
| Net cash provided (used) by operating activities                     | <u>26,354</u>                                            |
| Cash flows from noncapital financing activities:                     |                                                          |
| Cash provided (used) by noncapital financing activities              | <u>-</u>                                                 |
| Net cash provided (used) by noncapital financing activities          | <u>-</u>                                                 |
| Cash flows from capital and related financing activities:            |                                                          |
| Cash received for capital asset disposals                            | -                                                        |
| Cash received for capital contributions and system fees              | 1,892,081                                                |
| Acquisition and construction of capital assets                       | (2,204,869)                                              |
| Net cash provided (used) by capital and related financing activities | <u>(312,788)</u>                                         |
| Cash flows from investing activities:                                |                                                          |
| Cash transferred from investments                                    | 150,000                                                  |
| Interest received                                                    | 164,673                                                  |
| Net cash provided (used) by investing activities                     | <u>314,673</u>                                           |
| Net increase (decrease) in cash and cash equivalents                 | 28,239                                                   |
| Cash and cash equivalents at beginning of year                       | <u>2,490,999</u>                                         |
| Cash and cash equivalents at end of year                             | <u>\$ 2,519,238</u>                                      |

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

MacBee Special Utility District  
Statement of Cash Flows - continued  
Utility Fund  
For the Year Ended December 31, 2024

Reconciliation of operating income (loss) to net cash provided by operating activities:

|                                                                                                |              |
|------------------------------------------------------------------------------------------------|--------------|
| Operating income (loss)                                                                        | \$ 1,268,206 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: |              |
| Depreciation and amortization                                                                  | 508,414      |
| Change in assets and liabilities                                                               |              |
| (Increase) decrease in accounts receivable                                                     | (93,044)     |
| (Increase) decrease in inventory                                                               | 12,012       |
| Increase (decrease) in liabilities                                                             | (1,669,234)  |
| Total adjustments                                                                              | (1,241,852)  |
| Net cash provided by operating activities                                                      | \$ 26,354    |

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

MacBee Special Utility District  
Notes to Financial Statements  
December 31, 2024

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The MacBee Special Utility District (District) was approved by the voters within the District on July 10, 2002. The MacBee Special Utility District is an organization as set forth under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapter 65 of the Texas Water Code. The District's service area under CCN No. 10845 is bound on the north by Lake Tawakoni, on the south by FM 1651, on the west by Kaufman County and on the east by the City of Edgewood.

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

Reporting Entity

The Board of Directors (Board), a nine member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the MacBee Special Utility District. Members of the Board are elected by the public to 3 year rotating terms; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District is not included in any other governmental "Reporting Entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units presented.

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The District's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The proprietary financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when they are both measurable and available. Revenues are considered available within the current period or soon enough thereafter to pay liabilities of the current period. The District considers revenues to be available if collected within sixty days after the current fiscal period. Expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. However, materials and supplies inventories are not considered expenditures until they are consumed. With this measurement focus, all assets and liabilities associated with the operation of these funds are included in the statement of net assets.

MacBee Special Utility District  
Notes to Financial Statements  
December 31, 2024

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges for customers for sales or services and fees charged with the intention of recovering costs associated with connecting new customers. Principal operating expenses are the costs of providing the water services and include administrative expenses and depreciation of capital assets. All revenues and expenses not meeting these criteria are reported as general revenues and expenses.

*Budget*

The Board adopts an annual budget for the Utility Fund. It is prepared by the office manager of the District and adopted under a basis that is consistent with generally accepted accounting principles. Board approval is required for amendments, if any.

*Other Significant Accounting Policies*

**Cash and Cash Equivalents** – For purposes of the statement of cash flows, the District considers cash on hand, demand deposits and all highly liquid investments with a maturity of three months or less from the acquisition date to be cash and cash equivalents.

**Receivables** – Accounts receivable as presented in the statement of net assets reflect the amounts that management expects to collect from its customers net of allowance for uncollectible accounts. The balance at year-end reflects current active accounts only.

**Inventory** – Inventory consists primarily of chemicals and is stated at the lower of invoice cost or net realizable value using the first-in, first-out method of valuation.

**Capital Assets** - The District's capital assets include buildings, property and equipment, vehicles, improvements and distribution system. Additions are recorded at cost or, if contributed property, at its estimated fair value at the time of contribution. Repairs and maintenance are directly expensed in the period incurred; significant improvements are capitalized and depreciated. Sales or dispositions of capital assets are recorded by removing the historical cost and related accumulated depreciation from the statement of net assets and any resulting gain or loss recorded as appropriate to non-operating income or expense.

Outlays for major (normally over \$3,000) capital asset additions and improvements are capitalized as projects are constructed. Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>          | <u>Years</u> |
|------------------------|--------------|
| Furniture and Fixtures | 3-10         |
| Vehicles and Equipment | 3-10         |
| Buildings              | 7-40         |
| Distribution System    | 5-40         |

Depreciation expense for the year ended December 31, 2024 was \$508,414.

MacBee Special Utility District  
Notes to Financial Statements  
December 31, 2024

**Impairment of Long-lived Assets** – The District reviews potential impairments of long-lived assets when there is evidence that events or changes in circumstances have made the recovery of an asset's carrying value unlikely. An impairment loss is recognized if the sum of the expected, undiscounted future cash flows is less than the net book value of the asset. Generally, the amount of the impairment loss is measured as the excess of the net book value of the assets over the estimated fair value. As of December 31, 2024, no impairment of long-lived assets is necessary.

**Estimates** – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reporting amounts and disclosures. Accordingly, actual results could vary from those estimates.

**Revenue Recognition** – In accordance with FASB ASC 606-10-50-12, the District recognizes revenue at the time that the client's water meter is read and billing invoice for water used is sent to the customer. Water bills are due and payable within 30 days of the invoice. When the invoice is sent by the Company, an accounts receivable is recorded in their accounting system. Upon subsequent customer payment, the account receivable is reduced. If the customer does not pay or respond within 60 days, their water meter is locked until the customer can bring their account current. The District's adoption of FASB ASC 606 on January 1, 2020 had no significant impact on the timing of revenue recognition.

**Retirement Plan** – The District employees participate in a 457 plan administered by Mission Square. Employees may contribute up to the maximum annual amount as set periodically by the Internal Revenue Service. In a 401 Plan, the District matches employee contributions dollar for dollar up to a maximum of 5% of the employee's compensation as determined by the Board annually, or the limit set by the Internal Revenue Service, whichever is less. The District's matching contributions to the 401 plan during the fiscal year totaled \$29,027 and \$28,099 during 2023.

**Accrued Vacation** – Employees of the District are entitled to paid vacation and sick days depending on length of service and other factors. Accumulated unpaid vacation as of year-end 2024 was \$27,552, and at the end of 2023 it was \$24,916. The maximum allowable accumulation of unused vacation leave is fifteen days; of which only five days of this can accumulate from the current year.

**Capital Contributions** – Represent the assigned value the board has determined that each new member must contribute for their portion of the water system.

**System Development Fees** – Represent the value of construction reimbursements paid by customers or developers to upgrade or expand the District's water system to accommodate the customer's new development.

MacBee Special Utility District  
Notes to Financial Statements  
December 31, 2024

NOTE 2 – CAPITAL ASSETS

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

Business-Type Activities

|                                                 | <u>Beginning<br/>Balance</u> | <u>Additions</u>    | <u>Disposals</u>      | <u>Ending Balance</u> |
|-------------------------------------------------|------------------------------|---------------------|-----------------------|-----------------------|
| Land                                            | \$ 337,430                   | \$ -                | \$ -                  | \$ 337,430            |
| Water Treatment Plants                          | 7,224,553                    | 56,807              | -                     | 7,281,360             |
| Water Distribution Lines                        | 7,601,482                    | 3,985,821           | -                     | 11,587,303            |
| Buildings                                       | 635,092                      | -                   | -                     | 635,092               |
| Vehicles                                        | 347,981                      | -                   | -                     | 347,981               |
| Office Equipment                                | 203,381                      | -                   | -                     | 203,381               |
| Machinery and Equipment                         | 453,253                      | 21,104              | -                     | 474,357               |
| Construction in Progress                        | <u>2,104,422</u>             | <u>34,687</u>       | <u>(2,104,422)</u>    | <u>34,687</u>         |
| Total capital assets at historical cost         | 18,907,594                   | 4,098,419           | (2,104,422)           | 20,901,590            |
| Less accumulated depreciation for:              |                              |                     |                       |                       |
| Total accumulated depreciation                  | <u>9,290,167</u>             | <u>508,414</u>      | -                     | <u>9,798,581</u>      |
| Business-type activities capital assets,<br>net | <u>\$ 9,617,427</u>          | <u>\$ 3,590,005</u> | <u>\$ (2,104,422)</u> | <u>\$ 11,103,009</u>  |

*\*Significant additions (Wolf Creek 4" & 6" line extension, Robert-Martin-Van Zandt County Land Trust 4" & 6" line extension, 4" Hutson upgrade, 4" & 6" TX Grand upgrade, meter additions, and Jackson well CIP).*

*\*Significant disposal (completion of Wolf Creek CIP project)*

NOTE 3 - DEPOSITS, SECURITIES AND INVESTMENTS

The District's funds appear to be deposited and invested under the loan agreement with the financial institution. The agreement requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2024, it appears that District's cash deposits were properly covered by FDIC insurance or by pledged collateral.

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

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

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

MacBee Special Utility District  
Notes to Financial Statements  
December 31, 2024

District investments include deposits in TexSTAR – TexSTAR offers Texas cities, counties, school districts and other public entities with an investment option that provides security, liquidity and efficiency for this management of public funds.

TexSTAR is a conservatively managed fund operated in full compliance with the PFIA, rated AAAM by Standard & Poors run by administrators with a proven track record.

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

- **Credit Risk**  
Credit risk is related to the risk that an issuer or other party to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At December 31, 2024, the District was not significantly exposed to credit risk.
- **Custodial Credit Risk**  
Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.  
  
Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At December 31, 2024, the District was not exposed to custodial credit risk.
- **Concentration of Credit Risk**  
This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2024, the District was not exposed to concentrations of credit risk.
- **Interest Rate Risk**  
This is the risk that changing interest rates will have an adverse effect on the fair value of an investment. At December 31, 2024, the District was not significantly exposed to interest rate risk.
- **Foreign Currency Risk**  
This is the risk that is associated with exchange rates and the possibility that they will adversely affect the fair value of an investment. At December 31, 2024, the District was not exposed to foreign currency risk.

MacBee Special Utility District  
Notes to Financial Statements  
December 31, 2024

NOTE 5 – OTHER INFORMATION

A. Risk management

At any given time, the District is exposed to risks of loss related to torts; theft of, physical damage to, or destruction of its assets; errors and omissions; injuries to employees; and natural disasters. Commercial insurance coverage in an amount that management believes is sufficient to cover these risks is maintained.

B. Commitments

The District has a contract with the Sabine River Authority of Texas in which the District purchases raw water for treatment and distribution to its customers. The agreement notes that each year new purchase rates are provided by SRA. As of December 2024, the monthly rate was \$7,908.

C. Customer Deposits

Each new customer of the District is required to pay \$250 (less in previous years), representing a refundable deposit to secure payment of the customer's water bill. The balance of these deposits as of December 31, 2024 and 2023 was \$464,173 and \$437,332, respectively.

D. Litigation

The District does not appear to be involved in any litigation that would require a loss contingency to be recorded as of December 31, 2024.

NOTE 6 – SUBSEQUENT EVENTS

MacBee Special Utility District has evaluated subsequent events through February 18, 2025, the date which the financial statements were available to be issued. There do not appear to be any events occurring after year end that could have a material effect on the financial statements at year end as presented.

## REQUIRED SUPPLEMENTARY INFORMATION

MacBee Special Utility District  
Budgetary Comparison Schedule  
Utility Fund  
For the Year Ended December 31, 2024

|                                          | Final Budget     | Actual           | Variance        |
|------------------------------------------|------------------|------------------|-----------------|
| <b>OPERATING REVENUES:</b>               |                  |                  |                 |
| Water sales                              | \$ 3,000,000     | \$ 3,223,154     | \$ 223,154      |
| Customer charges/fees                    | 229,054          | 250,091          | 21,037          |
| Total operating revenues                 | <u>3,229,054</u> | <u>3,473,245</u> | <u>244,191</u>  |
| <b>COST OF SALES:</b>                    |                  |                  |                 |
| Payroll & benefits                       | 548,992          | 642,197          | 93,205          |
| Water purchased                          | 106,600          | 105,914          | (686)           |
| Supplies & analysis                      | 287,600          | 291,648          | 4,048           |
| Repairs and maintenance                  | 443,000          | 350,942          | (92,058)        |
| Total cost of sales expenses             | <u>1,386,192</u> | <u>1,390,701</u> | <u>4,509</u>    |
| <b>OPERATING EXPENSES:</b>               |                  |                  |                 |
| Payroll & benefits                       | 234,547          | 145,213          | (89,334)        |
| General & administrative                 | 64,480           | 58,628           | (5,852)         |
| Maintenance & equipment                  | 38,000           | 36,596           | (1,404)         |
| Professional fees                        | 40,000           | 24,624           | (15,376)        |
| Insurance                                | 26,407           | 19,883           | (6,524)         |
| Other operating costs                    | 20,000           | 20,978           | 978             |
| Depreciation and amortization            | 475,000          | 508,414          | 33,414          |
| Total operating expenses                 | <u>898,434</u>   | <u>814,336</u>   | <u>(84,098)</u> |
| Net operating revenue (expenses)         | <u>944,428</u>   | <u>1,268,208</u> | <u>323,780</u>  |
| <b>NON-OPERATING REVENUES (EXPENSES)</b> |                  |                  |                 |
| Interest income                          | 148,000          | 164,673          | 16,673          |
| Gain / (loss) on sale of assets          | -                | -                | -               |
| System development fees                  | 1,580,969        | 1,631,081        | 50,112          |
| Capital contributions                    | 216,000          | 261,000          | 45,000          |
| Total nonoperating revenue (expenses):   | <u>1,944,969</u> | <u>2,056,754</u> | <u>111,785</u>  |
| <b>CHANGE IN NET ASSETS:</b>             | <u>2,889,397</u> | <u>3,324,962</u> | <u>435,565</u>  |

Supplemental Information

Capital Outlay: \$ 199,997

(Meter upgrades, Cylinders, Mower, and line replacement 460' of 3" main FM 1651)

Capital Outlay Reserve Funds: \$ 2,849,745

(6" Line Upgrade Hwy 80 to CR317, 12" Line Upgrade VZCR 3416/2146, and Plant D Improvements)

See independent auditor's report.

TEXAS SUPPLEMENTARY INFORMATION (TSI)  
(Other Supplementary Information)

MacBee Special Utility District  
Services and Rates  
December 31, 2024

## 1. Services provided by the District:

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

## 2. Retail Rates Based on 5/8" Meter:

Most prevalent type of meter (if not a 5/8"): \_\_\_\_\_

|        | Minimum<br>Charge | Minimum<br>Usage | Flat<br>Rate<br>Y/N | Rate per 1000<br>Gallons over<br>Minimum | Usage<br>Levels |
|--------|-------------------|------------------|---------------------|------------------------------------------|-----------------|
| WATER: | \$ 50.00          | 0                | N                   | \$ 8.50                                  | 100 up-to       |
|        |                   |                  |                     | \$ 9.50                                  | 4,001 up-to     |
|        |                   |                  |                     | \$ 10.50                                 | 8,001 up-to     |
|        |                   |                  |                     | \$ 11.50                                 | 20,001 up       |

District employs winter averaging for wastewater usage? ☐ Yes ☒ No

Total charges per 10,000 gallons usage: Water: \$143.00 (plus \$0.50 user fee tax)

## Water Retail Connections:

| <u>Meter Size</u> | <u>Total<br/>Connections</u> | <u>Active<br/>Connections</u> | <u>ESFC<br/>Factor</u> | <u>Active<br/>ESFCs</u> |
|-------------------|------------------------------|-------------------------------|------------------------|-------------------------|
| Unmetered         | -                            | -                             | x 1.0                  | -                       |
| ≤ 3/4"            | 2,940                        | 2,940                         | x 1.0                  | 2,940                   |
| 1"                | 27                           | 27                            | x 2.5                  | 68                      |
| 1 1/2"            | 3                            | 3                             | x 5.0                  | 15                      |
| 2"                | 2                            | 2                             | x 8.0                  | 16                      |
| 3"                | 1                            | 1                             | x 15.0                 | 15                      |
| Total Water       | 2,973                        | 2,973                         |                        | 3,054                   |
| Total Wastewater  | -                            | -                             | x 1.0                  | -                       |

See independent auditor's report.

MacBee Special Utility District  
Services and Rates (continued)  
December 31, 2024

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

|                              |             |
|------------------------------|-------------|
| Gallons pumped into system:  | 280,287,000 |
| Gallons billed to customers: | 185,287,018 |
| Gallons flushed:             | 60,956,217  |
| Gallons lost:                | 34,043,765  |
| Water Accountability Ratio:  | 87.85%      |

4. Standby Fees: District does not levy standby fees.
5. Location of District: 402 E South Commerce St, Wills Point, TX 75169  
County(ies) in which district is located. Van Zandt, Hunt & Kaufman  
Is the District located entirely in one county?    Yes   X   No  
City(ies) in which District is located: None  
Is the District located within a city's extra territorial jurisdiction (ETJ)?  
   Entirely    Partly   X   Not at all  
Is the general membership of the Board appointed by an office outside the District?  
   Yes   X   No  
If yes, by whom? n/a

See independent auditor's report.

MacBee Special Utility District  
Enterprise Fund Expenditures  
December 31, 2024

|                                              |                            |
|----------------------------------------------|----------------------------|
| Personnel Expenditures (including benefits)* | \$ 787,411                 |
| Professional Fees:                           |                            |
| Legal & Accounting                           | 14,994                     |
| Engineering                                  | 9,630                      |
| Purchased Services For Resale:               |                            |
| Bulk Water                                   | 105,914                    |
| Utilities                                    | 116,561                    |
| Repairs and Maintenance                      |                            |
| Field and Equipment                          | 350,942                    |
| Office Maintenance                           | 36,596                     |
| Administrative Expenditures:                 |                            |
| Operating Insurance                          | 19,883                     |
| Office and Administrative                    | 254,695                    |
| Other Expenditures                           |                            |
| Depreciation & Amortization                  | 508,414                    |
| <b>TOTAL OPERATING EXPENDITURES</b>          | <b><u>\$ 2,205,040</u></b> |
| <br><b>NON-OPERATING EXPENDITURES</b>        |                            |
| Interest Expense                             | <u>          -</u>         |

\* Number of persons employed by the District: 10 Full-Time 0 Part-Time

See independent auditor's report.

MacBee Special Utility District  
Temporary Investments  
December 31, 2024

| <u>Fund</u>                               | <u>Interest<br/>Rate</u> | <u>Maturity<br/>Date</u> | <u>Balance<br/>at End<br/>of Year</u> |
|-------------------------------------------|--------------------------|--------------------------|---------------------------------------|
| TEXSTAR                                   | 4.56%                    | Monthly                  | \$ 1,927,693                          |
| CITY NATIONAL BANK<br>(OPERATING ACCT)    | 2.02%                    | N/A                      | 480,344                               |
| CITY NATIONAL BANK<br>(CONSTRUCTION ACCT) | 2.02%                    | N/A                      | 111,201                               |
| CITY NATIONAL BANK<br>(CD#1)              | 4.25%                    | 10/11/2025               | 1,048,535                             |
| CITY NATIONAL BANK<br>(CD#2)              | 4.25%                    | 10/11/2025               | <u>524,268</u>                        |
|                                           | Total                    |                          | <u>\$ 4,092,040</u>                   |

See independent auditor's report.

MacBee Special Utility District  
Long-Term Debt Service Requirements  
December 31, 2024

The district has no outstanding bonding indebtedness.

See independent auditor's report.

TSI-6

MacBee Special Utility District  
Change in Long-Term Bonded Debt  
December 31, 2024

The district has no outstanding bonding indebtedness.

See independent auditor's report.

MacBee Special Utility District  
Comparative Schedule of Revenues and Expenses  
Utility Fund  
For the Three Years Ended December 31, 2024

|                                        | AMOUNTS      |              |              | PERCENT OF FUND TOTAL REVENUE |         |         |
|----------------------------------------|--------------|--------------|--------------|-------------------------------|---------|---------|
|                                        | 2024         | 2023         | 2022         | 2024                          | 2023    | 2022    |
| OPERATING REVENUES:                    |              |              |              |                               |         |         |
| Water sales                            | \$ 3,223,154 | \$ 2,427,147 | \$ 2,419,401 | 92.80%                        | 91.30%  | 90.00%  |
| Customer charges/fees                  | 250,091      | 231,398      | 268,699      | 7.20%                         | 8.70%   | 10.00%  |
| Total operating revenues               | 3,473,245    | 2,658,545    | 2,688,100    | 100.00%                       | 100.00% | 100.00% |
| COS & OPERATING EXPENSES:              |              |              |              |                               |         |         |
| Payroll and benefits                   | 787,410      | 718,000      | 679,278      | 22.67%                        | 27.01%  | 25.27%  |
| Water purchased                        | 105,914      | 98,276       | 94,657       | 3.05%                         | 3.70%   | 3.52%   |
| Repairs and maintenance                | 387,538      | 297,791      | 542,847      | 11.16%                        | 11.20%  | 20.19%  |
| Supplies & analysis                    | 291,648      | 290,366      | 279,753      | 8.40%                         | 10.92%  | 10.41%  |
| Professional and legal fees            | 24,624       | 37,903       | 21,228       | 0.71%                         | 1.43%   | 0.79%   |
| Insurance                              | 19,883       | 16,806       | 14,729       | 0.57%                         | 0.63%   | 0.55%   |
| Other operating costs                  | 79,608       | 78,222       | 120,089      | 2.29%                         | 2.94%   | 4.47%   |
| Depreciation and amortization          | 508,414      | 443,378      | 407,026      | 14.64%                        | 16.68%  | 15.14%  |
| Total COS & operating expenses         | 2,205,039    | 1,980,742    | 2,159,607    | 63.49%                        | 74.50%  | 80.34%  |
| Net operating revenue (expenses)       | 1,268,206    | 677,803      | 528,493      | 36.51%                        | 25.50%  | 19.66%  |
| NON-OPERATING REVENUES (EXPENSES)      |              |              |              |                               |         |         |
| Interest income                        | 164,673      | 156,780      | 34,298       | 4.74%                         | 5.90%   | 1.28%   |
| Gain / (loss) on sale of assets        | -            | 41,003       | 3,505        | 0.00%                         | 1.54%   | 0.13%   |
| System development fees                | 1,631,081    | 600,436      | 86,589       |                               |         |         |
| Capital contributions                  | 261,000      | 207,000      | 378,000      | 7.51%                         | 7.79%   | 14.06%  |
| Total nonoperating revenue (expenses): | 2,056,754    | 1,005,219    | 502,392      | 12.26%                        | 15.23%  | 15.47%  |
| NET REVENUES (EXPENSES)                | \$ 3,324,960 | \$ 1,683,022 | \$ 1,030,885 | 48.77%                        | 40.72%  | 35.13%  |

See independent auditor's report

MacBee Special Utility District  
Board Members, Key Personnel and Consultants  
December 31, 2024

Complete District Mailing Address: P.O. Box 780, Wills Point, Texas 75169

District Telephone Number: 903-873-2109

Submission Date of the most recent District Registration Form: May 15, 2024

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200

|                       | Term of<br>Office<br>(Elected or<br><u>Date Hired</u> ) | Fees of<br>Office<br>Paid<br><u>12/31/24</u> | Expense<br>Reimbursements<br><u>12/31/24</u> | Title at<br><u>Year End</u> |
|-----------------------|---------------------------------------------------------|----------------------------------------------|----------------------------------------------|-----------------------------|
| <u>Names:</u>         |                                                         |                                              |                                              |                             |
| <u>Board Members:</u> |                                                         |                                              |                                              |                             |
| David R. Laney        | 2023-2026                                               | \$ -                                         | \$ -                                         | President                   |
| Tony Morgan           | 2023-2026                                               | -                                            | -                                            | Vice President              |
| Ronnie Chitty         | 2022-2025                                               | -                                            | -                                            | Secretary/Treasurer         |
| David Marshall        | 2024-2027                                               | -                                            | -                                            | Director                    |
| Don Eggleston         | 2022-2025                                               | -                                            | -                                            | Director                    |
| Dan Turner            | 2022-2025                                               | -                                            | -                                            | Director                    |
| Richard Carpenter     | 2024-2027                                               | -                                            | -                                            | Director                    |
| Tommy Lonney          | 2023-2026                                               | -                                            | -                                            | Director                    |

Key Administrative  
Personnel:

|                |           |         |   |                      |
|----------------|-----------|---------|---|----------------------|
| Tim Smith      | 8/17/1999 | 101,713 | - | TP Manager           |
| Darron Thorn   | 8/4/1994  | 83,907  | - | Distribution Manager |
| Vonda Farthing | 12/4/2017 | 57,509  | - | Office Manager       |

Consultants:

|                    |         |   |               |
|--------------------|---------|---|---------------|
| Kevin W. Green, PC | 2,020   | - | Attorney      |
| MPC CPAs           | 10,500  | - | CPA - Auditor |
| Velvin & Weeks     | 196,494 | - | Engineer      |

See independent auditor's report.

**APPENDIX B**

FORM OF BOND COUNSEL'S OPINION

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**Proposed Form of Opinion of Bond Counsel**

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

**MACBEE SPECIAL UTILITY DISTRICT  
REVENUE BONDS, SERIES 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

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

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

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

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

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



**THE REGISTERED OWNERS OF THE BONDS** shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation; and the Bonds are payable solely from sources described in the Order, and is not payable from any other funds or resources of the Issuer.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.



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

Respectfully,

**APPENDIX C**

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$        in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, 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 Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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 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 AG 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AG 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 AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

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

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)

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Municipal Advisory Services  
Provided By

