

**OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM  
AND  
PRELIMINARY OFFICIAL STATEMENT**

**\$8,050,000\***

**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES,  
SERIES 2024**

**(A political subdivision of the State of Texas located in Comal, Guadalupe,  
and Hays County, Texas)**

**The District will designate the Notes as  
“QUALIFIED TAX-EXEMPT OBLIGATIONS”**

**Bids due  
Thursday, February 22, 2024  
at  
11:00 A.M., Central Time**

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\*Preliminary, subject to change based on bid structures. See "THE NOTES - MATURITY SCHEDULE" and "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale relating to the Notes.

This Official Notice of Sale does not alone constitute an invitation for bids but is merely notice of sale of the Notes defined and described herein. The invitation for bids on the Notes is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

## OFFICIAL NOTICE OF SALE

**The Issuer will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions.**

**\$8,050,000\***

**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**

**COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024**

(A political subdivision of the State of Texas located in Comal, Guadalupe, and Hays County, Texas)

**NOTES OFFERED FOR SALE AT COMPETITIVE BID:** The Board of Directors (the “Board”) of the Crystal Clear Special Utility District (the “District” or the “Issuer”) is offering for sale at competitive bid \$8,050,000\* Combination Water and Sewer System Revenue Notes, Series 2024 (the “Notes”).

**BIDS BY INTERNET:** Interested bidders may, at their option and risk, submit their bid by electronic media, as described below, by 11:00 A.M., Central Time, on February 22, 2024. Bidders submitting a bid by internet **shall not be required to submit signed Official Bid Forms prior to the award.** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid via the facilities of PARITY and should, as a courtesy, register with PARITY by 9:00 A.M., Central Time, on February 22, 2024 indicating their intent to submit a bid by internet.

In the event of a malfunction in the electronic bidding process, bidders may submit their bids by email to [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com). If there is a malfunction of the electronic bidding process and a bidder submits a bid via email please call 210-832-9760 to notify the Financial Advisor (defined below) of the incoming bid. Any bid received after the scheduled time for their receipt will not be accepted.

The official time for the receipt of bids shall be the time maintained by PARITY. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale, Official Bid Form and the Preliminary Official Statement. To the extent that any instructions or directions set forth in PARITY conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about the PARITY System, potential bidders may contact PARITY, c/o Ipreo Holdings LLC, 1359 Broadway, New York, New York 10018, 212-849-5021.

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

**OPENING OF BIDS:** The bids for the Notes will be publicly opened and reviewed at the San Antonio offices of SAMCO Capital Markets, Inc. (the “Financial Advisor”), 1020 NE Loop 410, Suite 640, San Antonio, Texas, 78209, at 11:00 A.M., Central Time, on Thursday, February 22, 2024.

**AWARD AND SALE OF THE NOTES:** The Board of Directors of the District will take action to reject the bids or accept the bid and award the Notes to the low qualified bidder (the “Winning Bidder”), as described in the section entitled “CONDITIONS OF SALE – Basis for Award” herein by adopting an order authorizing the issuance and awarding the sale of the Notes (the “Order”) at a scheduled meeting to commence at 6:00 P.M. Central Time on Thursday, February 22, 2024.

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\*Preliminary, subject to change based on bid structures. See "THE NOTES - MATURITY SCHEDULE" and "THE NOTES – ADJUSTMENT OF PRINCIPAL AMOUNT AND MATURITY SCHEDULE FOR THE NOTES" in the Official Notice of Sale relating to the Notes.

## THE NOTES

**DESCRIPTION OF CERTAIN TERMS OF THE NOTES:** The Notes will be dated March 1, 2024 (the “Dated Date”) with interest to accrue from the Dated Date and be payable initially December 1, 2024 and each June 1 and December 1 thereafter until stated maturity or prior redemption. The Notes will be issued as fully registered Notes in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository (the “Securities Depository”). Book-entry interests in the Notes will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of Notes representing their interest in the Notes purchased. So long as DTC or its nominee is the registered owner of the Notes, the principal of and interest on the Notes will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” in the Official Statement.) The Notes will be stated to mature on December 1 in each of the following years in the following amounts:

### MATURITY SCHEDULE (Due December 1)

<u>Stated Maturity</u>	<u>Principal Amount*</u>	<u>Stated Maturity</u>	<u>Principal Amount</u>
2024	\$ 70,000	2037	\$ 320,000
2025	175,000	2038	340,000
2026	185,000	2039	355,000
2027	195,000	2040	375,000
2028	205,000	2041	395,000
2029	215,000	2042	410,000
2030	225,000	2043	435,000
2031	240,000	2044	455,000
2032	250,000	2045	480,000
2033	265,000	2046	505,000
2034	275,000	2047	530,000
2035	290,000	2048	555,000
2036	305,000		

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$8,050,000\*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per Note underwriting spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

**SERIAL NOTES AND/OR TERM NOTES:** Bidders may provide that all of the Notes be issued as serial maturities or may provide that any two or more consecutive annual principal amounts be combined into one or more term Notes (the “Term Notes”).

**MANDATORY SINKING FUND REDEMPTION:** If the Winning Bidder designates principal amounts to be combined into one or more Term Notes, each such Term Note will be subject to mandatory sinking fund redemption commencing on December 1 of the first year which has been combined to form such Term Note and continuing on December 1 in each year thereafter until the stated maturity date of that Term Note. The amount redeemed in any year will be equal to the principal amount for such year set forth in the table above under the caption “MATURITY SCHEDULE”. Notes to be redeemed in any year by mandatory sinking fund redemption will be redeemed at par and will be selected by lot from among the Notes then subject to redemption. The District, at its option, may credit against any mandatory sinking fund redemption requirement Term Notes of the maturity then subject to redemption which have been purchased and canceled by the District or have been optionally redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

**OPTIONAL REDEMPTION:** The District reserves the right, at its option, to redeem the Notes maturing on or after December 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on December 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption as further described in the Official Statement.

**SECURITY FOR PAYMENT:** The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer’s Utility System (the “System”). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. (See “THE NOTES – Source of and Security for Payment” herein).

**OTHER TERMS AND COVENANTS:** Other terms of the Order and the various covenants of the District contained in the Order are described in the Official Statement, to which reference is made for all purposes.

\*Preliminary, subject to change.

**SUCCESSOR PAYING AGENT/REGISTRAR:** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District covenants to provide a Paying Agent/Registrar at all times while the Notes are outstanding, and any Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States and any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. The Paying Agent/Registrar will maintain the Security Register containing the names and addresses of the registered owners of the Notes.

In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the District, shall be qualified as described in the Preliminary Official Statement. Upon a change in the Paying Agent/Registrar for the Notes, the District agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid.

## CONDITIONS OF SALE

**TYPES OF BIDS AND INTEREST RATES:** The Notes will be sold in one block on an "All or None" basis, and at a price of not less than their par value, plus accrued interest on the Notes from the Dated Date of the Notes to the date of Initial Delivery (defined herein) of the Notes. **No bid producing a cash price on the Notes that results in a dollar price less than 99% of their par value will be considered; provided, however, that any bid is subject to adjustment as described under the caption "THE NOTES - ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS".** Bidders are invited to name the rate(s) of interest to be borne by the Notes, provided that each rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest for the Notes (calculated in the manner required by Chapter 1204, as amended, Texas Government Code) must not exceed 15%. **The highest rate bid may not exceed the lowest rate bid by more than 200 basis points (or 2% in rate).** **No limitation is imposed upon bidders as to the number of rates or changes which may be used.** All Notes of one stated maturity must bear one and the same rate. No bids involving supplemental interest rates will be considered.

**BASIS OF AWARD:** The sale of the Notes will be awarded to the bidder making a bid that conforms to the specifications herein (the "Winning Bidder" or "Purchaser") and which produces the lowest Net Effective Interest Cost (defined herein) rate to the District. The "Net Effective Interest Cost" rate is that rate which, when used to compute the total present value as of the Dated Date of all debt service payments on the Notes on the basis of semi-annual compounding, produces an amount equal to the sum of the par value of the Notes plus the premium bid, (but not interest accrued from the Dated Date to the date of their initial delivery to the Purchaser). In the event of a bidder's error in interest cost rate calculations, the interest rates, and premium, set forth in the Official Bid Form will be considered as the intended bid.

In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Notes (the "Code"), relating to the excludability of interest on the Notes from the gross income of their owners, the Purchaser will be required to complete, execute, and deliver to the District (on or before the date of initial delivery of the Notes) a certification as to their initial offering prices of the Notes (the "Issue Price Certificate") substantially in the form and to the effect attached hereto or accompanying this Official Notice of Sale. (See "CONDITIONS OF SALE - ESTABLISHMENT OF ISSUE PRICE" herein.)

### ESTABLISHMENT OF ISSUE PRICE:

(a) The Winning Bidder shall assist the District in establishing the issue price of the Notes and shall execute and deliver to the District at least five (5) business days before the Delivery Date an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public, together with the supporting pricing wires or equivalent communications, such issue price certificate substantially in the form attached hereto, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Winning Bidder, the District, and Norton Rose Fulbright US LLP, the District's Bond Counsel (but not to the extent that would preclude the establishment of issue price of the Notes under applicable federal regulations). All actions to be taken by the District under this Official Notice of Sale to establish the issue price of the Notes may be taken on behalf of the District by the District's Financial Advisor and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

(b) The District intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Notes) will apply to the initial sale of the Notes (the "competitive sale requirements") because:

- (1) the District shall disseminate this Official Notice of Sale to potential underwriters (defined below) in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the District may receive bids from at least three underwriters of municipal Notes who have established industry reputations for underwriting new issuances of municipal Notes; and
- (4) the District anticipates awarding the sale of the Notes to the bidder who submits a firm offer to purchase the Notes at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Notes, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied, the District shall so advise the Winning Bidder. In such event, the District intends to treat the initial offering price to the public (defined below) as of the sale date (defined below) of each maturity of the Notes as the issue price of that maturity (the “hold-the-offering-price rule”). The District shall promptly advise the Winning Bidder, at or before the time of award of the Notes, if the competitive sale requirements were not satisfied, in which case the hold-the-offering-price rule shall apply to the Notes. Bids will not be subject to cancellation in the event that the competitive sale requirements are not satisfied and the hold-the-offering-price rule applies. In the event that the competitive sale requirements are not satisfied, resulting in the application of the hold-the-price rule, the issue price certificate shall be modified as necessary in the reasonable judgment of Bond Counsel and the District.

(d) By submitting a bid, the Winning Bidder shall (i) confirm that the underwriters have offered or will offer the Notes to the public on or before the date of award at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in the bid submitted by the Winning Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Notes, that the underwriters will neither offer nor sell unsold Notes of any maturity to which the hold-the-offering-price rule applies to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

The Winning Bidder will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Notes to the public at a price that is no higher than the initial offering price to the public.

(e) The District acknowledges that, in making the representations set forth above, the Winning Bidder will rely on (i) the agreement of each underwriter to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Notes to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter or dealer who is a member of the selling group is a party to a retail or other third-party distribution agreement that was employed in connection with the initial sale of the Notes to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Notes, and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail or other third-party distribution agreement to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Notes, including, but not limited to, its agreement to comply with the hold-the-offering-price rule as applicable to the Notes.

(f) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail or other third-party distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder and as set forth in the related pricing wires, (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Notes to the public, together with the related pricing wires, contains or will contain language obligating each underwriter or dealer that is a party to a retail or other third-party distribution agreement to be employed in connection with the initial sale of the Notes to the public to require each broker-dealer that is a party to such third-party distribution agreement to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Winning Bidder or the underwriter and as set forth in the related pricing wires.

(g) Sales of any Notes to any person that is a related party (defined below) to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this section of the Official Notice of Sale entitled “ESTABLISHMENT OF ISSUE PRICE”:

- (1) “public” means any person other than an underwriter or a related party,
- (2) “underwriter” means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Notes to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Notes to the public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Notes to the public),
- (3) a purchaser of any of the Notes is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (4) “sale date” means the date that the Notes are awarded by the District to the Winning Bidder.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** See “THE NOTES – Adjustment of Principal Amounts and Maturity Schedule for the Notes” for a description of the District’s reservation of the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities.

**GOOD FAITH DEPOSIT:** A bank cashier’s check payable to the order of “Crystal Clear Special Utility District” in the amount of \$161,000, which is 2% of the par value of the Notes (the “Good Faith Deposit”), is required. The Good Faith Deposit will be retained uncashed by the District until the Notes are delivered, and at that time it will be returned to the Purchaser uncashed on the date of delivery of the Notes; however, should the Purchaser fail or refuse to take up and pay for the Notes, said Good Faith Deposit is to be cashed by the District and the proceeds accepted as full and complete liquidated damages, except as provided under the caption “ADDITIONAL CONDITIONS OF AWARD – Statutory Representations and Covenants”. See “ADDITIONAL CONDITIONS OF AWARD - Texas Attorney General Standing Letter”. The above mentioned Good Faith Deposit may accompany the bid, or it may be submitted separately; however, if submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which will authorize its use as a Good Faith Deposit by the Purchaser who shall be named in such instructions. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Notes has been made.

#### **ADDITIONAL CONDITION OF AWARD**

**DISCLOSURE OF INTERESTED PARTY FORM:** It is the obligation of the District to receive information from Winning Bidder if bidder is not a publicly traded business entity (a “Privately Held Bidder”). Pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Notes to a Winning Bidder which is a Privately Held Bidder unless such party submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the District as prescribed by the Texas Ethics Commission (“TEC”). In the event that a Privately Held Bidder’s bid for the Notes is the best bid received, the District, acting through its financial advisor, will promptly notify the winning Privately Held Bidder. That notification will serve as the District’s conditional verbal acceptance of the bid, and will obligate the winning Privately Held Bidder to establish (unless such winning Privately Held Bidder has previously so established) an account with the TEC, and promptly file a completed Disclosure Form, as described below, in order to allow the District to complete the award.

Process for completing the Disclosure Form. For purposes of illustration, the Disclosure Form is attached hereto, and reference should be made to such form for the following information needed to complete it: (a) item 2 - name of the governmental entity (Crystal Clear Special Utility District) and (b) item 3 - the identification number assigned to this contract by the District (CCSUD RB 2024 – Bid Form) and description of the goods or services (Purchase of the Crystal Clear Special Utility District, Combination Water and Sewer System Revenue Notes, Series 2024 ). The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the “Disclosure Rules”) require a non-publicly traded business entity contracting with the District to complete the Disclosure Form electronically at <https://www.ethics.state.tx.us/filinginfo/1295>, print, sign, and deliver, in physical form, the certified Disclosure Form that is generated by the TEC’s “electronic portal” to the District. The executed Disclosure Form must be sent by email to the District’s financial advisor at [mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com), as soon as possible following the notification of conditional verbal acceptance and prior to the final written award. Upon receipt of the final written award, the Disclosure Form with original signatures must be submitted by mail to Stephanie Leibe, c/o Norton Rose Fulbright US LLP, 98 San Jacinto Boulevard, Suite 1100, Austin, Texas 78701-4255, along with a PDF executed version sent to [stephanie.leibe@nortonrosefulbright.com](mailto:stephanie.leibe@nortonrosefulbright.com).

Preparations for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the winning Privately Held Bidder must be declared by an authorized agent of the Privately Held Winning Bidder. No exceptions may be made to that requirement. The Interested Party Disclosure Act and the Disclosure Form provides that such acknowledgment is made “under penalty of perjury.” Consequently, a winning Privately Held Bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Certificates until a completed Disclosure Form is received. If applicable, the District reserves the right to reject any bid that does not satisfy the requirement of a completed Disclosure Form, as described herein. Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to (1) the bidder’s obligation to submit the Disclosure Form or (2) the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Certificates should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form, if required, promptly upon

notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at [https://www.ethics.state.tx.us/whatsnew/elf\\_info\\_form1295.htm](https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm).

**Statutory Representations and Covenants.** By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Notes created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

**Not a Sanctioned Company.** Each bidder hereby verifies that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

**No Boycott of Israel.** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

**No Discrimination Against Firearm Entities.** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

**No Boycott of Energy Companies.** Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

**Texas Attorney General Standing Letter.** The winning bidder represents that it has, as of the date bids are due on the Notes and as of Closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications hereinbefore described in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if subsequent to the filing of its Standing Letter, the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking (a) confirmation or verification of the these representations and verifications or (b) written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (each a "Request Letter"), the winning bidder shall promptly notify the District and Bond Counsel (if it has not already done so) and provide to the District or Bond Counsel, two business days prior to Closing and additionally upon request by the District or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the District and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail. The District reserves the right, in its sole discretion, to reject any bid from a bidder that does not satisfy the foregoing requirements as of the deadline for bids for the Notes. Liability for breach of any such verification during the term of this contract for purchase shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of this contract for purchase, notwithstanding anything in this contract for purchase to the contrary.

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

#### OFFICIAL STATEMENT

To assist the Purchaser in complying with Rule 15c2-12, as amended (the "Rule"), of the United States Securities and Exchange Commission ("SEC"), the District and the Purchaser contract and agree, by the submission and acceptance of the winning bid, as follows:

**COMPLIANCE WITH RULE:** The District has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Notes, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of the Rule, except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Purchaser and other similar information, terms and provisions to be specified in the competitive bidding process. The Purchaser shall be responsible for promptly informing the District of the initial offering yields of the Notes.

The District agrees to provide, or cause to be provided, to the Purchaser, the Preliminary Official Statement and the Official Statement and any amendments or supplements thereto in a "designated electronic format" (or printed format with respect to the final Official Statement) as may be required for the Purchaser to comply with the Rule or the rules of the Municipal Securities Rulemaking Board ("MSRB"). The District consents to the distribution of such documents in a "designated electronic format." Upon receipt, the Purchaser shall promptly file the Official Statement with the MSRB in accordance with the applicable MSRB rules.

The District will complete and authorize distribution of the Official Statement identifying the Purchaser and containing information omitted from the Preliminary Official Statement. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Purchaser on or after the sale date, the District intends the same to be final as of such date, within the meaning of Section 15c2-12(b)(3) of the Rule. Notwithstanding the foregoing, the District makes no representation concerning the absence of material misstatements or omissions from the Official Statement, except only as and to the extent under "CERTIFICATION OF THE OFFICIAL STATEMENT" as described below. To the best knowledge and belief of the District, the Official Statement contains information, including financial information or operating data, concerning every entity, enterprise, fund, account, or person that is material to an evaluation of the offering of the Notes.

**FINAL OFFICIAL STATEMENT:** In addition to delivering the Official Statement in a "designated electronic format", the District will furnish to the Purchaser, within seven (7) days after the sale date, an aggregate maximum of fifty (50) copies of the Official Statement, together with information regarding interest rates and other terms relating to the reoffering of the Notes, in accordance with Section 15c2-12(b)(3) of the Rule. The Purchaser may arrange, at its own expense, to have the Official Statement reproduced and printed if it requires more than 100 copies and may also arrange, at its own expense and responsibility, for completion and perfection of the first or cover page of the Official Statement so as to reflect interest rates and other terms and information related to the reoffering of the Notes. The Purchaser will be responsible for providing information concerning the District and the Notes to subsequent purchasers of the Notes, and the District will undertake no responsibility for providing such information other than to make the Official Statement available to the Purchaser as provided herein. The District's obligation to supplement the Official Statement to correct key representations determined to be materially misleading, after the date of the Official Statement, shall terminate upon initial delivery of the Notes to the Purchaser, unless the Purchaser notifies, in writing, the District that less than all of the Notes have been sold to ultimate customers on or before such date, in which case the obligation will extend for an additional period of time (but not more than 90 days after the sale date) until all of the Notes have been sold to ultimate customers.

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Purchaser of any adverse event which causes the Official Statement to be materially misleading, and unless the Purchaser elects to terminate its obligation to purchase the Notes, as described below under "DELIVERY AND ACCOMPANYING DOCUMENTS - Conditions to Delivery", the District will promptly prepare and supply to the Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Purchaser and in a "designated electronic format"; provided, however, that the obligation of the District to do so will terminate when the District delivers the Notes to the Purchaser, unless the Purchaser notifies the District on or before such date that less than all of the Notes have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Notes) until all of the Notes have been sold to ultimate customers.

**MUNICIPAL BOND INSURANCE:** In the event the Notes are qualified for municipal Bond Insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. The District shall pay the rating agency fee for S&P. Any other fees to be paid to rating agencies as a result of said insurance will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Notes. Any downgrade by rating agencies of the Bond Insurance provider shall not relieve the Purchaser of its obligation under the heading. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" in the Preliminary Official Statement.

**CERTIFICATION OF THE OFFICIAL STATEMENT:** At the time of payment for and delivery of the hereinafter defined Initial Notes (the "Delivery Date"), the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the initial delivery thereof, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in 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 such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District since the date of the last financial statements of the District appearing in the Official Statement. The Official Statement and Official Notice of Sale will be approved as to form and content and the use thereof in the offering of the Notes will be authorized, ratified and approved by the Board of the District on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Notes, a certified copy of such approval, duly executed by the proper officials of the District.

**CONTINUING DISCLOSURE AGREEMENT:** The District will agree in the Order to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Official Statement under "CONTINUING DISCLOSURE OF INFORMATION". The Purchaser's obligation to accept and pay for the Notes is conditioned upon delivery to the Purchaser or its agent of a certified copy of the Order containing the agreement described under such heading.

**COMPLIANCE WITH PRIOR UNDERTAKINGS:** The District has not previously entered into a continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

#### DELIVERY AND ACCOMPANYING DOCUMENTS

**INITIAL DELIVERY OF INITIAL NOTE:** The initial delivery of the Notes to the Purchasers on the "Delivery Date" (identified below), will be accomplished by the issuance of either (i) a single fully registered Note in the total principal amount of \$8,050,000\* payable in stated installments to the Purchaser and numbered T-1, or (ii) as one (1) fully registered Note for each year of stated maturity in the applicable principal amount and denomination, to be numbered consecutively from R-1 and upward (in either case, the "Initial



Note(s)"), signed by manual or facsimile signature of the Board President and the Board Secretary approved by the Attorney General of Texas, and registered and manually signed by an authorized representative of the Comptroller of Public Accounts of the State of Texas. Initial Delivery (defined below) of the Notes will be at the corporate trust office of the Paying Agent/Registrar. Upon delivery of the Initial Note(s), they shall be immediately canceled and one Note for each stated maturity will be registered in the name of Cede & Co. and deposited with DTC in connection with DTC's Book-Entry-Only System. Payment for the Initial Note(s) must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Notes. It is anticipated that Initial Delivery of the Initial Notes can be made on or about March 20, 2024, but if for any reason the District is unable to make delivery by March 20, 2024, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend for an additional thirty (30) days its obligation to take up and pay for the Notes. If the Purchaser does not so elect within six (6) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of further obligation. In no event shall the District be liable for any damages by reason of its failure to deliver the Notes, provided such failure is due to circumstances beyond the District's reasonable control.

**EXCHANGE OF INITIAL NOTES FOR DEFINITIVE NOTES:** Upon payment for the Initial Note(s) at the time of such delivery, the Initial Note(s) are to be canceled by the Paying Agent/Registrar and registered definitive Notes delivered in lieu thereof, in multiples of \$5,000 for each stated maturity, in accordance with written instructions received from the Purchaser and/or members of the Purchaser's syndicate. Such Notes shall be registered by the Paying Agent/Registrar. It shall be the duty of the Purchaser and/or members of the Purchaser's syndicate to furnish to the Paying Agent/Registrar, at least five days prior to the delivery of the Initial Note(s), final written instructions identifying the names and addresses of the registered owners, the stated maturities, interest rates, and denominations. The Paying Agent/Registrar will not be required to accept changes in such written instructions after the five day period, and if such written instructions are not received by the Paying Agent/Registrar five days prior to the delivery, the cancellation of the Initial Note(s) and delivery of registered definitive Notes may be delayed until the fifth day next following the receipt of such written instructions by the Paying Agent/Registrar.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any Note nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of the Official Bid Form and this Official Notice of Sale. All expenses in relation to the printing of CUSIP numbers on the Notes shall be paid by the District; however, the CUSIP Service Bureau's charge for the assignment of the numbers shall be paid by the Purchaser.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Notes is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Purchaser's acknowledgment of the receipt of the Initial Note, the Purchaser's receipt of the legal opinions of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "No Material Adverse Change", all as described below. In addition, if the District fails to comply with its obligations described under "OFFICIAL STATEMENT" above, the Purchaser may terminate its contract to purchase the Notes by delivering written notice to the District within five (5) days thereafter.

**NO MATERIAL ADVERSE CHANGE:** The obligation of the Purchaser to take up and pay for the Notes, and of the District to deliver the Initial Note(s), are subject to the condition that, up to the time of delivery of and receipt of payment for the Initial Note(s), there shall have been no material adverse change in the affairs of the District subsequent to the date of sale from that set forth in the Preliminary Official Statement, as it may have been finalized, supplemented or amended through the date of delivery.

**LEGAL OPINIONS:** The Notes are offered when, as and if issued, subject to the approval of certain legal matters by the Attorney General of the State of Texas and Bond Counsel (see discussion "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" in the Preliminary Official Statement).

**CHANGE IN TAX-EXEMPT STATUS:** At any time before the Notes are tendered for initial delivery to the Purchaser, the Purchaser may withdraw its bid if the interest on obligations such as the Notes shall be declared to be includable in the gross income, as defined in section 61 of the Code, of the owners thereof for federal income tax purposes, either by U.S. Treasury regulations, by ruling or administrative guidance of the Internal Revenue Service, by a decision of any federal court, or by the terms of any federal income tax legislation enacted subsequent to the date of this Official Notice of Sale.

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

## GENERAL CONSIDERATIONS

**FUTURE REGISTRATION:** The Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk, and expense. To the extent possible, new Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and interest rate as the Notes surrendered for exchange or transfer.

**RECORD DATE:** The record date ("Record Date") for determining the party to whom the semiannual interest on the Notes is payable on any interest payment date is the fifteenth day of the month next preceding such interest payment date.

**RATING:** A municipal bond rating application has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available to the Purchasers as soon as possible. (See "OTHER PERTINENT INFORMATION – Ratings" in the Preliminary Official Statement). An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects

only the view of S&P at the time the rating is given, and the District makes no representations as to the appropriateness of the rating. If the Purchaser chooses to submit a bid utilizing Bond Insurance, the enhanced long-term rating on the Notes will be dependent upon the rating of the provider of such policy. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" in the Preliminary Official Statement. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

**SALE OF ADDITIONAL NOTES:** The District currently has no definitive plans to issue additional obligations in the next 12 months; however, the District has an extensive capital improvement budget and accordingly has made an application for additional \$27,000,000 loan funding through the Texas Water Development Board ("TWDB"). The District Board has not made plans to issue these obligations even if approved by the TWDB.

**REGISTRATION AND QUALIFICATION OF NOTES FOR SALE:** No registration statement relating to the Notes has been filed with the SEC under the Securities Act of 1933, as amended (the "Act"), in reliance upon exemptions provided in such Act. The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. Any representation to the contrary is a criminal offense. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon exemptions contained therein, nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Purchaser's written request and expense and within reasonable limits, in registering or qualifying the Notes, or in obtaining an exemption from registration or qualification in any state where such action is necessary, but will in no instance execute a general consent to service of process in any state that the Notes are offered for sale.

**ADDITIONAL COPIES:** Subject to the limitations described herein, an electronic copy of this Official Notice of Sale, the Official Bid Form, and the Official Statement may be obtained from [www.samcocapital.com](http://www.samcocapital.com).

The Board of the District has approved the form and content of the Official Notice of Sale, the Official Bid Form, and the Official Statement and authorized the use thereof in its initial offering of the Notes. On the date of the sale, the Notes will, in the Order authorizing the issuance of the Notes, reconfirm its approval of the form and content of the Official Statement, and any addenda, supplement, or amendment thereto, and authorize its further use in the reoffering of the Notes by the Purchaser.

/s/

\_\_\_\_\_  
President, Board of Directors  
CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

ATTEST:

/s/

\_\_\_\_\_  
Secretary, Board of Directors  
CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

February 15, 2024

**OFFICIAL BID FORM**

Honorable Board President and Board  
 Crystal Clear Special Utility District  
 2370 FM 1979  
 San Marcos, Texas 78666

February 22, 2024

Dear Ladies and Gentlemen:

Subject to the terms of your Official Notice of Sale and Preliminary Official Statement dated February 15, 2024, which terms are incorporated by reference to this proposal, we hereby submit the following bid for \$8,050,000\* Crystal Clear Special Utility District Combination Water and Sewer System Revenue Notes, Series 2024, dated March 1, 2024 (the "Notes").

For said legally issued Notes, we will pay you \$\_\_\_\_\_ (a dollar price not less than 99% of par value) plus accrued interest from their date to the date of delivery to us, for Notes maturing December 1 and bearing interest per annum as follows:

Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %	Year of Stated Maturity	Principal Amount at Stated Maturity	Coupon %
2024	\$ 70,000		2037*	\$ 320,000	
2025	175,000		2038*	340,000	
2026	185,000		2039*	355,000	
2027	195,000		2040*	375,000	
2028	205,000		2041*	395,000	
2029	215,000		2042*	410,000	
2030	225,000		2043*	435,000	
2031	240,000		2044*	455,000	
2032	250,000		2045*	480,000	
2033	265,000		2046*	505,000	
2034*	275,000		2047*	530,000	
2035*	290,000		2048*	555,000	
2036*	305,000				

\*Maturities available for term Notes

Our calculation (which is not part of this bid) of the Net \_\_\_\_\_ %  
 Effective Interest Cost from the above is:

We are (are not) having the Notes of the following maturities \_\_\_\_\_ insured by \_\_\_\_\_ at a premium of \$ \_\_\_\_\_. The premium will be paid by the Winning Bidder. Any fees due to Rating Agencies, other than S&P Global Ratings ("S&P"), as a result of said insurance will be paid by the Winning Bidder. The District will pay the fee due to S&P.

\_\_\_\_\_  
 \*Preliminary; subject to change.

**ADJUSTMENT OF INITIAL PRINCIPAL AMOUNTS:** As a condition to our submittal of this bid for the Notes, we acknowledge the following: The District reserves the right to increase or decrease the principal (maturity) amount of any maturity of the Notes, including the elimination of a maturity or maturities; provided, however, that the aggregate principal (denominational) amount of the Notes shall not exceed \$8,050,000\*. Notice of any such changes shall be given to the successful bidder as soon as practicable following the notification of award, as described below, and this Official Notice of Sale may be amended at the sole discretion of the District to reflect such increase or decrease. The District will attempt to maintain total per Note underwriter spread when adjusting maturities. No such adjustment will have the effect of altering the basis upon which the best bid is determined. The successful bidder may not withdraw its bids or change the rates bid or any initial reoffering prices as a result of any changes made to the principal (denominational) amounts.

Of the principal maturities set forth in the table above, we have created term Notes (the "Term Notes") as indicated in the following table (which may include no more than three Term Notes). For those years which have been combined into a Term Note, the principal amount shown in the table shown on page ii of the Official Notice of Sale will be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the Term Note maturity date will mature in such year. The Term Notes created are as follows:

Term Note Maturity Date December 1		Year of First Mandatory Redemption		Principal Amount of Term Note		Interest Rate

The Initial Note(s) shall be registered in the name of \_\_\_\_\_, which will, upon payment for the Notes, be cancelled by the Paying Agent/Registrar. The Notes will then be registered in the name of Cede & Co. (DTC's partnership nominee), under the Book-Entry-Only System.

Cashier's Check of the \_\_\_\_\_ Bank, \_\_\_\_\_, Texas, in the amount of \$161,000, which represents our Good Faith Deposit (is attached hereto) or (has been made available to you prior to the opening of this Bid), and is submitted in accordance with the terms as set forth in the Official Notice of Sale, said check is to be returned to the Purchaser.

We agree to accept delivery of the Notes utilizing the Book-Entry-Only System through DTC and make payment for the Initial Notes in immediately available funds at the Corporate Trust Division, BOKF, NA, Dallas, Texas, not later than 11:00 A.M., Central Time, on Wednesday, March 20, 2024, or thereafter on the date the Notes are tendered for delivery, pursuant to the terms set forth in the Official Notice of Sale. It will be the obligation of the Purchaser of the Notes to complete and file the DTC Eligibility Questionnaire. The undersigned agrees to the provisions of the Official Notice of Sale under the heading "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" and, as evidence thereof, agrees to complete, execute, and deliver to the District, by the Delivery Date, a certificate relating to the "issue price" of the Notes in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to Bond Counsel for the District. (See "CONDITIONS OF SALE – ESTABLISHMENT OF ISSUE PRICE" in the Official Notice of Sale.)

Through submittal of this executed Official Bid Form, the undersigned verifies that, except to the extent otherwise required by applicable Texas or Federal law, it (1) does not and will not "boycott Israel", (2) is not a company on the Texas Comptroller's list concerning "foreign terrorist organizations" prepared and maintained thereby under applicable Texas law, (3) does not and will not "discriminate against a firearm entity or firearm trade association", (4) does not and will not "boycott energy companies" and (5) it has, as of the date of this official bid form and as of Closing on file with the Texas Attorney General a standing letter addressing the representations and verifications in (1) through (4), all as more fully provided in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD".

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

Upon notification of conditional verbal acceptance, the undersigned will, if required by applicable Texas law as described in the Official Notice of Sale under the heading "ADDITIONAL CONDITION OF AWARD – Disclosure of Interested Party Form", complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Disclosure Form") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed, and sent by email to the District's financial advisor at mmcliney@samcocapital.com and Bond Counsel at stephanie.leibe@nortonrosefulbright.com. The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

Upon acceptance of this bid by the District, the accepted bid and Official Notice of Sale will together comprise a binding contract between the winning bidder and the District in accordance with their terms. The acceptance of the bid creates a binding contract with a term that extends until the Notes are taken up and paid for by the Bidder or any earlier termination of this contract in accordance with the terms of the Official Notice of Sale.

By: \_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Telephone Number

\_\_\_\_\_  
E-mail Address

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Crystal Clear Special Utility District, subject to and in accordance with the Official Notice of Sale and Official Bid Form, this 22<sup>nd</sup> day of February, 2024.

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President, Board of Directors  
CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

ATTEST:

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Secretary, Board of Directors  
CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

**\$8,050,000\***  
**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**  
**COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024**

**ISSUE PRICE CERTIFICATE**

The undersigned, on behalf of \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_ (“\_\_\_\_\_”), hereby certifies as set forth below with respect to the sale of the above-captioned obligations (the “Obligations”) of the Crystal Clear Special Utility District (the “Issuer”).

**1. Reasonably Expected Initial Offering Price.**

(a) As of the Sale Date, the reasonably expected initial offering prices of the Obligations to the Public by \_\_\_\_\_ are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Obligations used by \_\_\_\_\_ in formulating its bid to purchase the Obligations. Attached as Schedule B is a true and correct copy of the bid provided by \_\_\_\_\_ to purchase the Obligations.

(b) \_\_\_\_\_ was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by \_\_\_\_\_ constituted a firm offer to purchase the Obligations.

**2. Defined Terms.**

(a) Maturity means Obligations with the same credit and payment terms. Obligations with different maturity dates, or Obligations with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) Public means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) Sale Date means the first day on which there is a binding contract in writing for the sale of a Maturity of the Obligations. The Sale Date of the Obligations is February 22, 2024.

(d) Underwriter means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Obligations to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Obligations to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Obligations to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents \_\_\_\_\_ interpretation of any laws, including specifically sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate with respect to the Obligations and with respect to compliance with the federal income tax rules affecting the Obligations, and by Norton Rose Fulbright US LLP in connection with rendering its opinion that the interest on the Obligations is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Obligations.

\_\_\_\_\_  
By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Dated: \_\_\_\_\_

SCHEDULE A  
EXPECTED OFFERING PRICES

SCHEDULE B  
COPY OF UNDERWRITER'S BID



**PRELIMINARY OFFICIAL STATEMENT**

February 15, 2024

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

**The Issuer will designate the Notes as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$8,050,000\*****CRYSTAL CLEAR SPECIAL UTILITY DISTRICT****(A political subdivision of the State of Texas located in Comal, Guadalupe, and Hays County, Texas)****COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024****Dated Date: March 1, 2024****Due: December 1, as shown on inside cover**

The \$8,050,000\* Crystal Clear Special Utility District Combination Water and Sewer System Revenue Notes, Series 2024 (the "Notes"), are being issued pursuant to the laws of the State of Texas (the "State"), including Article XVI, Section 59 Texas Constitution, Section 49.153, Texas Water Code, Chapter 1201, Texas Government Code, and an order (the "Order") to be adopted by the Board of Directors of the Crystal Clear Special Utility District (the "District" or the "Issuer") on February 22, 2024. (See "THE NOTES – Authority for Issuance" herein.)

The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues (defined herein) derived from the operation of the Issuer's utility system (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements (as defined in the Order) of the Bonds Similarly Secured and any Additional Parity Obligations hereinafter issued by the District. (See "THE NOTES – Source of and Security for Payment" herein). Capitalized, but undefined, terms used herein have the meanings described thereto in the Order.

Interest on the Notes will accrue from March 1, 2024 (the "Dated Date") and is payable initially December 1, 2024 and each June 1 and December 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Notes until DTC resigns or is discharged. The Notes initially will be available to purchasers in book-entry form only. Purchasers of the Notes ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Notes, principal of and interest on the Notes will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Notes. The initial Paying Agent/Registrar for the Notes shall be BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

Proceeds from the sale of the Notes will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Notes. (See "THE NOTES – Use of Note Proceeds" herein.)

The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The Purchaser (hereinafter defined) will be responsible for paying the insurance premium. See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS,  
INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS AND REDEMPTION PROVISIONS FOR THE NOTES

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The Notes are offered for delivery when, as and if issued and received by the initial purchaser thereof (the "Purchaser") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Notes. It is expected that the Notes will be available for initial delivery through DTC on or about March 20, 2024.

**BIDS DUE THURSDAY, FEBRUARY 22, 2024 11:00 A.M. CENTRAL TIME**

\*Preliminary, subject to change

This Preliminary Official Statement and the information contained herein are subject to amendment or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

**\$8,050,000\***  
**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**  
**(A political subdivision of the State of Texas located in Comal, Guadalupe, and Hays County, Texas)**  
**COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024**

CUSIP Prefix No. 229185<sup>(1)</sup>

**MATURITY SCHEDULE\***

Stated Maturity December 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix <sup>(a)</sup>
2024	\$ 70,000			
2025	175,000			
2026	185,000			
2027	195,000			
2028	205,000			
2029	215,000			
2030	225,000			
2031	240,000			
2032	250,000			
2033	265,000			
2034	275,000			
2035	290,000			
2036	305,000			
2037	320,000			
2038	340,000			
2039	355,000			
2040	375,000			
2041	395,000			
2042	410,000			
2043	435,000			
2044	455,000			
2045	480,000			
2046	505,000			
2047	530,000			
2048	555,000			

**(Interest to accrue from the Dated Date)**

The Issuer reserves the right to redeem the Notes maturing on or after December 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on December 1, 2033 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Purchaser may select any two or more consecutive maturities of the Notes to be grouped together as a "Term Note" and such Term Notes would be subject to mandatory sinking fund redemption. (See "THE NOTES - Redemption Provisions of the Notes" herein.)

\*Preliminary, subject to change.

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are solely for the convenience of the owners and potential owners of the Notes. No assurance can be given that the CUSIP number for a particular maturity of the Notes will remain the same after the date of initial delivery of the Notes. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**ELECTED AND APPOINTED OFFICIALS**

**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
2370 FM 1979  
SAN MARCOS, TEXAS 78666**

**BOARD OF DIRECTORS:**

Name	Years Served	Term Expires
Mike Cox President	12	December 31, 2025
Louis Upton Vice President	1	December 31, 2026
Donald A. Bosworth Director	9	December 31, 2024
Allen Pooley Board Secretary	4	December 31, 2025
Nick Reininger Director	2	December 31, 2024
Robert Snipes Treasurer	1	December 31, 2025
Andrea Velasquez Director	0	December 31, 2026

**ADMINISTRATIVE OFFICIALS**

Name	Position	Length of Service (Years)
Regina C Franke	General Manager	7
Jennifer Dickerman	Human Resources/Finance Manager	3

**CONSULTANTS AND ADVISORS**

Bond Counsel..... Norton Rose Fulbright US LLP  
Austin, Texas

Certified Public Accountant ..... Armstrong, Vaughan & Associates, P.C.  
Universal City, Texas

Financial Advisor..... SAMCO Capital Markets, Inc.  
San Antonio, Texas

*For Additional Information Please Contact*

Ms. Regina C Franke  
General Manager  
Crystal Clear Special Utility District  
2370 FM 1979  
San Marcos, Texas 78666  
Telephone: (830) 372-1031  
[regina@crystalclearsud.org](mailto:regina@crystalclearsud.org)

Mr. Mark McLiney  
Mr. Andrew Friedman  
SAMCO Capital Markets, Inc.  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209  
Telephone: (210) 832-9760  
[mmcliney@samcocapital.com](mailto:mmcliney@samcocapital.com)  
[afriedman@samcocapital.com](mailto:afriedman@samcocapital.com)

## USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended, and in effect on the date of this Preliminary Official Statement (the "Rule"), this document constitutes an "official statement" of the District with respect to the Notes 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.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District and the Purchaser to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the Issuer described herein since the date hereof. The Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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

The Purchaser has provided the following sentence for inclusion in this Official Statement. The Purchaser has reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Purchaser does not guarantee the accuracy or completeness of such information.

THE NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE NOTES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the District, its Financial Advisor, or the Purchaser make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system, or the Note insurer, if any, and its municipal bond insurance policy described herein under the heading "BOND INSURANCE", as such information has been provided by DTC and the bond insurer, respectively.

The agreements of the District and others related to the Notes are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Notes is to be construed as constituting an agreement with the Purchaser. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document and any representation to the contrary is a criminal offense.

THE NOTES ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE INVESTORS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS".

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## SELECTED DATA FROM THE PRELIMINARY OFFICIAL STATEMENT

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

<b>The Issuer</b>	The Crystal Clear Special Utility District (the “Issuer” or “District”) was created and established by Chapter 7206, Texas Special District Local Laws Code, and was confirmed at an election held within the boundaries of the District on January 14, 2014. Prior to its creation, the District was a non-profit member-owned water supply corporation created and operating pursuant to the provisions of Articles 1434a and 1396-1.01, et seq., Vernon’s Texas Revised Civil Statutes. The District is a special utility district created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution, and operates pursuant to Chapter 49 and 65, as amended, Texas Water Code. The District provides water and sanitary sewer system services to its customers in Comal, Guadalupe, and Hays County, Texas. Policy making and supervisory functions are the responsibility of, and are vested in, a seven member Board of Directors. The General Manager is the District’s chief administrative officer. Support services are provided by certain District staff, as well as independent consultants and advisors.
<b>The Notes</b>	The Notes are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Section 49.153, Texas Water Code, and an order (the “Order”) to be adopted by the District’s Board of Directors (the “Board”) on February 22, 2024. (See “THE NOTES – Authority for Issuance” herein.)
<b>Redemption</b>	The District reserves the right to redeem the Notes maturing on and after December 1, 2034, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on December 1, 2033 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, the Purchaser may select any two or more consecutive maturities of the Notes to be grouped together as a “Term Note” and such Term Notes would be subject to mandatory sinking fund redemption. (See “THE NOTES - Redemption Provisions of the Notes” herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.
<b>Security for Payment</b>	The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer’s utility system (the “System”). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Notes from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements of the Bonds Similarly Secured and any Additional Parity Obligations (all as defined in the Order) hereinafter issued by the District. (See “THE NOTES – Source of and Security for Payment” herein.)
<b>Book-Entry-Only System</b>	The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Notes. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Notes will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under “TAX MATTERS”. (See “TAX MATTERS” and “Appendix C - Form of Opinion of Bond Counsel” herein.)
<b>Qualified Tax-Exempt Obligations</b>	The District will designate the Notes as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations” herein.)
<b>Use of Note Proceeds</b>	Proceeds from the sale of the Notes will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Notes. (See “THE NOTES – Use of Note Proceeds” herein.)
<b>Ratings</b>	A municipal bond rating application has been made to S&P Global Ratings (“S&P”). The outcome of the results will be made available as soon as possible. (See “OTHER PERTINENT INFORMATION - Ratings” herein.)

<b>Bond Insurance</b>	The District has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy. (See “BOND INSURANCE” and “BOND INSURANCE GENERAL RISKS” herein.)
<b>Payment Record</b>	The District has never defaulted on the payment of its bonded indebtedness.
<b>Future Note issues</b>	The District has no plans to issue any other debt issues in the next 12 months.
<b>Delivery</b>	When issued, anticipated to occur on or about March 20, 2024.
<b>Legality</b>	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

(The remainder of this page intentionally left blank.)

**PRELIMINARY OFFICIAL STATEMENT**  
relating to  
**\$8,050,000\***  
**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**  
**(A political subdivision of the State of Texas located in Comal, Guadalupe, and Hays County, Texas)**  
**COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024**

**INTRODUCTORY STATEMENT**

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the Crystal Clear Special Utility District (the “District” or “Issuer”) of its \$8,050,000\* Combination Water and Sewer System Revenue Notes, Series 2024 (the “Notes”) identified on page 2 hereof.

The District is a political subdivision of the State of Texas and the Notes are being issued pursuant to the laws of the State of Texas (the “State”), including Article XVI, Section 59 of the Texas Constitution, Section 49.153, Texas Water Code, and an order (the “Order”) to be adopted by the Board of Directors (the “Board”) of the District on February 22, 2024, being the date of sale of the Notes (see “THE NOTES –Authority for Issuance” herein).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order. Included in this Official Statement are descriptions of the Notes and certain information about the District and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** A copy of such documents may be obtained upon request from the District or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Final Official Statement pertaining to the Notes will be filed by the Purchaser with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” herein for a description of the District’s undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Order.

**THE NOTES**

**General Description**

Interest on the Notes will accrue from March 1, 2024 (the “Dated Date”) and is payable initially December 1, 2024 and each June 1 and December 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Notes will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Notes until DTC resigns or is discharged. The Notes initially will be available to purchasers in book-entry form only. Purchasers of the Notes (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Notes purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Notes, principal of and interest on the Notes will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Notes. The initial Paying Agent/Registrar for the Notes shall be BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

If the specified date for any payment of principal of or interest on the Notes is a Saturday, Sunday, or legal holiday or equivalent for banking institutions generally in the city in which Designated Payment Transfer Office of the Paying Agent/Registrar is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

**Use of Note Proceeds**

Proceeds from the sale of the Notes will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Notes.

**Sources and Uses of Funds**

The proceeds from the sale of the Notes will be applied approximately as follows:

Sources	
Par Amount of the Notes	\$ _____
Accrued Interest on the Notes	_____
[Net] Reoffering Premium/Discount on the Notes	_____
Total Sources of Funds	=====
Uses	
Project Fund Deposit	\$ _____
Purchasers' Discount	_____
Note Fund Deposit	_____
Costs of Issuance	_____
Total Uses	=====

**Authority for Issuance**

The Notes are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Section 49.153, Texas Water Code, and an order (the "Order") to be adopted by the Board of Directors of the Crystal Clear Special Utility District (the "District" or the "Issuer") on February 22, 2024, being the date of sale of the Notes.

**Source of and Security for Payment**

The Notes are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Parity Obligations, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's utility system (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property from taxation.

**Perfection of Security for the Notes**

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Notes and the pledge of the Net Revenues to secure the Notes, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Notes are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Notes a security interest in such pledge, the District has agreed in the Order to take such measures as it determines reasonable and necessary to enable a filing of a security interest in said pledge to occur.

**Flow of Funds**

The District hereby covenants and agrees that deposits into the Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

- First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.
- Second: To the payment of the amounts required to be deposited in the Note Fund created and established for the payment of Debt Service Requirements on the Bonds Similarly Secured (including the Notes) and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a prior and first lien on and pledge of the Net Revenues of the System, as the same becomes due and payable..
- Third: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Subordinate Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Subordinate Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a lien on and pledge of the Pledged Revenues, as the same becomes due and payable.



Any Net 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 hereinafter permitted by law.

### **Reserve Fund**

*Current Reserve Fund.* The Order reaffirms the establishment and maintenance of a Reserve Fund for the payment of the principal of and interest on the Bonds Similarly Secured (which includes the Notes) when money in the Note Fund maintained for such purposes is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount (the "Required Reserve Amount") in such Fund shall be equal to the Average Annual Debt Service requirements of the Bonds Similarly Secured (calculated on a Fiscal Year basis as of the date the last series of Bonds Similarly Secured that are Outstanding were delivered); provided, however, for purposes of the calculation of the Required Reserve Amount, the term Bonds Similarly Secured shall not include any amounts for the currently Outstanding Parity Obligations held by CoBank. As of the date hereof, the amount in the Reserve Fund is \$934,708 (the "Current Reserve"), which is satisfied in its entirety by cash; following the delivery of the Notes the new Required Reserve is calculated to be \$1,200,000. Subject to the acquisition of a surety policy or the provisions described below, if any, beginning on or before the 10th day of the month next following the month the Notes are delivered to the Purchaser and on or before the 10th day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues of the System an amount equal to at least 1/60th of the difference between the Required Reserve and the Current Reserve. After the Required Reserve has been accumulated, monthly deposits to such Fund may be terminated; provided, however, should a deficiency thereafter exist (other than as a result of the issuance of Additional Parity Obligations) in the Required Reserve, the District shall resume monthly deposits to the Reserve Fund calculated to cure the deficiency within 60 months from the date the deficiency occurred. See "APPENDIX E – Selected Provisions of the Order".

### **Rate Covenant**

Pursuant to the Order, the District has agreed that it will maintain rates and charges for water service furnished, provided and supplied by the System to customers which shall be reasonable and non-discriminatory and which will produce income and revenues sufficient to pay (i) all necessary and reasonable Maintenance and Operating Expenses or required by statute to be a first charge on and claim against the Gross Revenues thereof; (ii) the interest on and principal of the Bonds Similarly Secured as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured; (iii) the interest on and principal of the Subordinate Lien Obligations as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Subordinate Lien Obligations; and (iv) any legal debt or obligation of the System as and when the same shall become due.

### **Additional Parity Obligations and Subordinate Lien Obligations**

The District reserves the right to issue "Additional Parity Obligations" on a parity with the Parity Obligations in that (i) the District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured, (ii) each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein and (iii) the District obtains a certificate or opinion from a chief administrative officer of the District or a certified public accountant to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fifth (1.20) time the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations. (See "APPENDIX E - Selected Provisions Of The Order" herein).

### **Springing Covenants**

In the Order, various "springing covenants" to effectuate prospective changes to the Order, included changes applicable to (1) revising the definition of "Debt Service Requirements" to recognize certain changes in Texas law, and/or (2) adding definitions for "Credit Provider," "Credit Agreement," and "Credit Facility" to recognize certain changes in Texas law. See "APPENDIX E – Selected Provisions of the Order".

### **Redemption Provisions of the Notes**

The District reserves the right to redeem the Notes maturing on and after December 1, 2034, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on December 1, 2033, or any date thereafter, at a price of par plus accrued interest to the date fixed for redemption.

The Purchaser may group two or more serial maturities of Notes into term Notes (the "Term Notes"). Term Notes will also be subject to mandatory sinking fund redemption.

### **Selection of Notes to be Redeemed**

The Notes of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Notes to be partially redeemed must be surrendered in exchange for one or more new Notes for the unredeemed portion of the principal.

If less than all of the Notes are to be redeemed, the District will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Notes are in Book-Entry-Only form) to select, at random and by lot, the particular Notes, or portion thereof, to be redeemed. If a Note (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Note (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

#### **Notice of Redemption of the Notes**

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

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

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

#### **Legality**

Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

#### **Defeasance**

The Order provides for the defeasance of the Notes when the payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, 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, (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, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Notes. In connection with the sale of the Notes the District may restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for United States Treasury securities acquired to defease any Notes, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Notes ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Notes, registered owners of Notes are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Notes will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Notes have been made as described above, all rights of the District to initiate proceedings to call the Notes for redemption or take any other action amending the terms of the Notes are extinguished; provided, however, that, the District's right to redeem Notes defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption, at an earlier date, those Notes which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption; (ii) gives notice of the reservation of that right to the owners of the Notes 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.

#### **Default and Remedies**

If the District defaults in the payment of the principal of or interest on the Notes when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Notes or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Noteholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Noteholders may not be able to bring such a suit against the District for breach of the Notes or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Special districts, such as the District, must obtain the approval of the Texas Commission on Environmental Quality ("TCEQ") as a condition of seeking relief under Chapter 9. TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Chapter 9 only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Noteholders of an entity which has sought protection under Chapter 9. Therefore, if the District is permitted to proceed with Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The District may not be placed into bankruptcy involuntarily. The opinion of Bond Counsel will Note that all opinions relative to the enforceability of the Notes are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

#### **REGISTRATION, TRANSFER AND EXCHANGE**

##### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying

Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission (the "SEC"). Upon a change in the Paying Agent/Registrar for the Notes, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Notes affected by the change by United States mail, first-class, postage prepaid.

#### **Record Date**

The record date ("Record Date") for determining the registered owner entitled to receive the interest payable on a Note on any interest payment date means the fifteenth day of the month next preceding each 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 will be established by the Paying Agent/Registrar.

#### **Special Record Date for Interest Payment**

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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "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 a Note appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

The Notes will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Notes shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

#### **Future Registration**

In the event the Notes are not in the Book-Entry-Only System, the Notes may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Note may be assigned by the execution of an assignment form on the Note or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Notes being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Notes issued in an exchange or transfer of Notes will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Notes to be canceled in the exchange or transfer 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 Notes registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Note or Notes surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Notes.)

#### **Limitation on Transfer of Notes**

Neither the Issuer nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Note called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Note called for redemption in part.

#### **Replacement Notes**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Notes upon surrender of the mutilated Notes to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

### **BOOK-ENTRY-ONLY SYSTEM**

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Notes 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, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take 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 Notes, 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 Notes), 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 SEC, 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 Notes. The Notes will be issued as fully registered securities 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 Note certificate will be issued for the Notes, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world's largest 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, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Paying Agent/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 Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC's 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, premium, if any, and interest payments on the Notes 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 payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name",

and will be the responsibility of such Participant and not of DTC nor its nominee, 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, principal premium, if any, and interest 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 Notes at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing each Note stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Note stated maturity will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Financial Advisor, and the Underwriters believe to be reliable, but none of the District, the Financial Advisor, or the Underwriters take responsibility for the accuracy thereof.

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

#### **Use of Certain Terms in Other Sections of this Official Statement**

In reading this Official Statement it should be understood that while the Notes 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 Notes, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

#### **THE DISTRICT AND THE SYSTEM**

The Crystal Clear Special Utility District was created and established by Chapter 7206, Texas Special District Local Laws Code, and was confirmed at an election held within the boundaries of the District on January 14, 2014. Prior to its creation, the District was a non-profit member-owned water supply corporation created and operating pursuant to the provisions of Articles 1434a and 1396-1.01, et seq., Vernon's Texas Revised Civil Statutes. The District is a special utility district created under and essential to accomplish the purposes of Section 59, Article XVI, Texas Constitution, and operates pursuant to Chapter 49 and 65, as amended, Texas Water Code. The District provides water and sanitary sewer system services to its customers in Comal, Guadalupe, and Hays County, Texas. Policy making and supervisory functions are the responsibility of, and are vested in, a seven member Board of Directors. The General Manager is the District's chief administrative officer. Support services are provided by certain District staff, as well as independent consultants and advisors.

The District is a member entity of Canyon Regional Water Authority ("CRWA") through a regional taxable water supply contract dated August 1, 1998. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 11 entities and 2 customers, are contractually obligated to fund a pro-rata portion of CRWA's operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 7%). For the fiscal year ended September 30, 2023, CRWA reported assets of \$183 million and liabilities of \$124 million, including bonds payable of \$114 million. Annual required funding payments are recorded as water purchases.

In addition, CRWA is a member of Alliance Regional Water Authority under a similar arrangement. In 2014, the District agreed to reimburse CRWA for 53.52% of CRWA's share of Alliance in exchange for the future water developed by Alliance. The agreement required the District to fund the annual requirements in addition to the past costs incurred by CRWA in relation to the Alliance project. The District makes regular contributions for annual funding, but is not required at this time to make payments on the prior costs, which are recognized as a liability on the Statement of Net Position in the amount of \$1,821,238. The District is responsible for approximately 16% of Alliance's budget and debt. For the fiscal year ended September 30, 2022 (the most recent year available), Alliance reported assets of \$363 million and liabilities of \$276 million, including bonds payable of \$231 million. Annual required funding payments are recorded as water purchases.

Furthermore, the District entered into a reservation agreement with a development neighboring the District's CCN. The reservation agreement reserves 20.19% of the District's 53.52% of the Alliance responsibility and benefits. The development is billed monthly their share of the costs resulting from the Alliance project as a reservation fee.

#### **ENVIRONMENTAL REGULATION**

Wastewater treatment and water supply facilities, such as 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 the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Water Supply & 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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## **BOND INSURANCE**

The District has made application to municipal bond insurance companies (the "Insurer") to have the payment of the principal of and interest on the Notes insured by a municipal bond insurance policy (the "Policy"). The decision to purchase a municipal bond insurance policy may be at the sole discretion of the Purchaser in connection with the Purchaser's winning bid for the purchase of the Notes. If the Purchaser elects to have the Notes guaranteed by a municipal bond insurance policy, the Purchaser shall be responsible for the payment of the premium for such policy. If the District obtains a commitment from the Insurer to provide the Policy, the final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

### **BOND INSURANCE GENERAL RISKS**

If a Policy is purchased as a result of the District accepting a bid for the Notes that incorporate the acquisition of such a policy, the following are risk factors relating to the bond insurance.

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

Payment of principal of and interest on the Notes is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE NOTES - Default and Remedies"). The Insurer may direct the pursuit of available remedies, and generally must consent to any remedies available to and requested by the Beneficial Owners. In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable from a first and prior lien on and pledge of the Net Revenues derived from the operation of the District's System. In the event the Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Notes.

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

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

Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein.

### **CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS**

Moody's Investors Services, Inc., S&P Global Ratings ("S&P"), 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 Note 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 Notes and the claims-paying ability of any such municipal bond insurer, particularly over the life of the investment.

### **INVESTMENT POLICIES**

The District invests its investable funds in investments authorized by State law, including Chapter 2256, as amended, Texas Government Code (the "Texas Public Funds Investment Act"), and in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.



## Legal Investments

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

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

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

## Investment Policies

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

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

## Current Investments <sup>(1)</sup>

TABLE 1

As of September 30, 2023

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Money Markets	\$1,841,623.89	25%
Other Investments	<u>\$5,409,562.25</u>	<u>75%</u>
Total	<u>\$7,251,156.14</u>	<u>100.00%</u>

<sup>(1)</sup> Unaudited.

## TAX MATTERS

### Tax Exemption

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

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

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

### **Tax Changes**

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

### **Ancillary Tax Consequences**

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

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

### **Tax Accounting Treatment of Discount Notes**

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise

qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

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

### **Tax Accounting Treatment of Premium Notes**

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

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

### **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for financial institutions, stating that such disallowance does not apply to interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District will designate the Notes as "qualified tax-exempt obligations" and will certify its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Notes will not be subject to the 100% disallowance of interest expense allocable to interest on the Notes under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Notes will be reduced by 20% pursuant to section 291 of the Code.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the MSRB. The information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Appendix A to this Official Statement and in Appendix D. The District will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2024. 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. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. 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 described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is September 30. Accordingly, audited financial statements must be provided by March 31 of each year (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 Notes 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 Notes, or other material events affecting the tax status of the Notes, as the case may be; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, 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 any such 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 any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Notes nor the Order make provision for credit enhancement (although the District has applied for a municipal insurance policy on the Notes), or liquidity enhancement.

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

#### **Availability of Information**

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

#### **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 Notes 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 agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Notes may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if the agreement, as amended, would have permitted an underwriter to purchase or sell Notes in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Notes consent or any person unaffiliated with the District (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Notes. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision 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 any Purchaser from lawfully purchasing or selling Notes, respectively, in the primary offering of the Notes.

## Compliance with Prior Undertakings

The District has not previously entered into a continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

## LEGAL MATTERS

### Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Note is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Notes, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Notes is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Notes, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Notes. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE NOTES" (except under the subcaptions, "Use of Note Proceeds", "Sources and Uses of Funds", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Notes for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Notes and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Notes or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Notes will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Notes are contingent on the sale and initial delivery of the Notes. The legal opinion of Bond Counsel will accompany the Notes deposited with DTC or will be printed on the definitive Notes in the event of the discontinuance of the Book-Entry-Only System.

The various legal opinions to be delivered concurrently with the delivery of the Notes express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction 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.

### Litigation

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

### Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Notes, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, counties, school districts and other political subdivisions or public agencies of the State. The Notes are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Notes to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District makes no representation that the Notes will be acceptable to banks, savings and loans associations, or public entities for investment purposes or to secure deposits of public funds. The District has not reviewed the laws in other states to determine whether the Notes are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Notes for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Notes.

## FORWARD LOOKING STATEMENTS

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. It is important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements 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.

## **OTHER PERTINENT INFORMATION**

### **Registration and Qualification of Notes for Sale**

The sale of the Notes has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Notes have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Notes been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Notes under the securities laws of any jurisdiction in which they may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Notes shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

### **Ratings**

Municipal bond rating application for the Notes has been made to S&P. The outcome of the results will be made available as soon as possible. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Notes by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes. The municipal bond rating is not a recommendation to buy, sell, or hold the Notes. The rating fees of S&P will be paid by the District.

### **Authenticity of Financial Information**

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

### **Financial Advisor**

SAMCO Capital Markets, Inc. is employed as a Financial Advisor to the Issuer in connection with the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes and has drafted this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Notes.

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

### **Winning Bidder**

After requesting competitive bids for the Notes, the District accepted the bid of \_\_\_\_\_ (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a [net] original reoffering premium of \$\_\_\_\_\_, plus accrued interest on the Notes from their Dated Date to their date of initial delivery. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

**Certification of the Official Statement**

At the time of payment for and delivery of the Notes, the Purchaser will be furnished a certificate, executed by proper officers of the District, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Notes and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in 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 such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; 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.

**Information from External Sources**

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

**Concluding Statement**

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

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

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

The Order authorizing the issuance of the Notes will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Notes by the Underwriters.

This Official Statement will be approved by the Board for distribution in accordance with the provisions of the Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

/s/

\_\_\_\_\_  
President, Board of Directors

ATTEST:

/s/

\_\_\_\_\_  
Secretary, Board of Directors

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**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**

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**FINANCIAL INFORMATION OF THE ISSUER**

**UTILITY SYSTEM DEBT DATA**

**TABLE 1**

<b>Revenue Bond Debt Principal Outstanding (As of September 30, 2023):</b>	
Co Bank Loans	\$ 4,017,823
Combination Water & Sewer System Revenue Refunding Bonds, Series 2015 (USDA RDA)	2,870,000
Combination Water & Sewer System Revenue Bonds, Series 2017 (TWDB)	12,450,000
Combination Water and Sewer System Revenue Bonds, Series 2023 (TWDB)	1,950,000
Combination Water and Sewer System Revenue Notes, Series 2024	<u>8,050,000</u> *
	\$ 29,337,823

\* Preliminary, subject to change.

**OTHER OBLIGATIONS**

**TABLE 2**

(As of September 30, 2023)

*Promissory Notes*

The District signed promissory notes to purchase water rights from landowners in 2020 for \$4,516,898. The notes require monthly payments of \$40,000 until maturity at January 10, 2030. The effective interest rate on the note is 1.23%. The balance as of September 30, 2023 was \$2,925,600. The District is expected to reduce the principal by \$446,584 in Fiscal Year 2024.

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

**TABLE 3**

*The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.*

	<b>Fiscal Year Ended</b>				
	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Total Revenue	\$ 16,208,315	\$ 16,887,933	\$ 12,193,259	\$ 10,701,779	\$ 8,997,789
Operating Expenses (less	<u>9,490,105</u>	<u>9,103,439</u>	<u>7,495,054</u>	<u>7,285,403</u>	<u>5,601,053</u>
Operating Income (Loss)	<u>\$ 6,718,210</u>	<u>\$ 7,784,494</u>	<u>\$ 4,698,205</u>	<u>\$ 3,416,376</u>	<u>\$ 3,396,736</u>
Total Paid to CRWA Expenses Above	\$ 3,975,769	\$ 3,403,098	\$ 2,786,249	\$ 2,018,705	\$ 1,537,611
Water Connections	6,179	5,979	5,523 *	5,913	5,822
Gallons Billed to Customers	558,694,000	539,781,000	511,009,000	534,554,715	493,493,000

\*The decrease in Water Connections in 2021 is attributable to a transfer of 489 customers to the City of San Marcos when the District sold the Willow Creek area to the City for \$1,144,680.

Source: The District's Comprehensive Annual Financial Reports and information provided by the District.

**FUND BALANCES**

(As of December 31, 2023)

Operating Fund	\$ 2,062,806
Interest and Sinking Fund	937,325
Reserve Fund	934,708
Construction and Capital Projects Fund	<u>1,803,593</u>
<b>Total</b>	<b>\$ <u>5,738,433</u></b>

Source: The District's Comprehensive Annual Financial Reports and information provided by the District.

**UTILITY SYSTEM REVENUE DEBT**

**TABLE 4**

Fiscal Year 30-Sep	Current Total Debt Service <sup>(1)</sup>	The Notes*			Combined Debt Service*
		Principal	Interest <sup>(2)</sup>	Total	
2024	\$ 1,385,882	\$ 70,000	\$ 501,375	\$ 571,375	\$ 1,957,257
2025	1,493,220	175,000	394,625	569,625	2,062,845
2026	1,485,960	185,000	385,625	570,625	2,056,585
2027	1,483,941	195,000	376,125	571,125	2,055,066
2028	1,485,870	205,000	366,125	571,125	2,056,995
2029	1,474,828	215,000	355,625	570,625	2,045,453
2030	1,479,724	225,000	344,625	569,625	2,049,349
2031	1,443,398	240,000	333,000	573,000	2,016,398
2032	1,354,738	250,000	320,750	570,750	1,925,488
2033	1,347,265	265,000	307,875	572,875	1,920,140
2034	1,349,000	275,000	294,375	569,375	1,918,375
2035	1,339,845	290,000	280,250	570,250	1,910,095
2036	1,262,487	305,000	265,375	570,375	1,832,862
2037	1,031,108	320,000	249,750	569,750	1,600,858
2038	1,028,013	340,000	233,250	573,250	1,601,263
2039	1,030,151	355,000	215,875	570,875	1,601,026
2040	1,030,628	375,000	197,625	572,625	1,603,253
2041	1,030,072	395,000	178,375	573,375	1,603,447
2042	1,029,841	410,000	158,250	568,250	1,598,091
2043	1,027,796	435,000	137,125	572,125	1,599,921
2044	265,122	455,000	114,875	569,875	834,997
2045	133,125	480,000	91,500	571,500	704,625
2046	133,416	505,000	66,875	571,875	705,291
2047	132,639	530,000	41,000	571,000	703,639
2048	132,865	555,000	13,875	568,875	701,740
2049	132,864	-	-	-	132,864
2050	132,853	-	-	-	132,853
2051	133,746	-	-	-	133,746
2052	133,580	-	-	-	133,580
2053	133,256	-	-	-	133,256
2054	133,873	-	-	-	133,873
2055	133,395	-	-	-	133,395
2056	133,820	-	-	-	133,820
	\$ 27,458,318	\$ 8,050,000	\$ 6,224,125	\$ 14,274,125	\$ 41,732,443

\* Preliminary; subject to change.

<sup>(1)</sup> Includes the District's CO Bank Loans but excludes amounts owed under take or pay contracts which provide security for bonds issued by Canyon Regional Water Authority and Alliance Regional Water Authority.

<sup>(2)</sup> Interest calculated at an assumed rate for purpose of illustration.

**PRINCIPAL REPAYMENT SCHEDULE**

Fiscal Year Ending 30-Sep	Principal Repayment Schedule			Bonds Unpaid at End of Year*	Percent of Principal Retired (%)*
	Outstanding Bonds	The Notes*	Total*		
2024	\$ 871,929	70,000	\$ 941,929	\$ 28,395,894	3.21%
2025	968,874	175,000	1,143,874	27,252,021	7.11%
2026	985,079	185,000	1,170,079	26,081,942	11.10%
2027	1,007,621	195,000	1,202,621	24,879,322	15.20%
2028	1,035,479	205,000	1,240,479	23,638,843	19.43%
2029	1,052,761	215,000	1,267,761	22,371,082	23.75%
2030	1,086,383	225,000	1,311,383	21,059,700	28.22%
2031	1,081,314	240,000	1,321,314	19,738,386	32.72%
2032	1,021,081	250,000	1,271,081	18,467,305	37.05%
2033	1,041,933	265,000	1,306,933	17,160,371	41.51%
2034	1,073,077	275,000	1,348,077	15,812,294	46.10%
2035	1,094,521	290,000	1,384,521	14,427,773	50.82%
2036	1,048,773	305,000	1,353,773	13,074,000	55.44%
2037	842,000	320,000	1,162,000	11,912,000	59.40%
2038	859,000	340,000	1,199,000	10,713,000	63.48%
2039	882,000	355,000	1,237,000	9,476,000	67.70%
2040	904,000	375,000	1,279,000	8,197,000	72.06%
2041	926,000	395,000	1,321,000	6,876,000	76.56%
2042	949,000	410,000	1,359,000	5,517,000	81.19%
2043	971,000	435,000	1,406,000	4,111,000	85.99%
2044	224,000	455,000	679,000	3,432,000	88.30%
2045	97,000	480,000	577,000	2,855,000	90.27%
2046	100,000	505,000	605,000	2,250,000	92.33%
2047	102,000	530,000	632,000	1,618,000	94.48%
2048	105,000	555,000	660,000	958,000	96.73%
2049	108,000	-	108,000	850,000	97.10%
2050	111,000	-	111,000	739,000	97.48%
2051	115,000	-	115,000	624,000	97.87%
2052	118,000	-	118,000	506,000	98.28%
2053	121,000	-	121,000	385,000	98.69%
2054	125,000	-	125,000	260,000	99.11%
2055	128,000	-	128,000	132,000	99.55%
2056	132,000	-	132,000		100.00%
	<u>\$ 21,287,823</u>	<u>\$ 8,050,000</u>	<u>\$ 29,337,823</u>		

\* Preliminary; subject to change.

**CAPITAL ASSETS**

**TABLE 5**

(As of September 30, 2023)

Capital asset activity for the year ended September 30, 2023 was as follows:

	Beginning Balance		Transfers/ Disposals	Ending Balance 9/30/2023
	10/01/22	Additions		
Land	\$ 727,800	\$ -	\$ -	\$ 727,800
Water Rights	7,079,526	-	-	7,079,526
Building and Improvements	983,582	-	-	983,582
Plant and Distribution System	38,164,543	165,963	5,566,178	43,896,684
Machinery and Equipment	1,211,050	71,907	(47,764)	1,235,193
Construction in Progress	<u>5,249,346</u>	<u>4,538,865</u>	<u>(5,566,178)</u>	<u>4,222,033</u>
Totals	<u>53,415,847</u>	<u>4,776,735</u>	<u>\$ (47,764)</u>	<u>58,144,818</u>
Less: Accumulated Depreciation	<u>(10,413,493)</u>	<u>(1,244,222)</u>	<u>47,764</u>	<u>(11,609,951)</u>
Total Property Plant & Equipment	<u>\$ 43,002,354</u>	<u>\$ 3,532,513</u>	<u>\$ -</u>	<u>\$ 46,534,867</u>

Source: The District's Comprehensive Annual Financial Reports and information provided by the District.

**WATER SOURCE AND FACILITIES****TABLE 6**

The District currently has two Edwards Aquifer Wells with a total capacity of 3200 GPM. Additional water comes from Canyon Regional Water Authority, which the District is a member. Through CRWA, the District has an additional 208 acre feet of water (annually) with capacity of 3500 GPM.

District infrastructure includes 6 booster stations, 6 ground storage tanks, 1 active standpipe, 2 elevated storage tanks, and approximately 350 miles of pipelines.

The District also owns and operates two small Wastewater Treatment Plants, each with a permitted capacity of 100,000 MGD, for two separate single-family residential subdivisions within the District Boundaries.

**HISTORICAL PRODUCTION AND CONSUMPTION DATA****TABLE 7**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Production:					
Gallons pumped into System	804,006,510	688,458,900	714,874,000	690,147,000	690,147,000
Usage:					
Total Water/Wastewater	<u>6,364</u>	<u>6,190</u>	<u>6,062</u>	<u>6,059</u>	<u>5,940</u>
Total Gallons Billed	558,694,000	539,781,000	511,009,000	493,493,000	493,493,000
Average Monthly Usage Per User (Gallons)	7,316	7,267	7,025	6,787	9,682
Percentage Water Loss in System	30.51%	21.60%	28.52%	28.49%	28.49%

Source: The Issuer's annual audit reports (statistical information section) and additional information from Issuer.

**WATER & WASTEWATER RATES****TABLE 8**

[Based on Monthly Billing]

*(Effective November 1, 2023)***WATER CONSUMPTION RATE**

(Rate per 1,000 Gallons)

0 TO 5,000	\$	6.41
5,000.1 to 10,000		7.05
10,000.1 to 20,000		8.39
20,000.1 to 50,000		11.34
50,000.1 to 70,000		14.49
Over 70,000		15.12

**WATER BASE RATE**

(Meter Size)

5/8" x 3/4"	\$	51.91
3/4" x 3/4"		77.87
1"		129.78
1 1/2"		259.55
2"		415.28
3"		1,816.85
4"		3,374.15
6"		7,267.40

**WASTEWATER RATES**

Base Rate	\$	38.94
Water usage > or = 5,000 gallons	60% at \$5.64/1,000	
Water usage < 5,000 gallons	60% at \$5.13/1,000	

**ADDITIONAL FEES**

R&R Depreciation Fee	\$	6.95
CRWA Bond Fee		9.00
TCEQ Regulatory Compliance Fee		1.32
Debt Service Fee		14.00

Source: The Issuers website.

**TOP 10 USERS - 2023****TABLE 9**

<u>Account Name</u>	<u>Average Monthly Consumption</u>	<u>Average Monthly Bill</u>	<u>% of Total</u>
D&R Ranch RV Park	457,742	\$ 6,221	0.98%
Ameritex Pipe & Products	404,041	5,463	0.87%
Ameritex Pipe	357,855	4,797	0.77%
Capital Precast Inc	232,494	3,053	0.50%
Treeside RV LLC	226,899	2,950	0.49%
Dale Lowden Excavating LLC	226,591	2,979	0.49%
Kenneth Hoelscher	199,495	2,568	0.43%
Weisman Equipment CO	165,681	2,153	0.36%
C/O Navarro Ranch HOA	163,776	2,081	0.35%
Hays Energy LLC	139,133	1,781	0.30%
	2,573,707	\$ 34,046	5.53%

As shown in the Fiscal Year 2023 Audit gallons sold were 558,694,000

**EMPLOYEE'S PENSION PLAN****TABLE 10**

Information regarding the District's pension plan can be found within their audit "NOTE G - Texas County and District Retirement System".

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE  
CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
AND HAYS COUNTY, TEXAS**

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## CRYSTAL CLEAR SPECIAL UTILITY DISTRICT

Crystal Clear Special Utility District was originally created as a water supply corporation. On January 14, 2014, by a vote of its members, the Corporation converted to a special utility district. The District's purpose is to provide potable water and wastewater utility service. The District is managed by a seven-member Board of Directors.

## HAYS COUNTY, TEXAS

Hays County was created in 1843 from Travis County. The county is traversed by Interstate Highway 35, U.S Highway 290, State Highways 21 and 123, and ten farm-to-market roads. One of the largest factory outlet malls in the nation is located in San Marcos and generates several million dollars in city, county, and state sales taxes.

### HISTORICAL POPULATIONS

2014	190,691
2015	199,087
2016	207,483
2017	215,879
2018	224,275
2019	232,671
2020	241,067
2021	249,463
2022	257,859
2023	266,255
2024	274,651

*Source: World Population Review website.*

### LABOR FORCE AVERAGE ANNUAL STATISTICS

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Civilian Labor Force	143,948	138,543	130,916
Total Employed	139,826	134,363	125,498
Total Unemployed	4,122	4,180	5,418
Unemployment Rate	2.9%	3.0%	4.1%
% U.S. Unemployment	3.5%	3.6%	5.3%
Texas Unemployment	3.5%	3.9%	5.6%

*Source: Texas Workforce Commission.*

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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March 20, 2024

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United States

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**DRAFT**

IN REGARD to the authorization and issuance of the “Crystal Clear Special Utility District Combination Water and Sewer System Revenue Notes, Series 2024” (the *Notes*), dated March 1, 2024, in the aggregate principal amount of \$\_\_\_\_\_, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Crystal Clear Special Utility District (the *Issuer*). The *Notes* are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The *Notes* have Stated Maturities of December 1 in each of the years 20\_\_ through 20\_\_, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the *Notes*. Interest on the *Notes* accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the *Notes*. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the *Order*.

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

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

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Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of CRYSTAL CLEAR SPECIAL UTILITY DISTRICT COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024**

information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

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

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

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

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



**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of CRYSTAL CLEAR SPECIAL UTILITY DISTRICT COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024**

supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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**APPENDIX D**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023**

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the Annual Financial Report for further information)

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**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2023**

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :

COUNTY OF HAYS :

I, \_\_\_\_\_, of Crystal Clear Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Trustees on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, its annual audit report of the fiscal period ended September 30, 2023, and that copies of the annual audit report have been filed in the District's office located at 2370 FM 1979, San Marcos, TX 78666.

This annual filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_  
(Signature of District Official)

\_\_\_\_\_  
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
(Signature of Notary)

Commission expires on \_\_\_\_\_, \_\_\_\_\_  
Notary Public in the State of Texas



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Crystal Clear Special Utility District  
San Marcos, TX

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

***Opinion***

We have audited the accompanying financial statements of the Crystal Clear Special Utility District, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Crystal Clear Special Utility 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 Crystal Clear Special Utility District, as of September 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Crystal Clear 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***

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

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



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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule and schedules of changes in pension liability and related employer contributions 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.

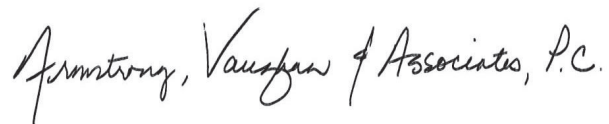
### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Clear Special Utility District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2024 on our consideration of Crystal Clear Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Crystal Clear Special Utility District's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.  
January 18, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Crystal Clear Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District's total net position was \$33.5 million at September 30, 2023, an increase of \$5.1 million. The increase was the result of significant connection fees collected from new developments in the area and increased billing rates.
- During the year, the District's operating revenues were \$731 thousand more than the \$10.7 million in operating expenses.
- No new debt was issued.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), *the basic financial statements, required supplementary information*, and *supplementary information required by the Texas Commission on Environmental Quality*. The basic financial statements consist of the following statements:

- The *Statement of Net Position* shows the financial standing of the District as of the end of the year, including all assets and liabilities.
- The *Statement of Revenues, Expenses and Changes in Net Position* provides information about the activity of the District during the fiscal year. It reports revenues when incurred, regardless of when they are received, and expenses when incurred, regardless of when they are paid.
- The *Statement of Cash Flows* reports the sources and uses of cash during the fiscal year.

The financial statements also include notes that explain a few of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The final section of supplementary information provides even more information required by TCEQ.

### FINANCIAL ANALYSIS OF THE DISTRICT

Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

The District's combined net position was \$33.5 million at September 30, 2023. Of this amount, \$27.0 million was invested in capital assets, leaving an unrestricted net position of \$4.6 million. (See Table A-1).

**Table A-1**  
District's Net Position

	2023	2022	Percentage Change
<i>Assets:</i>			
Cash and Investments	\$ 5,436,118	\$ 5,061,790	7%
Other Current Assets	2,837,835	2,007,709	41%
Other Assets	5,916,035	5,963,952	-1%
Capital Assets (Net)	46,534,867	43,002,354	8%
<i>Total Assets</i>	<u>60,724,855</u>	<u>56,035,805</u>	8%
<i>Deferred Outflows</i>	<u>183,408</u>	<u>129,084</u>	42%
<i>Liabilities:</i>			
Current	6,509,815	5,470,074	19%
Long Term	20,944,924	22,263,557	-6%
<i>Total Liabilities</i>	<u>27,454,739</u>	<u>27,733,631</u>	-1%
<i>Deferred Inflows</i>	<u>2,724</u>	<u>110,109</u>	-98%
<i>Net Position:</i>			
Net Investment in Capital Assets	27,020,922	24,027,245	12%
Restricted	1,820,817	353,525	415%
Unrestricted	4,609,061	3,940,379	17%
<i>Total Net Position</i>	<u>\$ 33,450,800</u>	<u>\$ 28,321,149</u>	18%

The District's total operating revenues were \$11.5 million, an increase of 17% over the prior year. The increase is the result of increased rates but also significant growth in the customer base. The operating expenses were \$10.7 million, an increase of 5% over the prior year. Legal and professional fees decreased but personnel and water purchases increased. Non-operating revenues decreased as connection and installation fees for new service were not as high as the previous year. (See Table A-2)

**Table A-2**  
Changes in District Net Position

	2023	2022	Percentage Change
Operating Revenues	\$ 11,465,570	\$ 9,831,095	17%
Operating Expenses	<u>(10,734,327)</u>	<u>(10,249,909)</u>	5%
Operating Income (Loss)	731,243	(418,814)	-275%
Non-operating Income (Expense)	<u>4,398,408</u>	<u>6,475,012</u>	-32%
Change in Net Position	5,129,651	6,056,198	-15%
Net Position at Beginning of Year	28,321,149	22,264,951	
Net Position at End of Year	<u>\$ 33,450,800</u>	<u>\$ 28,321,149</u>	

## BUDGETARY HIGHLIGHTS

District revenues exceeded expectations in the budget by \$984 thousand. Operating expenses were \$790 thousand under budget, primarily in personnel. Connection fees from new developments were \$1.2 million more than expected and capital spending to service these new accounts was \$2.4 million over budget. Capital spending is difficult to predict because it is dependent upon how quickly construction occurs. These differences led to a net increase in budgetary net position of \$300 thousand, compared to a budgeted decrease of \$876 thousand.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

As of September 30, 2023, the District had invested \$58.1 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. Significant additions in 2023 include ongoing engineering and construction for the Texas Water Development Board project. (See Table A-3.) More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Table A-3**  
District's Capital Assets

	2023	2022	Percentage Change
Land	\$ 727,800	\$ 727,800	0%
Water Rights	7,079,526	7,079,526	0%
Building and Improvements	983,582	983,582	0%
Plant and Distribution System	43,896,684	38,164,543	15%
Machinery and Equipment	1,265,193	1,211,050	4%
Construction in Progress	<u>4,222,033</u>	<u>5,249,346</u>	<u>-20%</u>
Totals at Historical Cost	<u>58,174,818</u>	<u>53,415,847</u>	<u>9%</u>
Total Accumulated Depreciation	<u>(11,639,951)</u>	<u>(10,413,493)</u>	<u>12%</u>
Net Capital Assets	<u>\$ 46,534,867</u>	<u>\$ 43,002,354</u>	<u>8%</u>

### Long-Term Debt

At year-end, the District had \$22.3 million in principal outstanding on bonded debt and notes. No new debt was issued in 2023. However, the District plans to incur debt in 2024 to continue needed expansion to service new customers. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-4**  
District's Long Term Debt

	2023	2022	Percentage Change
Bonds Payable	\$ 15,320,000	\$ 15,887,000	-4%
Notes Payable	<u>6,943,423</u>	<u>7,673,977</u>	<u>-10%</u>
Total Long-Term Debt	<u>\$ 22,263,423</u>	<u>\$ 23,560,977</u>	<u>-6%</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2024 budget contemplates continued expenditures from the 2017 Texas Water Development Board Bonds for the Capital Improvement Plan. 2024 is the fourth year of a five year rate plan to help fund the cost of capital improvements. Base rates will increase for 2024 as well as increases in consumption rates. Rapid development in the area continues to put demands on the District's system and the District issued \$1.95 million in additional bonds in November 2023 to complete the 2017 planned TWDB projects. Another \$8 million is expected to be issued in 2024 to start additional system improvements.

## **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 money it receives. If you have questions about this report or need additional financial information, contact the District at 2370 FM 1979, San Marcos, TX 78666.

## BASIC FINANCIAL STATEMENTS

The basic financial statements include:

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

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2023

**ASSETS**

*Current Assets:*

Cash and Cash Equivalents	\$ 5,436,118
Accounts Receivable (net)	2,805,548
Prepaid Expense	32,287
<i>Total Current Assets</i>	8,273,953

*Other Assets:*

Restricted Cash for Construction	3,945,492
Restricted Cash for Debt Service	923,647
Restricted Cash for Debt Reserve	926,290
Net Pension Asset	120,606
<i>Total Other Assets</i>	5,916,035

*Capital Assets (net)*

46,534,867

**TOTAL ASSETS**

60,724,855

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Pension Related Outflows	183,408
-----------------------------------	---------

**LIABILITIES**

*Current Liabilities:*

Accounts Payable	1,943,830
Payroll Liabilities	15,242
Accrued Wages	20,744
Customer Deposits	1,174,950
Accrued Interest, Payable from Restricted Assets	149,726
Accrued Compensated Absences	65,586
Payable to Canyon Regional Water Authority	1,821,238
Bonds and Notes Payable - Current	1,318,499
<i>Total Current Liabilities</i>	6,509,815

*Long-term Liabilities:*

Bonds and Notes Payable - Net of Current Portion	20,944,924
<i>Total Long-term Liabilities</i>	20,944,924
<b>TOTAL LIABILITIES</b>	27,454,739

**DEFERRED INFLOWS OF RESOURCES**

Deferred Pension Related Inflows	2,724
----------------------------------	-------

**NET POSITION**

Net Investment in Capital Assets	27,020,922
Restricted:	
Net Pension Asset	120,606
Debt Service and Debt Reserve	1,700,211
Unrestricted	4,609,061
<b>TOTAL NET POSITION</b>	\$ 33,450,800



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**OPERATING REVENUES**

Water Sales	\$ 10,847,113
Wastewater Charges	135,125
Other Charges	483,332
<b>TOTAL OPERATING REVENUES</b>	<u>11,465,570</u>

**OPERATING EXPENSES**

Water Purchase	4,635,473
Personnel	2,448,881
Depreciation	1,244,222
Operations and Maintenance	878,225
Professional Fees	800,908
Admin Expenses	257,766
Vehicles and Equipment	225,208
Utilities	142,864
Insurance	100,780
<b>TOTAL OPERATING EXPENSES</b>	<u>10,734,327</u>

<b>OPERATING INCOME (LOSS)</b>	<u>731,243</u>
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**NON-OPERATING REVENUES (EXPENSES)**

Interest Income	409,047
Impact and Installation Fees	4,333,698
Other Revenues	200,116
Interest Expense	(544,453)
<b>TOTAL NON-OPERATING REVENUES</b>	<u>4,398,408</u>

<b>CHANGE IN NET POSITION</b>	5,129,651
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Net Position at Beginning of Year	<u>28,321,149</u>
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Net Position at End of Year	<u>\$ 33,450,800</u>
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CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 10,739,674	
Cash Payments to Suppliers for Goods and Services	(6,096,503)	
Cash Payments to Employees for Services	<u>(2,488,725)</u>	
<b>Net Cash Provided (Used) by Operating Activities</b>		<u>2,154,446</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>		
Principal Payments on Bonds and Notes Payable	(1,297,554)	
Impact and Installation Fees	4,333,698	
Interest Paid	(553,964)	
Purchase of Property, Plant and Equipment	<u>(4,776,735)</u>	
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		<u>(2,294,555)</u>
 <b>Cash Flows from Investing Activities</b>		
Interest and Investment Income	409,047	
Other Cash Receipts	<u>200,116</u>	
<b>Net Cash Provided (Used) by Investing Activities</b>		<u>609,163</u>
 Net Increase (Decrease) in Cash and Cash Equivalents		 469,054
 <b>Beginning Cash and Cash Equivalents</b>		
Unrestricted	2,113,451	
Restricted	<u>8,649,042</u>	<u>10,762,493</u>
 <b>Ending Cash and Cash Equivalents</b>		
Unrestricted	5,436,118	
Restricted	<u>5,795,429</u>	<u>\$ 11,231,547</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

**Reconciliation of Operating Income to Net Cash Provided (Used)  
by Operating Activities**

Operating Income (Loss)	\$ 731,243
Adjustments to Reconcile Income from Operations to Net Cash	
Provided by Operating Activities:	
Depreciation	1,244,222
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(855,896)
(Increase) Decrease in Other Receivables	51,475
(Increase) Decrease in Prepaid Expenses	(25,705)
(Increase) Decrease in Deferred Pension Related Outflows	(54,324)
Increase (Decrease) in Accounts Payable	918,951
Increase (Decrease) in Payroll Liabilities	(44,518)
Increase (Decrease) in Customer Deposits	130,000
Increase (Decrease) in Accrued Compensated Absences	23,740
Increase (Decrease) in Net Pension Liability/Asset	142,643
Increase (Decrease) in Deferred Pension Related Inflows	(107,385)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ 2,154,446</u></b>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2023

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

Crystal Clear Special Utility District (the “District”) was created pursuant to Texas Senate Bill 116, 83<sup>rd</sup> Legislature, R.S. (2013), further codified in Texas Special District Local Laws Code Chapter 7206, enacted under the authority granted to the Texas Legislature in Texas Constitution article XVI Section 59. Prior to that date the District operated as a Water Supply Corporation. The District was organized to furnish potable water and wastewater utility services. The District is managed by a Board of Directors consisting of seven members elected by voters residing in the District’s boundaries. The District serves customers in Hays, Comal and Guadalupe counties.

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

**1. REPORTING ENTITY**

In evaluating how to define the government for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement 14, “The Financial Reporting Entity” and GASB Statement 39 “Determining Whether Certain Organizations are Component Units”. The definition of the reporting entity is based primarily on the concept of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization’s governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The District has no component units.

**2. ENTERPRISE FUND**

The District is an enterprise fund. Enterprise funds are proprietary funds used to account for business-type activities provided to the general public or other governmental entities. The activities are financed by charges to customers and the measurement of financial activity focuses on net income similar to the private sector. Revenues are recognized when earned, and expenses are recognized when incurred.

**3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

Revenues are classified as *operating* and *non-operating*. Operating revenues include charges to customers for water and wastewater services. Non-operating revenues include customer charges for capital expansion and interest income.

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

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. CASH AND INVESTMENTS**

State statutes authorize the District to invest in (a) obligations of the United States or its agencies, and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) – (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations.

Investments are stated at fair value (plus accrued interest) except for money market, certificates of deposit, local government investment pools, and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost, which approximates fair value.

The District considers cash and cash equivalents to be amounts in checking accounts, savings accounts, money market accounts, and local government investment pools.

**5. ACCOUNTS RECEIVABLE**

Customers are billed monthly for services and recorded as revenue in the period of the service. Often bills are issued in subsequent months for water consumption in the previous month. Revenue earned in a previous period is recorded as an unbilled receivable at the end of each period. Accounts receivable consists of amounts due from customers for services rendered and is presented net of an allowance for doubtful accounts based on management's estimate.

**6. INVENTORY**

Inventory consists of pipe, fittings, pumps and meters. Inventory is reported at the lower of cost or market based on the first in-first out method.

**7. PREPAID EXPENSES**

Expenses paid during the year that have a benefit beyond the current fiscal year are recorded on the balance sheet as prepaid expenses.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. CAPITAL ASSETS**

Capital assets, which include land, buildings and improvements, equipment, water rights, and water plant and distribution systems, are recorded at cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Interest has been capitalized during the construction periods on water plant and distribution systems. Purchases in excess of \$5,000 with a useful life in excess of one year are capitalized and depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	10 to 50 years
Equipment	3 to 10 years
Water Plants and Distribution Systems	20 to 50 years

**9. DEFERRED INFLOWS AND OUTFLOWS**

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

**10. CUSTOMER DEPOSITS**

Upon the creation of a new account, customers make a deposit toward their final bill. The amount is recorded as customer deposits liability on the Statement of Net Position.

**11. LONG-TERM OBLIGATIONS**

Bonds, notes and capital leases are recorded as liabilities on the statement of net position. Bond issue costs and premiums are expensed in the period they are incurred. Bonds payable are reported net of the applicable bond premium or discount. Interest costs are expensed during the construction period.

**12. NET POSITION**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. When expenses qualify for restricted and unrestricted resources, the District's policy is to use restricted resources first.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

13. PENSION

The net pension liability (asset), deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

14. BUDGET

An operating budget is adopted each fiscal year for the District. The budget is adopted on a cash basis of accounting internally and converted to accrual basis for financial reporting. Additional budgetary information is provided in the required supplementary information.

15. USE OF ESTIMATES

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

**NOTE B -- CASH AND INVESTMENTS**

1. Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2023, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities. All of the District's deposits were fully collateralized.

2. Investments

As of September 30, 2023, the District's investments consisted of Texas Class local government investment pools presented at net asset value. The Texas Class pool maintains a AAAM rating and a stable net asset value of \$1.00 per share. Texas Class is a 2a7-like pool which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the Texas Class is reported at \$1 per share, which approximates fair value and is included in cash and cash equivalents. The amount invested in Texas Class at September 30, 2023 is \$3,757,244.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE C -- RESTRICTED CASH AND EQUIVALENTS**

Restricted cash consists of a debt service and loan reserve related to the United States Department of Agriculture (USDA) Series 2015 Revenue Bonds and Texas Water Development Board (TWDB) 2017 Revenue Bonds. The District is required to make monthly transfers to these accounts up to certain limits and may only spend the balances on debt service or USDA/TWDB approved activities.

In addition, the proceeds of the 2017 bonds are held in escrow for construction and are released only upon approval by the TWDB.

**NOTE D -- ACCOUNTS RECEIVABLE**

District receivables as of September 30, 2023, consisted of the following:

Customer Balances	\$	1,209,726
Unbilled Services Rendered		1,297,264
Bulk Water Agreement		370,659
Allowance for Uncollectible Accounts		<u>(72,101)</u>
Total Accounts Receivable (net)	\$	<u><u>2,805,548</u></u>

**NOTE E -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balances at 10/1/2022	Additions	Transfers/ Disposals	Balances at 9/30/2023
Land	\$ 727,800	\$ -	\$ -	\$ 727,800
Water Rights	7,079,526	-	-	7,079,526
Building and Improvements	983,582	-	-	983,582
Plant and Distribution System	38,164,543	165,963	5,566,178	43,896,684
Machinery and Equipment	1,211,050	71,907	(17,764)	1,265,193
Construction in Progress	5,249,346	4,538,865	(5,566,178)	4,222,033
	<u>53,415,847</u>	<u>4,776,735</u>	<u>(17,764)</u>	<u>58,174,818</u>
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(350,509)	(24,916)	-	(375,425)
Plant and Distribution System	(9,101,383)	(1,099,057)	-	(10,200,440)
Machinery and Equipment	(961,601)	(120,249)	17,764	(1,064,086)
	<u>(10,413,493)</u>	<u>(1,244,222)</u>	<u>17,764</u>	<u>(11,639,951)</u>
Capital Assets, Net	<u>\$ 43,002,354</u>	<u>\$ 3,532,513</u>	<u>\$ -</u>	<u>\$ 46,534,867</u>

Land, Water Rights and Construction in Progress are not depreciated.



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE F -- LONG-TERM DEBT**

The District's long-term debt activity as of and for the year ending September 30, 2023 is as follows:

Bonds Payable, Series	Balance			Balance Outstanding 9/30/2023
	Outstanding 10/1/2022	Additions	Retirements	
Notes and Bonds	\$ 23,560,977	\$ -	\$ (1,297,554)	\$ 22,263,423
Net Pension Liability (Asset)	(263,249)	345,786	(203,143)	(120,606)
Compensated Absences	41,846	65,586	(41,846)	65,586
Totals	<u>\$ 23,339,574</u>	<u>\$ 411,372</u>	<u>\$ (1,542,543)</u>	<u>\$ 22,208,403</u>

The District's bond and note activity as of and for the year ending September 30, 2023 is as follows:

Bonds Payable, Series	Balance			Balance Outstanding 9/30/2023	Due Within One Year
	Outstanding 10/1/2022	Additions	Retirements		
CoBank Notes	\$ 4,307,258	\$ -	\$ (289,435)	\$ 4,017,823	\$ 298,915
Promissory Notes	3,366,719	-	(441,119)	2,925,600	446,584
Revenue Bonds, Series 2015	2,922,000	-	(52,000)	2,870,000	53,000
Revenue Bonds, Series 2017	12,965,000	-	(515,000)	12,450,000	520,000
Totals	<u>\$ 23,560,977</u>	<u>\$ -</u>	<u>\$ (1,297,554)</u>	<u>\$ 22,263,423</u>	<u>\$ 1,318,499</u>

All debt was privately placed with no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Bonds Payable

Combination Water and Sewer System Revenue Refunding Bonds, Series 2015 were issued by the District in July 2016 to pay off short term borrowings for construction of system improvements. The bonds were purchased at closing by the United States Department of Agriculture. The bonds bear interest at 2.75% and mature serially through December 1, 2055.

Combination Water and Sewer System Revenue Bonds, Series 2017 were issued by the District in November 2017 to fund system improvements. The bonds were placed with the Texas Water Development Board. The bonds bear interest at rates ranging from 0.02% to 2.33% and mature serially through December 1, 2043.

The bonds require debt service and reserve accounts to which the District has complied.

CoBank Notes

The District signed promissory notes with CoBank to refinance existing notes in 2015. The CoBank notes bear interest at 4.1-4.4% and require quarterly payments of interest and principal until maturity on April 20, 2036. The notes require the District to maintain debt service coverage and debt to capitalization ratios to which the District has complied.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE F -- LONG-TERM DEBT** (Continued)

Promissory Notes

The District signed promissory notes to purchase water rights from landowners in 2020 for \$4,516,898. The notes require monthly payments of \$40,000 until maturity at January 10, 2030. The notes bear interest at an effective rate of 1.23%.

The annual requirements to amortize all outstanding privately-placed debt as of September 30, 2023, including interest payments, are as follows:

Year End September 30,	Principal Payments	Interest Payments	Total
2024	\$ 1,318,499	\$ 532,951	\$ 1,851,450
2025	1,346,073	506,174	1,852,247
2026	1,368,069	478,086	1,846,155
2027	1,396,476	448,329	1,844,805
2028	1,425,308	417,229	1,842,537
2029-2033	5,489,648	1,618,638	7,108,286
2034-2038	4,416,350	934,244	5,350,594
2039-2043	4,047,000	442,447	4,489,447
2044-2048	498,000	166,899	664,899
2049-2053	573,000	93,298	666,298
2054-2056	385,000	16,088	401,088
Total	<u>\$ 22,263,423</u>	<u>\$ 5,654,383</u>	<u>\$ 27,917,806</u>

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

Plan Description

The District participates as one of 830 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2023

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed more than the actuarially determined rate of 3.75% and 3.67% for the calendar years of 2022 and 2023, respectively.

The contribution rate payable by the employee members is 7% and the District matches 1 to 1 as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the District, within the options available in the state statutes governing TCDRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the District-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2022
Inactive Employees Receiving Benefits	3
Inactive Employees	23
Active Employees	26
	52

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	13.6 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation

The long-term expected rate of return on pension plan investments is 7.50%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Real Rate of Return (Geometric)</u>
US Equities	11.50%	4.95%
Private Equity	25.00%	7.95%
Global Equities	2.50%	4.95%
International Equities - Developed	5.00%	4.95%
International Equities - Emerging	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships (MLPs)	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%
	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following presents the net pension liability of the District, calculated using the discount rate of 7.60%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.60%) or 1-percentage point higher (8.60%) than the current rate:

	<u>Discount Rate 6.60%</u>	<u>Discount Rate 7.60%</u>	<u>Discount Rate 8.60%</u>
Net Pension Liability (Asset)	\$ 120,079	\$ (120,606)	\$ (309,997)

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2022:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2021	\$ 941,809	\$ 1,205,058	\$ (263,249)
Changes for the year:			
Service Cost	171,090	-	171,090
Interest on total pension liability	81,880	-	81,880
Change of Benefit Terms	-	-	-
Economic/Demographic gains or losses	12,419	-	12,419
Changes of Assumptions	-	-	-
Refund of Contributions	(56,477)	(56,477)	-
Benefit Payments	(15,907)	(15,907)	-
Administrative Expense	-	(736)	736
Member Contributions	-	121,615	(121,615)
Net Investment Income	-	(80,397)	80,397
Employer Contributions	-	65,151	(65,151)
Other	-	17,113	(17,113)
Net Changes	193,005	50,362	142,643
Balance at December 31, 2022	\$ 1,134,814	\$ 1,255,420	\$ (120,606)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained at [www.tcdrs.com](http://www.tcdrs.com).

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE G -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the District recognized pension expense of \$49,133. Also as of September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Outflows of of Resources	Deferred Inflows Inflows of of Resources
Differences between Expected and Actual Economic Experience	\$ 45,994	\$ 2,099
Changes in Actuarial Assumptions	26,479	625
Differences Between Projected and Actual Investment Earnings	61,664	-
Contributions Subsequent to the Measurement Date	49,271	-
	\$ 183,408	\$ 2,724

Deferred outflows of resources in the amount of \$49,271 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year ended December 31,		
2023	\$	28,788
2024		31,539
2025		31,576
2026		37,441
2027		2,069
Thereafter		-
	\$	131,413

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2023

**NOTE H -- JOINT VENTURE – CANYON REGIONAL WATER AUTHORITY**

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional taxable water supply contract dated August 1, 1998. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 13, are contractually obligated to fund a pro-rata portion of CRWA’s operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 7%). For the fiscal year ended September 30, 2023, CRWA reported assets of \$183 million and liabilities of \$124 million, including bonds payable of \$114 million. Annual required funding payments are recorded as water purchases.

In addition, CRWA is a member of Alliance Regional Water Authority under a similar arrangement. In 2014, the District agreed to reimburse CRWA for 53.52% of CRWA’s share of Alliance in exchange for the future water developed by Alliance. The agreement required the District to fund the annual requirements in addition to the past costs incurred by CRWA in relation to the Alliance project. The District makes regular contributions for annual funding, but is not required at this time to make payments on the prior costs, which are recognized as a liability on the Statement of Net Position in the amount of \$1,821,238. The District is responsible for approximately 16% of Alliance’s budget and debt. For the fiscal year ended September 30, 2022 (the most recent year available), Alliance reported assets of \$363 million and liabilities of \$276 million, including bonds payable of \$231 million. Annual required funding payments are recorded as water purchases.

Furthermore, the District entered into a reservation agreement with a development neighboring the District’s CCN. The reservation agreement reserves 20.19% of the District’s 53.52% of the Alliance responsibility and benefits. The development is billed monthly their share of the costs resulting from the Alliance project as a reservation fee.

**NOTE I -- COMMITMENTS**

As of September 30, 2023, the District had the following commitments related to construction projects:

	Total Commitment	Expended to Date	Estimated Remaining
Construction	\$ 6,383,027	\$ 2,834,493	\$ 3,548,534
Engineering	641,767	475,253	166,514
	\$ 7,024,794	\$ 3,309,746	\$ 3,715,048

**NOTE J -- LITIGATION**

The District is subject to various claims regarding easements, decertifications from the District’s CCN, water rights and impact fees. If decided adversely to the District, the outcomes would not be expected to have a significant impact on these financial statements. No loss contingencies have been recorded.



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2023

**NOTE K -- SUBSEQUENT EVENT**

In November 2023, the District issued \$1.95 million in bonds through the Texas Water Development Board to complete the capital projects planned as part of the 2017 bond series. The bonds mature serially through 2043 and bear interest at rates ranging from 2.6% to 3.49%.

REQUIRED SUPPLEMENTARY INFORMATION

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget- Positive (Negative)
	Original	Final		
<b>Operating Revenues:</b>				
Water Sales	\$ 9,930,338	\$ 9,930,338	\$ 10,847,113	\$ 916,775
Waterwater Charges	129,800	129,800	135,125	5,325
Other Charges	421,100	421,100	483,332	62,232
<b>Total Operating Revenues</b>	10,481,238	10,481,238	11,465,570	984,332
<b>Operating Expenses:</b>				
Water Purchase	4,855,500	4,855,500	4,635,473	220,027
Personnel	2,863,200	2,863,200	2,448,881	414,319
Operations and Maintenance	789,500	789,500	878,225	(88,725)
Professional Fees	1,011,200	1,011,200	800,908	210,292
Admin Expenses	312,500	312,500	257,766	54,734
Vehicles and Equipment	214,500	214,500	225,208	(10,708)
Utilities	134,000	134,000	142,864	(8,864)
Insurance	100,000	100,000	100,780	(780)
<b>Total Operating Expenses</b>	10,280,400	10,280,400	9,490,105	790,295
<b>Operating Income (Loss)</b>	200,838	200,838	1,975,465	1,774,627
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	500	500	409,047	408,547
Capital, Impact and Installation Fees	3,114,784	3,114,784	4,333,698	1,218,914
Other Revenues	30,000	30,000	200,116	170,116
Capital Purchases	(827,000)	(2,348,000)	(4,776,735)	(2,428,735)
Principal & Interest on Long-Term Debt	(1,874,000)	(1,874,000)	(1,842,007)	31,993
<b>Non-Operating Revenues</b>	444,284	(1,076,716)	(1,675,881)	(599,165)
<b>Budgetary Net Income</b>	\$ 645,122	\$ (875,878)	\$ 299,584	\$ 1,175,462

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The budget is prepared on a modified accrual basis of accounting. The annually adopted budget is not a legally binding document, but is used as a planning tool. The District does not use encumbrance accounting.

The following schedule reconciles the budgetary basis to generally accepted accounting principles.

Net Income (Budgetary Basis)	\$ 299,584
Bond Principal Payments	1,297,554
Capital Purchases	4,776,735
Depreciation	<u>(1,244,222)</u>
Change in Net Position (GAAP Basis)	<u><u>\$ 5,129,651</u></u>

**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**  
**FOR THE SEVEN PLAN (CALENDAR) YEARS**

Total Pension Liability						
	2016	2017	2018	2019	2020	2021
Service Cost	\$ 51,116	\$ 81,798	\$ 86,710	\$ 123,711	\$ 158,386	\$ 202,735
Interest (on the Total Pension Liability)	2,030	10,608	16,376	28,758	46,210	66,917
Changes of Benefit Terms	-	-	-	-	-	5,111
Difference between Expected and Actual Experience	44	(9,839)	32,719	37,023	15,018	(3,499)
Change of Assumptions	-	(83)	-	-	52,960	(1,041)
Benefit Payments, Including Refunds of Employee Contributions	-	(8,217)	(24,475)	(15,225)	(1,929)	(12,112)
Net Change in Total Pension Liability	53,190	74,267	111,330	174,267	270,645	258,111
Total Pension Liability - Beginning	-	53,190	127,457	238,787	413,054	683,699
Total Pension Liability - Ending	\$ 53,190	\$ 127,457	\$ 238,787	\$ 413,054	\$ 683,699	\$ 941,810
						\$ 1,134,815

Plan Fiduciary Net Position						
	2016	2017	2018	2019	2020	2021
Contributions - Employer	\$ 17,706	\$ 32,415	\$ 45,759	\$ 113,104	\$ 129,487	\$ 123,901
Contributions - Employee	32,109	58,016	82,279	64,636	129,487	123,901
Net Investment Income	-	8,704	(1,498)	40,473	47,605	195,665
Benefit Payments, Including Refunds of Employee Contributions	-	(8,217)	(24,475)	(15,225)	(1,929)	(12,112)
Administrative Expense	-	(95)	(199)	(347)	(562)	(652)
Other	754	1,101	3,101	5,627	7,651	6,889
Net Change in Plan Fiduciary Net Position	50,569	91,924	104,967	208,268	311,739	437,592
Plan Fiduciary Net Position - Beginning	-	50,569	142,493	247,460	455,728	767,467
Plan Fiduciary Net Position - Ending	\$ 50,569	\$ 142,493	\$ 247,460	\$ 455,728	\$ 767,467	\$ 1,205,059

Net Pension Liability (Asset) - Ending	\$ 2,621	\$ (15,036)	\$ (8,673)	\$ (42,674)	\$ (83,768)	\$ (263,249)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.07%	111.80%	103.63%	110.33%	112.25%	127.95%
Covered Payroll	\$ 458,699	\$ 828,805	\$ 1,175,420	\$ 1,615,767	\$ 1,849,808	\$ 1,770,017
Net Pension Liability as a Percentage of Covered Payroll	0.57%	-1.81%	-0.74%	-2.64%	-4.53%	-14.87%

The District began participating in the plan in 2016. Information will be accumulated until ten years are presented.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
LAST EIGHT FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions As Percent of Payroll
2023	\$ 68,178	\$ 68,178	-	\$ 1,846,714	3.69%
2022	55,490	77,187	(21,697)	1,872,864	4.12%
2021	49,740	131,100	(81,360)	1,872,864	7.00%
2020	56,085	114,509	(58,424)	1,831,356	6.25%
2019	55,134	55,134	-	1,384,658	3.98%
2018	41,861	41,923	(62)	1,077,933	3.89%
2017	29,934	29,934	-	775,492	3.86%
2016	11,039	11,039	-	285,984	3.86%

**Valuation Timing:**

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	13.6 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retiree Table for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010.
Changes in Assumptions	2015: New inflation, mortality and other assumptions 2017: New mortality assumptions 2019: New inflation, mortality and other assumptions 2022: New investment return and inflation assumptions were reflected
Changes in Plan Provisions	2017: New annuity purchase rates

The District began participating in the plan in 2016. Information will be accumulated until ten years are presented.

## SUPPLEMENTARY INFORMATION

The following Supplementary Information is required to be included as additional information by the Texas Commission on Environmental Quality (TCEQ).

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES  
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

**1. Services Provided by the District during the Fiscal Year:**

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

**2. Retail Service Providers**

Retail Rates for a 5/8" Meter	Minimum Charge	Minimum Usage	Flat Rate	Rate per 1,000 Gallons Over Minimum	Usage Level
Water	\$ 82.23	N/A	No	\$ 5.94	0 to 5,000
				\$ 6.53	5,000 to 10,000
				\$ 7.77	10,000 to 20,000
				\$ 10.50	20,000 to 50,000
				\$ 13.41	50,000 to 70,000
				\$ 14.00	Over 70,000
Wastewater	\$ 37.09	N/A	No	\$ 3.22	0 to 5,000
				\$ 2.93	Over 5,000
Surcharge	\$ -			\$ -	

District employs winter averaging for wastewater usage? No

Total Charges per 10,000 gallons usage:

Water	<u>\$ 144.58</u>
Wastewater	<u>\$ 67.84</u>

**Water and Wastewater Retail Connections**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	1.0	0
<=3/4"	6,102	6,102	1.0	6,102
1"	37	37	2.5	93
1 1/2"	4	4	5.0	20
2"	15	15	8.0	120
3"	19	19	15.0	285
4"	2	2	25.0	50
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>6,179</u>	<u>6,179</u>		<u>6,670</u>
Total Wastewater	<u>185</u>	<u>185</u>	1.0	<u>185</u>



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES (CONTINUED)  
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

**3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):**

Gallons pumped into system	804,006,510		Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	558,694,000		69%

**4. Standby Fees (authorized only under TWC Section 49.231):**

Does the District have Debt Service standby Fees? Yes  No

If yes, Date of the most recent Commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees? Yes  No

If yes, Date of the most recent Commission Order: \_\_\_\_\_

**5. Location of District:**

Counties in which the District is located: Guadalupe, Comal, Hays

Is the District located entirely within one county? Yes  No

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

Cities in which the District is located: San Marcos, Seguin, New Braunfels

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

ETJs in which the District is located: San Marcos, Seguin, New Braunfels

Are Board members appointed by an office outside the district? Yes  No

If Yes, by whom? \_\_\_\_\_

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-2. ENTERPRISE FUND EXPENSES  
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

<b>Personnel Expenditures</b> (including benefits)		\$	2,448,881
<b>Professional Fees:</b>			
Legal			398,979
Engineering			272,549
Accounting and Audit			15,350
Other			114,030
<b>Water and Transmission Costs</b>			4,635,473
<b>Utilities</b>			142,864
<b>Repairs and Maintenance</b>			1,103,433
<b>Administrative Expenses</b>			358,546
<b>Depreciation and Amortization</b>			1,244,222
<b>Interest</b>			<u>544,453</u>
<b>Total Expenses</b>		<b>\$</b>	<b><u>11,278,780</u></b>
Total number of persons employed by the District	Full-Time		<u>27</u>
	Part-Time		<u>0</u>

**The following sections have been omitted since they do not pertain to this entity:**

- TSI-3. Temporary Investments
- TSI-4. Taxes Levied and Receivable

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2023

Combination Water and Sewer Revenue Refunding Bonds, Series 2015			
Fiscal Year Ending September 30,	Principal Due Each Year	Interest Due Each Year	Total
2024	\$ 53,000	\$ 78,410	\$ 131,410
2025	55,000	76,680	131,680
2026	56,000	75,187	131,187
2027	58,000	73,620	131,620
2028	60,000	72,192	132,192
2029	61,000	70,334	131,334
2030	63,000	68,629	131,629
2031	65,000	66,869	131,869
2032	67,000	65,229	132,229
2033	69,000	63,184	132,184
2034	71,000	61,259	132,259
2035	73,000	59,279	132,279
2036	75,000	57,398	132,398
2037	77,000	55,154	132,154
2038	79,000	53,009	132,009
2039	82,000	50,796	132,796
2040	84,000	48,643	132,643
2041	86,000	46,176	132,176
2042	89,000	43,770	132,770
2043	91,000	41,295	132,295
2044	94,000	38,854	132,854
2045	97,000	36,125	133,125
2046	100,000	33,416	133,416
2047	102,000	30,639	132,639
2048	105,000	27,865	132,865
2049	108,000	24,864	132,864
2050	111,000	21,853	132,853
2051	115,000	18,746	133,746
2052	118,000	15,580	133,580
2053	121,000	12,256	133,256
2054	125,000	8,873	133,873
2055	128,000	5,395	133,395
2056	132,000	1,820	133,820
	<u>\$ 2,870,000</u>	<u>\$ 1,503,399</u>	<u>\$ 4,373,399</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)  
 SEPTEMBER 30, 2023

Combination Water and Sewer System Revenue Bonds, Series 2017			
Fiscal Year Ending September 30,	Principal Due Each Year	Interest Due Each Year	Total
2024	\$ 520,000	\$ 235,827	\$ 755,827
2025	530,000	230,547	760,547
2026	535,000	224,261	759,261
2027	545,000	216,940	761,940
2028	555,000	208,714	763,714
2029	560,000	199,681	759,681
2030	575,000	189,917	764,917
2031	585,000	179,504	764,504
2032	595,000	168,499	763,499
2033	605,000	156,887	761,887
2034	620,000	144,604	764,604
2035	630,000	131,728	761,728
2036	645,000	118,339	763,339
2037	660,000	104,374	764,374
2038	675,000	89,821	764,821
2039	690,000	74,737	764,737
2040	705,000	59,147	764,147
2041	725,000	42,951	767,951
2042	740,000	26,139	766,139
2043	755,000	8,796	763,796
	\$ 12,450,000	\$ 2,811,413	\$ 15,261,413

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)  
 SEPTEMBER 30, 2023

Fiscal Year Ending September 30,	Annual Requirements for all Series		
	Principal Due Each Year	Interest Due Each Year	Total
2024	\$ 573,000	\$ 314,237	\$ 887,237
2025	585,000	307,227	892,227
2026	591,000	299,448	890,448
2027	603,000	290,560	893,560
2028	615,000	280,906	895,906
2029	621,000	270,015	891,015
2030	638,000	258,546	896,546
2031	650,000	246,373	896,373
2032	662,000	233,728	895,728
2033	674,000	220,071	894,071
2034	691,000	205,863	896,863
2035	703,000	191,007	894,007
2036	720,000	175,737	895,737
2037	737,000	159,528	896,528
2038	754,000	142,830	896,830
2039	772,000	125,533	897,533
2040	789,000	107,790	896,790
2041	811,000	89,127	900,127
2042	829,000	69,909	898,909
2043	846,000	50,091	896,091
2044	94,000	38,854	132,854
2045	97,000	36,125	133,125
2046	100,000	33,416	133,416
2047	102,000	30,639	132,639
2048	105,000	27,865	132,865
2049	108,000	24,864	132,864
2050	111,000	21,853	132,853
2051	115,000	18,746	133,746
2052	118,000	15,580	133,580
2053	121,000	12,256	133,256
2054	125,000	8,873	133,873
2055	128,000	5,395	133,395
2056	132,000	1,820	133,820
	<u>\$ 15,320,000</u>	<u>\$ 4,314,812</u>	<u>\$ 19,634,812</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
TSI-6. CHANGES IN LONG-TERM BONDED DEBT  
FISCAL YEAR ENDING SEPTEMBER 30, 2023

	USDA Series 2015	TWDB Series 2017	Total
Interest Rate	2.75%	0.02-2.33%	
Dates Interest Payable	Jun 1; Dec 1	Jun 1; Dec 1	
Maturity Dates	12/1/2055	12/1/2042	
Beginning Bonds Outstanding	\$ 2,922,000	\$ 12,965,000	\$ 15,887,000
Bonds Sold During the Year	-	-	-
Bonds Retired During the Year	(52,000)	(515,000)	(567,000)
Ending Bonds Outstanding	<u>\$ 2,870,000</u>	<u>\$ 12,450,000</u>	<u>\$ 15,320,000</u>
Interest Paid During the Year	<u>\$ 79,642</u>	<u>\$ 240,125</u>	<u>\$ 319,767</u>
Paying Agent's Name	USDA	BOKF, NA	
City	Seguin, TX	Austin, TX	
<i>Bond Authority</i>			
Amount Authorized by			
The Board of Directors	\$ 3,200,000	\$ 15,000,000	\$ 18,200,000
Amount Issued	<u>3,200,000</u>	<u>15,000,000</u>	<u>18,200,000</u>
Remaining to be Issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt Service Cash and Investments as of September 30			<u>\$ 923,647</u>
Average Annual Debt Service			<u>\$ 594,994</u>



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 FISCAL YEAR ENDING SEPTEMBER 30, 2023

Complete Entity Mailing Address: 2370 FM 1979, San Marcos, TX 78666

Entity Business Telephone Number: 830-372-1031

Submission Date of the most recent Registration Form: May 2021

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

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid* 9/30/23	Expense Reimbursements 9/30/23	Title at Year End
<b>Board of Trustees:</b>				
Don Bosworth	7/14-12/24	---	---	Secretary
Nick Reininger	12/21-12/24	---	---	Director
Robert Snipes	1/23-12/25	---	---	Director
Mike Cox	1/11-12/25	---	---	President
Allen Pooley	4/20-12/25	---	---	Treasurer
Ernest Hartman, Jr	12/17-12/26	---	---	Director
Louis Upton	5/22-12/26	---	---	Vice President
<b>Administrative Personnel:</b>				
Regina Franke	8/15/2016	\$ 121,550	\$ -	General Manager
<b>Consultants:</b>				
M&S Engineering		\$ 1,066,373		Engineer
Terrill & Waldrop		\$ 357,496		Attorney
Texas Land & Right of Way Company		\$ 448,014		ROW Agent
Freese and Nichols		\$ 52,792		Engineer
PMSI		\$ 36,905		Engineer
Armstrong, Vaughan & Associates, P.C.		\$ 15,350		Auditor
Ardurra Group, Inc.		\$ 974		Engineer

\*Fees of Office are the amounts actually paid to a director during the District's fiscal year.



## COMPLIANCE SECTION



# Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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

### INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Crystal Clear Special Utility District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Crystal Clear Special Utility District as of September 30, 2023 and for the year then ended, and the related notes to the financial statements, which collectively comprise Crystal Clear Special Utility District's basic financial statements, and have issued our report thereon dated January 18, 2024.

#### ***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered Crystal Clear Special Utility District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Crystal Clear Special Utility District's internal control. Accordingly, we do not express an opinion on the effectiveness of Crystal Clear Special Utility District's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

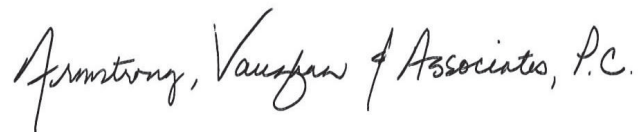
### ***Report on Compliance and Other Matters***

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

We noted certain matters that we have reported to management of Crystal Clear Special Utility District in a separate letter dated January 18, 2024.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Armstrong, Vaughan & Associates, P.C.".

Armstrong, Vaughan & Associates, P.C.

January 18, 2024



INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Directors  
Crystal Clear Special Utility District  
San Marcos, TX

**Report on Compliance for Each Major Federal Program**

We have audited Crystal Clear Special Utility District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023. Crystal Clear Special Utility District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Crystal Clear Special Utility District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Crystal Clear Special Utility District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Crystal Clear Special Utility District's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Crystal Clear Special Utility District's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Crystal Clear Special Utility District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Crystal Clear Special Utility District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Crystal Clear Special Utility District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Crystal Clear Special Utility District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Crystal Clear Special Utility District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

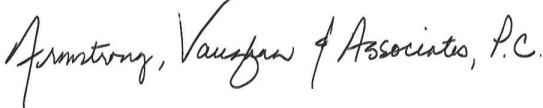
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,



Armstrong, Vaughan & Associates, P.C.

January 18, 2024

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Any material weaknesses identified?  Yes  No

Any significant deficiencies identified?  Yes  No

Noncompliance material to financial Statements noted?  Yes  No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified?  Yes  No

Any significant deficiencies identified?  Yes  No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.468	Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

B. Financial Statement Findings  
 NONE

C. Federal Award Findings and Questioned Costs  
 NONE

D. Prior Audit Findings  
 NONE

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S ENVIRONMENTAL PROTECTION AGENCY</b>			
<i>Passed through Texas Water Development Board</i>			
Drinking Water State Revolving Funds	66.468	L1000615	<u>\$ 2,240,180</u>



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Federal grant funds are considered to be expended as purchases are made under the provisions of the grant, and accordingly, may be in advance of the reimbursements received.

The Drinking Water State Revolving Funds program is a loan through the Texas Water Development Board and not from the Federal government. Thus, the loan amount is not reported on the face of the Schedule of Federal Expenditures and federal expenditures are recorded when expenses are incurred, not when advances from loan proceeds are made.

The District has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.



**APPENDIX E**

**SELECTED PROVISIONS OF THE ORDER**

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## APPENDIX E

### SELECTED PROVISIONS OF THE ORDER

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

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 30 and 47 of this Order have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Order to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Order as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Order as a whole and not to any particular Section or other subdivision.

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

B. The term *Authorized Officials* shall mean the President of the Board, the Secretary of the Board, or the General Manager.

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

D. The term *Bonds Similarly Secured* shall mean the Parity Obligations, the Notes, and any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

E. The term *Closing Date* shall mean the date of physical delivery of the Initial Notes in exchange for the payment in full by the Purchasers.

F. The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement,

insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Parity Obligation.

G. The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

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

I. The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest at the maximum rate permitted by the terms thereof and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto; provided, however, when the Parity Obligations issued on or before December 20, 2023 are no longer outstanding, the bond documents are properly amended, or the purchaser of those obligations consents, the term “*Debt Service Requirements*” shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by *The Bond Buyer* (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the rate of interest then being paid on United States Treasury obligations of like maturity and (ii) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the District under such hedge agreement from the amounts payable by the District under such hedge agreement and such obligations. For the avoidance of doubt, and though not effective initially, this provision

shall become effective upon the occurrence of one of the events specified in Section 15 and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

J. The term *Depository* shall mean an official depository bank of the District.

K. The term *District* shall mean Crystal Clear Special Utility District, located in Comal, Guadalupe, and Hays County, Texas, and any other public agency succeeding to the powers, rights, privileges and functions of the District and, when appropriate, the Board of Directors of the District.

L. The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District, which period presently commences on October 1 of each year and ends on the following September 30.

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

N. The term *Gross Revenues* shall mean, for any defined period, all income, receipts, revenues, and increment which may be received or derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired from time to time, but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the District’s Special Facilities Bonds issued particularly to finance the water facilities needed in performing any such contract or contracts.

O. The term *Holder* or *Holder*s shall mean the registered owner, whose name appears in the Security Register, for any Note.

P. The term *Insurance Policy* shall mean the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Notes when due.

Q. The term *Insurer* shall mean \_\_\_\_\_, a New York stock insurance company, or any successor thereto or assignee thereof.

R. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Notes, being June 1 and December 1 of each year, commencing December 1, 2024, while any of the Notes remain Outstanding. The term *Government Securities*, as used herein, shall mean (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (iv) any additional securities and obligations hereafter authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

S. The term *Maintenance and Operating Expenses* shall mean costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies, costs incurred in providing water, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition. The term *Maintenance and Operation Expenses* shall never include any allowance for depreciation, property retirement, depletion, obsolescence, and other items not requiring an outlay of cash and any interest on the Parity Obligations or any other debt.

T. The term *Net Revenues* shall mean Gross Revenues of the System for any period after the deduction of Maintenance and Operating Expenses.

U. The term *Note Fund* shall mean the special Fund created and established by the provisions of Section 13 of this Order.

V. The term *Notes* shall mean the \$\_\_\_\_,\_\_\_\_ “CRYSTAL CLEAR SPECIAL UTILITY DISTRICT COMBINATION WATER AND SEWER SYSTEM REVENUE NOTES, SERIES 2024” authorized by this Order.

W. The term *Order* shall mean this order adopted by the Board of Directors of the District on February 22, 2024.

X. The term *Outstanding* when used in this Order with respect to Notes shall mean, as of the date of determination, all Notes issued and delivered under this Order, except:

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

(2) those Notes for which payment has been duly provided by the District in accordance with the provisions of Section 32 of this Order; and



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

Y. The term *Parity Obligations* shall mean shall mean (i) the outstanding and unpaid obligations of the District that are payable solely from and equally and ratably secured by a first and prior lien on and pledge of the Pledged Revenues of the System, identified as follows:

(1) Amended and Restated Promissory Note and Single Advance Term Loan Supplement No. RI1254T02, with CoBank in the original principal amount of \$3,000,000;

(2) Amended and Restated Promissory Note and Single Advance Term Loan Supplement No. RI1254T03, with CoBank in the original principal amount of \$2,500,000;

(3) Amended and Restated Promissory Note and Single Advance Term Loan Supplement No. RI1254T04, with CoBank in the original principal amount of \$1,700,000;

(4) “Crystal Clear Special Utility District Combination Water and Sewer System Revenue Refunding Bonds, Series 2015”, dated November 1, 2015 issued in the original principal amount of \$3,200,000;

(5) “Crystal Clear Special Utility District Combination Water and Sewer System Revenue Refunding Bonds, Series 2017”, dated November 3, 2017, issued in the original principal amount of \$15,000,000;

(6) “Crystal Clear Special Utility District Combination Water and Sewer System Revenue Bonds, Series 2023”, dated December 20, 2023, issued in the original principal amount of \$1,950,000; and

(7) Upon issuance, the Notes; and

(ii) obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System as determined by the Board of Directors in accordance with any applicable law.

Z. The term *Pledged Revenues* means (1) the Net Revenues that remain after payment of all amounts, and funding of all funds, relating to any Parity Obligations as well as any Additional Parity Obligations, 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 Notes, and excluding those revenues excluded from Gross Revenues.

AA. The term *Purchasers* shall mean the initial purchasers of the Notes named in Section 29 of this Order.

BB. The term *Required Reserve Amount* shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

CC. The term *Required Reserve Fund Deposits* shall mean the monthly deposited required to be deposited and maintained in the Reserve Fund under the provisions of Section 15 of this Order.

DD. The term *Stated Maturity* shall mean the annual principal payments of the Notes payable on December 1 of each year, as set forth in Section 2 of this Order. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operating Expenses during such period.

EE. The term *Subordinate Lien Obligations* shall mean (i) the Notes and any other outstanding and unpaid obligations that are payable wholly or in part from and equally and ratably secured by a lien on and pledge of the Pledged Revenues of the System, which lien on and pledge of Pledged Revenues includes a subordinate and inferior lien on and pledge of the Net Revenues that are or will be pledged to the payment of the Parity Obligations and any Additional Parity Obligations hereafter issued by the District and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues as determined by the Board in accordance with any applicable law.

FF. The term *System* shall mean all properties, facilities, and plants currently owned, operated, and maintained by the District for the supply, treatment and transmission of treated potable water and the District's sanitary sewer system including collection and disposal facilities, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean to include facilities of any kind which are declared not to be a part of the System and which are acquired or constructed by or on behalf of the District with the proceeds from the issuance of "*Special Facilities Bonds*", which are hereby defined as being special revenue obligations of the District which are payable from and secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

SECTION 10: Pledge of Net Revenues. (a) The District hereby covenants and agrees that the Net Revenues of the System are hereby irrevocably pledged to the payment of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds Similarly Secured shall constitute a first and prior lien on the Net Revenues of the System and be valid and binding without any physical delivery thereof or further act by the District, and the lien created hereby on the Net Revenues of the System for the payment and security of the Bonds Similarly Secured shall be prior in right and claim as to any other indebtedness, liability or obligation of the District or the System.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Notes and the pledge of Net Revenues granted by the District under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at anytime

while the Notes are outstanding and unpaid such that the pledge of the Net Revenues granted by the District is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Notes the perfection of the security interest in this pledge, the Board agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. The District hereby agrees and covenants to the holders of the Bonds Similarly Secured that it will at all times maintain rates and charges for water and wastewater services furnished, provided, and supplied by the System to customers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

A. To the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein or required by statute to be a first charge on and claim against the Gross Revenues thereof.

B. The interest on and principal of the Bonds Similarly Secured as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured.

C. The interest on and principal of the Subordinate Lien Obligations, if any, as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Subordinate Lien Obligations.

D. Any legal debt or obligation of the System as and when the same shall become due.

SECTION 12: Revenue Fund. There has been previously created and established and the District shall maintain a special fund entitled "Crystal Clear Special Utility District System Revenue Fund" (the *Revenue Fund*) into which all revenues of every nature received from the operation of the System shall be deposited as received.

SECTION 13: Note Fund - Excess Funds. For the sole purpose of paying the principal of and interest on the Notes, there is hereby created and established and there shall be maintained a separate fund entitled "Crystal Clear Special Utility District Revenue Note Interest and Sinking Fund" (the *Note Fund*).

Accrued interest, if any, received from the Purchasers of the Notes shall be deposited into the Note Fund. In addition, any surplus proceeds from the sale of the Notes, including investment income thereon, not expended for authorized purposes shall be deposited in the Note Fund, and such amounts so deposited shall reduce the sums otherwise required to be deposited in such Fund from the Net Revenues of the System.

SECTION 14: Flow of Funds. The District hereby covenants and agrees that deposits into the Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

A. First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.

B. Second: To the payment of the amounts required to be deposited in the Note Fund created and established for the payment of Debt Service Requirements on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Bonds Similarly Secured, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a prior and first lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.

C. Third: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Subordinate Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of the Subordinate Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a lien on and pledge of the Pledged Revenues, as the same becomes due and payable.

D. Any Net 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 hereinafter permitted by law.

SECTION 15: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the *Required Reserve Amount*) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Notes or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District has previously created, established, and maintains a separate and special fund or account known as the "Crystal Clear Special Utility District Revenue Note Reserve Fund" (the *Reserve Fund*), which fund or account shall be maintained at the Depository; provided, however, for purposes of this Section, the term Bonds Similarly Secured shall not include any amounts for the currently Outstanding Parity Obligations held by CoBank). All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of this Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

In accordance with the provisions of the ordinance authorizing the Parity Obligations, the amount currently on deposit in the Reserve Fund is \$\_\_\_\_\_ (the *Current Reserve*). By reason of the issuance of the Notes, the Required Reserve Amount shall be \$\_\_\_\_\_, which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Notes to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of

the System, or any other lawfully available funds, an amount not less than \$ \_\_\_\_\_ being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Subject to the later provisions of this Section 15 that may take effect while the Notes remain Outstanding, any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

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

During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund.

To the extent permitted by law and upon the earlier to occur the currently Outstanding Parity Obligations issued on or before December 20, 2023 are no longer outstanding or the District receives the written consent of each holder of the currently Outstanding Parity Obligations issued on or before December 20, 2023, the District expressly reserves the right at any time to fund all or any part of the Reserve Fund to be held in the Reserve Fund by entering into a Credit Agreement with or purchasing a Credit Facility from a Credit Provider that will unconditionally obligate the Credit Provider to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Interest and Sinking Fund are not sufficient to pay the debt service requirements on the Parity Obligations. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect. For the avoidance of doubt, and though

not effective initially, this provision shall become effective upon the occurrence of one of the events specified above and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

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

SECTION 16: Deficiencies - Excess Net Revenues.

A. If on any occasion there shall not be sufficient Net Revenues of the System (after making all payments pertaining to the Bonds Similarly Secured) to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues of the System, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months.

B. Subject to making the required deposits to the Note Fund and the Reserve Fund when and as required by any order authorizing the issuance of any Bonds Similarly Secured, the excess Net Revenues of the System may be used by the District for any lawful purpose.

SECTION 17: Payment of Bonds Similarly Secured. While any of the Bonds Similarly Secured are outstanding, the General Manager of the District or other authorized District official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Note Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 18: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Order may, at the option of the District, shall be invested as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed

by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of any Additional Parity Obligations. All interest and income derived from deposits and investments in the Note Fund immediately shall be credited to, and any losses debited to, the Note Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 15, be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Notes.

SECTION 19: Issuance of Additional Parity Obligations. The District hereby expressly reserves the right to issue Additional Parity Obligations payable from the Net Revenues of the System. When duly authorized and issued in compliance with law and the terms and conditions hereafter stated, such Additional Parity Obligations shall be on a parity with the Notes and shall be equally and ratably secured with the Parity Obligations by a lien on and pledge of the Net Revenues of the System on a parity with the lien securing payment of the currently outstanding Parity Obligations (including the Notes). The District covenants and agrees, however, it will not issue any Additional Parity Obligations unless:

A. The District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured.

B. Each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein.

C. The District obtains a certificate or opinion from the chief administrative officer of the District or a certified public accountant to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fifth (1.20) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Notes after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Net Revenues, the officer or accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective not more than ninety (90) days prior to adoption of the order or resolution authorizing the issuance of the Additional Parity Obligations and, for the purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his or her certification or opinion based on such change in rates and charges being in effect for the entire period covered by the officer or accountant's certificate or opinion. Provided, however, to the extent permitted by law, the District expressly reserves the right at any time to

substitute the person or entity that provides this “coverage” certification such that it may be provided by the District’s General Manager or its director of finance.

SECTION 20: Issuance of Subordinate Lien Obligations. The District may issue Subordinate Lien Obligations secured by a lien on and pledge of the Net Revenues of the System subordinate and inferior to the lien thereon and pledge thereof securing the Bonds Similarly Secured, on the terms and conditions desired by the District, subject only to the limitations imposed by applicable law and upon satisfying each of the conditions precedent contained in this Order.

SECTION 21: Maintenance of System - Insurance. The District covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the District 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 District from doing so.

SECTION 22: Records and Accounts - Annual Audit. The District covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating to the System, and that the Holders of the Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The District further agrees that following (and in no event later than 180 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished, without charge, to the (i) Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, or (ii) any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 23: Limited Obligations of the District. The Bonds Similarly Secured are limited, special obligations of the District payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the District. The District has no power of taxation.



SECTION 24: Security of Funds. All money on deposit in the Funds for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such Funds shall be used only for the purposes permitted by this Order.

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