

**OFFICIAL STATEMENT  
DATED AUGUST 1, 2024**

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Bonds 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 Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. (See "TAX MATTERS" herein.)*

**\$34,665,000****ACTON MUNICIPAL UTILITY DISTRICT  
(A political subdivision of the State of Texas located in Hood and Johnson Counties, Texas)  
UTILITY SYSTEM REVENUE BONDS, NEW SERIES 2024****DATED DATE: AUGUST 15, 2024****DUE: MAY 1, AS SHOWN ON THE FOLLOWING PAGE**

The Acton Municipal Utility District Utility System Revenue Bonds, New Series 2024 (the "Bonds") are being issued pursuant to the laws of the State of Texas, particularly, Chapters 49 and 54, as amended, Texas Water Code, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), and an order (the "Order") adopted on June 20, 2024 by the Board of Directors (the "Board") of the Acton Municipal Utility District (the "District" or "Issuer"). As permitted by Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final sale terms for the Bonds. The Approval Certificate was executed by an Authorized Official on August 1, 2024. See "THE BONDS - Authority for Issuance" herein.

The Bonds are special obligations of the Issuer payable from and equally and ratably secured, together with certain currently outstanding Previously Issued Parity Bonds, solely from a first and prior lien on and pledge of the Net Revenues (defined herein) derived from the operation of the Issuer's Waterworks and Sewer System (the "System"). In the Order, the District has reserved the right to issue Additional Parity Obligations, Junior Lien 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 and has prohibited the issuance of prospective obligations with a lien on and pledge of Net Revenues prior to the lien on and pledge thereof securing the payment of the Bonds and any Bonds Similarly Secured. Additionally, in the Order, the District has also reserved the right to issue Special Project Bonds, which will be payable from and secured by the proceeds of a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities. (See "THE BONDS - Security for Payment" herein.) Capitalized, but undefined, terms used herein have the meanings described thereto in the Order.

The Bonds shall not be a charge upon any other income or revenues of the Issuer and shall never constitute an indebtedness or pledge of the general credit or taxing power of the Issuer. The Order does not create any lien or mortgage on the System and any judgment against the Issuer may not be enforced by levy and execution against the property owned by the Issuer. The Order does not create or constitute a legal or equitable pledge, charge, lien, mortgage or encumbrance upon any property of the Issuer or the System, except the Net Revenues. 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 Issuer. See "THE BONDS - Security for Payment" herein.

Interest on the Bonds will accrue from the Dated Date as shown above and will be payable on May 1 and November 1 of each year, commencing November 1, 2024 and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations 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 ("Securities Depository") for the Bonds. Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. The Purchaser of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the District's combined utility system, (ii) acquiring Johnson County Special Utility District's participation interest in the Brazos Regional Public Utility Agency and the assignment of its rights under the SWATS Operating Agreement, and (iii) to pay costs of issuance and expenses relating to the Bonds. (See "THE BOND - Use of Bond Proceeds" herein.)



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISK" herein).

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SEE INSIDE FRONT COVER HEREOF FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,  
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

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The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas 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 Bonds. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C - Form of Legal Opinion of Bond Counsel" herein). It is expected that the Bonds will be available for initial delivery through DTC on or about August 21, 2024.

**\$34,665,000**  
**ACTON MUNICIPAL UTILITY DISTRICT**  
(A political subdivision of the State of Texas located in Hood and Johnson Counties, Texas)  
**UTILITY SYSTEM REVENUE BONDS, NEW SERIES 2024**

**STATED MATURITY SCHEDULE**  
(Due May 1)

Cusip No. Prefix<sup>(1)</sup> 005078

**\$27,100,000 Serial Bonds**

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>Cusip No. Suffix<sup>(1)</sup></u>	<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>	<u>Initial Yield (%)</u>	<u>Cusip No. Suffix<sup>(1)</sup></u>
2025	\$ 555,000	6.000	3.450	MX5	2038	\$1,050,000	5.000	3.450 <sup>(2)</sup>	NL0
2026	530,000	6.000	3.400	MY3	2039	1,105,000	4.000	3.800 <sup>(2)</sup>	NM8
2027	560,000	6.000	3.350	MZ0	2040	1,145,000	4.000	3.900 <sup>(2)</sup>	NN6
2028	595,000	6.000	3.300	NA4	2041	1,195,000	4.000	4.000	NP1
2029	630,000	6.000	3.250	NB2	2042	1,240,000	4.000	4.030	NQ9
2030	665,000	6.000	3.250	NC0	2043	1,290,000	4.000	4.060	NR7
2031	705,000	6.000	3.250	ND8	2044	1,340,000	4.000	4.080	NS5
2032	750,000	6.000	3.260	NE6	2045	1,395,000	4.000	4.100	NT3
2033	795,000	6.000	3.270	NF3	2046	1,450,000	4.125	4.125	NU0
2034	840,000	6.000	3.280 <sup>(2)</sup>	NG1	2047	1,510,000	4.125	4.140	NV8
2035	890,000	6.000	3.300 <sup>(2)</sup>	NH9	2048	1,575,000	4.125	4.160	NW6
2036	945,000	5.750	3.350 <sup>(2)</sup>	NJ5	2049	1,640,000	4.125	4.180	NX4
2037	1,000,000	5.000	3.400 <sup>(2)</sup>	NK2	2050	1,705,000	4.125	4.200	NY2

**\$7,565,000 Term Bond**

\$7,565,000    4.250%    Term Bonds due May 1, 2054, and priced to yield 4.250%    CUSIP Suffix<sup>(1)</sup> PC8

(Accrued Interest from Dated Date to be added)

The Issuer reserves the right to redeem the Bonds maturing on or after May 1, 2034 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on May 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. Additionally, the Bonds maturing on May 1, 2054 (the "Term Bond") are also subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

<sup>(1)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of FactSet Research Systems, Inc. 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 is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on May 1, 2033, the earliest date of redemption for the Bonds, at a price of par plus accrued interest to the date of redemption.

**ACTON MUNICIPAL UTILITY DISTRICT**  
**6420 Lusk Branch Court**  
**Granbury, Texas 76049**  
**(817) 326-4720 (Phone)**  
**(817) 326-5031 (Fax)**

**BOARD OF DIRECTORS:**

Name	Time Served	Term Expires
Ray Lewis President	6 years	May, 2027
Don Cleveland Vice President	24 years	May, 2025
John Featherston Secretary	11 years	May, 2025
Gary Rose Treasurer	5 years	May, 2027
Van Vernon Asst. Secretary/Treasurer	3 years	May, 2025

**ADMINISTRATIVE OFFICIALS**

Name	Position	Length of Service (Years)
Richard English	General Manager	24
TJ Riggio	District Superintendent	21
Danielle Wall	Utility Billing Manager	25
Bob Evert	Comptroller	11

**CONSULTANTS AND ADVISORS**

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

**Certified Public Accountants** ..... George, Morgan & Sneed, P.C.  
Weatherford, Texas

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

**For Additional Information Please Contact:**

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210-832-9760 (Phone)

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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 Issuer. 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 Issuer or other matters described herein since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "Bond Insurance" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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

The agreements of the District and others related to the Bonds 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 Bonds is to be construed as constituting an agreement with the Purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE BONDS.

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*The cover page, subsequent pages hereof, and appendices attached hereto, are part of this Official Statement.*

## SELECTED DATA FROM THE 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 Bonds 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 Acton Municipal Utility District (the “District” or “Issuer”) was created by order of the Texas Commission of Environmental Quality, as successor to Texas Natural Resource Conservation Commission, formerly the Texas Water Commission, on July 21, 1982, under the terms and provisions of Section 59 of Article XVI of the Texas Constitution for the purposes of having and exercising the functions, powers, authority, rights and duties provided in Chapters 49 and 54, as amended, of the Texas Water Code. The District provides water and sewer service to an area encompassing 6,042 acres located in the southern portion of Lake Granbury on the Brazos River in Hood and Johnson Counties approximately 28 miles southwest of the City of Fort Worth, Texas and 68 miles northwest of the City of Waco, Texas. The Board of Directors (the “Board”) held its first meeting on July 27, 1982. The voters in the District confirmed the organization of the District on August 14, 1982.
<b>The Bonds</b>	The District’s Utility System Revenue Bonds, New Series, 2024 (the “Bonds”) are being issued in the Principal amount of \$34,665,000 pursuant to the Constitution and laws of the State of Texas, particularly, Chapters 49 and 54, as amended, Texas Water Code, Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), and an Order (the “Order”) adopted on June 20, 2024 by the Board. As permitted by Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each, an “Authorized Official”) to execute an approval certificate (the “Approval Certificate”) establishing the final sales terms for the Bonds. The Approval Certificate was executed by an Authorized Official on August 1, 2024. (See “THE BONDS – Authority for Issuance” herein.)
<b>Security for Payment</b>	The Bonds are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Previously Issued Parity Bonds, solely from a first and prior lien on and pledge of the Net Revenues (defined herein) of the System.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>Redemption Provision of the Bonds</b>	The Issuer reserves the right to redeem the Bonds maturing on or after May 1, 2034 in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on May 1, 2033, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. Additionally, the Bonds maturing on May 1, 2054 (the “Term Bond”) are also subject to mandatory sinking fund redemption. See “THE BONDS - Redemption Provisions of the Bonds” herein.
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Bonds 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 D – Form of Opinion of Bond Counsel” herein).
<b>Use of Bond Proceeds</b>	Proceeds from the sale of the Bonds will be used for (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the District’s combined utility system, (ii) acquiring Johnson County Special Utility District’s participation interest in the Brazos Regional Public Utility Agency and the assignment of its rights under the SWATS Operating Agreement, and (iii) to pay costs of issuance and expenses relating to the Bonds. (See “THE BONDS – Purpose of Bonds” herein.)

<b>Ratings</b>	S&P Global Ratings, a division of S&P Global Ratings Inc. (“S&P”) has assigned a rating of “AA” to the Bonds with the understanding that concurrently with the Bonds a municipal bond insurance policy will be issued by Build America Mutual Assurance Company (“BAM” or “Insurer”). The District has received an underlying unenhanced rating of “AA-” from S&P. (See “OTHER PERTINENT INFORMATION – Ratings” herein.)
<b>Bond Insurance</b>	The scheduled payment of principal and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM” or the “Insurer”). (See “BOND INSURANCE” AND BOND INSURANCE RISK FACTORS” herein.)
<b>Book-Entry-Only System</b>	The Issuer 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 Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
<b>Payment Record</b>	The Issuer has never defaulted on the payment of its bonded indebtedness.
<b>Future Bond Issues</b>	The Issuer does <u>not</u> anticipate the issuance of additional debt secured by and payable from its System (as defined in the Official Statement) in the next twelve months.
<b>Delivery</b>	When issued, anticipated on or about August 21, 2024.
<b>Legality</b>	Delivery of the Bonds 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 REAMINDER OF THIS PAGE WAS INTENTIONALLY LEFT BLANK]*

## OFFICIAL STATEMENT

relating to

**\$34,665,000**

**ACTON MUNICIPAL UTILITY DISTRICT**

**(A Political Subdivision of the State of Texas located in Hood and Johnson Counties, Texas)**

**UTILITY SYSTEM REVENUE BONDS, NEW SERIES 2024**

### INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the Acton Municipal Utility District (the "District" or "Issuer") of its \$34,665,000 Utility System Revenue Bonds, New Series 2024 (the "Bonds") identified on the cover page hereof.

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 Bonds, the System and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or the Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast 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 System revenues 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 Bonds will be filed 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.

### THE BRAZOS REGIONAL PUBLIC UTILITY AGENCY

In 2012, the District and the Johnson County Special Utility District ("JCSUD") partnered to create the Brazos Regional Public Utility Agency ("BRPUA") for the purposes of purchasing, financing, and operating the Surface Water Treatment Plant (the "SWATS Plant"), which was previously owned by the Brazos River Authority. The SWATS Plant treats and supplies potable water on a wholesale basis to the District and JCSUD, who then provide the water to their respective retail customers. The District, JCSUD, and BRPUA are parties to an operating agreement (the "SWATS Operating Agreement"), which provides certain rights to AMUD and JCSUD, including rights to capacity interests in the water treatment capacity of the SWATS Plant. On October 4, 2021, JCSUD filed a lawsuit against the District, requesting, among other things, that the court allow JCSUD to withdraw from participation in the BRPUA and dissolve the BRPUA after JCSUD's withdrawal. The District and JCSUD have entered into a settlement agreement (the "Settlement Agreement") to settle the lawsuit, and the court has approved the Settlement Agreement through an agreed final judgment (the "Agreed Final Judgment"). The Settlement Agreement provides, among other things, that the District will pay JCSUD \$14 million (from certain proceeds of the Bonds). Upon the closing of the Bonds (anticipated to occur on or about August 21, 2024), certain of the Bond proceeds will be transferred to JCSUD pursuant to the Agreed Final Judgment, which will result in withdrawal of JCSUD from the BRPUA, the transfer of JCSUD's participation interest in the BRPUA, the assignment of JCSUD's rights in the SWATS Operating Agreement to the District, and the lawsuit being dismissed.

After the above has been settled, the District will begin working with BRPUA to have all of the BRPUA assets assigned to the District. Upon Completion, BRPUA will be dissolved and the District will then have full ownership of the 13 MGD SWATS Plant. Concurrently with the Settlement Agreement, the District and JCSUD will enter into a wholesale Water Treatment Agreement with an initial term of 5 years with two one-year extensions where the District will supply JCSUD with up to 5MGD of treated water (from raw water supplied by JCSUD) from the 13 MGD plant. (Prior to the Settlement the District had 5.81 MGD from the Plant.) The Water Treatment Contract will allow for the District to charge JCSUD a monthly Demand Charge based upon the 5MGD plus a Volumetric charge based upon the amount of treated water actually taken. These charges will be adjusted annually to reflect actual costs of production. The Demand Charge includes the debt service on an the estimated \$14,600,000 in plant improvements and upgrades needed to maintain the 13 MGD Capacity.



## THE BONDS

### General Description

The Bonds are dated August 15, 2024 (“Dated Date”), will mature on the dates and in the principal amounts and will bear interest from the Dated Date at the rates set forth on page 2 of this Official Statement. Principal of and interest on the Bonds are payable in the manner described herein under “BOOK-ENTRY-ONLY SYSTEM”. In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Bonds will 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 by law or executive order to close, then the date for such payment must be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

### Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, particularly, Chapters 49 and 54, as amended, Texas Water Code, Chapter 1371, as amended, Texas Government Code (“Chapter 1371”), and”) and an Order (the “Order”) adopted on June 20, 2024 by the Board. As permitted by Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each, an “Authorized Official”) to execute an approval certificate (the “Approval Certificate”) establishing the final sales terms for the Bonds. The Approval Certificate was executed by an Authorized Official on August 1, 2024.

### Security for Payment

The Bonds are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Previously Issued Parity Bonds, solely from a first and prior lien on and pledge of the Net Revenues (defined herein) derived from the operation of the Issuer’s Waterworks and Sewer System (the “System”).

In the Order, the District has reserved the right to issue Additional Parity Obligations, Junior Lien 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 and has prohibited the issuance of prospective obligations with a lien on and pledge of Net Revenues prior to the lien on and pledge thereof securing the payment of the Bonds and any Bonds Similarly Secured. Additionally, in the Order, the District has also reserved the right to issue Special Project Bonds, which will be payable from and secured by the proceeds of a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities.

The Bonds shall not be a charge upon any other income or revenues of the Issuer and shall never constitute an indebtedness or pledge of the general credit or taxing power of the Issuer. The Order does not create any lien or mortgage on the System and any judgment against the Issuer may not be enforced by levy and execution against the property owned by the Issuer. The Order does not create or constitute a legal or equitable pledge, charge, lien, mortgage or encumbrance upon any property of the Issuer or the System, except the Net Revenues. 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 Issuer.

### Flow of Funds

As included in “Selected Provisions of the Order” attached hereto as Appendix A, the following represents a substantive description of the flow of funds with respect to the Gross Revenues (as defined in the Order) of the System. All Gross Revenues deposited into the System Fund (as defined in the Order) shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- FIRST: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined in the Order or required by statute to be a first charge on and claim against the Gross Revenues of the System, including maintaining the Operating Reserve; provided, however, that the District has reserved the right to levy and collect a maintenance and operations ad valorem tax to be utilized to pay Maintenance and Operating Expenses if this maintenance and

operations ad valorem tax is approved by the qualified voters of the District at an election held and conducted in accordance with the provisions of the Texas Water Code and other applicable law.

- SECOND: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Bonds Similarly Secured now outstanding or hereafter issued as the same become due and payable.
- THIRD: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Junior Lien Obligations hereafter issued as the same become due and payable.
- FOURTH: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued as the same become due and payable.

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

The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.05 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured.

The District shall also determine within thirty (30) days after the end of each Fiscal Year whether it is in compliance with the requirements of the preceding paragraph. If it is not in such compliance, then the District will instruct its engineer to deliver recommendations to the District within thirty (30) days thereafter regarding recommended rates and charges which will permit it to be in such compliance, and the District shall implement the recommendations of its engineers within sixty (60) days thereafter. Within thirty (30) days after the implementation of such recommendations, the District shall direct its engineer to certify that the actions taken by the District at the direction of its engineer will be sufficient to permit the District to be in compliance within such Fiscal Year with the requirements of the preceding paragraph.

#### **Rate Covenants**

For the benefit of the holders of the Bonds and any other Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in the Order, the District has expressly stipulated and agreed, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, along with satisfying each of the contractual covenants contained in the orders authorizing the issuance of the currently outstanding Previously Issued Parity Bonds, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- A. to pay all Maintenance and Operating Expenses, together with any other lawfully available funds, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System and establishing and maintaining the Operating Reserve;
  - B. to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the Debt Service Requirements on the Bonds and any other Bonds Similarly Secured (including any Credit Agreement), as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security thereof and any other obligations or evidence of indebtedness issued or incurred that are payable from and secured by a first and prior lien on and pledge of the Net Revenues of the System;
  - C. to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the District as the same become due and payable, and to deposit the amounts required to be deposited in any reserve or contingency fund or account created for the payment and security of any Junior Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured by a junior and inferior lien on and pledge of the Net Revenues;
- to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Subordinate Lien Obligations hereafter issued by the District as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of any Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured by a subordinate and inferior lien on and pledge of the Net Revenues; and

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

The District has also covenanted to fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.05 times the Debt Service Requirements due and payable on the currently outstanding Bonds Similarly Secured.

The District must determine within thirty (30) days after the end of each Fiscal Year whether it is in compliance with the requirements described in the preceding paragraph. If it is not in such compliance, then the District will instruct its engineer to deliver recommendations to the District within thirty (30) days thereafter regarding recommended rates and charges which will permit it to be in such compliance, and the District shall implement the recommendations of its engineers within sixty (60) days thereafter. Within thirty (30) days after the implementation of such recommendations, the District shall direct its engineer to certify that the actions taken by the District at the direction of its engineer will be sufficient to permit the District to be in compliance within such Fiscal Year with the requirements described in of the preceding paragraph.

**Redemption Provisions of the Bonds**

*Optional Redemption.* The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature, on or after May 1, 2034, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on May 1, 2033, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

*Mandatory Sinking Fund Redemption.* The Bonds maturing on May 1, 2054 (the “Term Bonds”) will also be subject to mandatory sinking fund redemption. The Term Bonds are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amount thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

<b>Term Bonds to Mature on May 1, 2054</b>	
<b>Year</b>	<b>Principal Amount</b>
2051	\$1,775,000
2052	1,850,000
2053	1,930,000
2054*	2,010,000

\*Payable at Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following May 1 from money set aside for that purpose in the Bond Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against the mandatory redemption requirement.

*Selection of Bonds to be Redeemed.* The Bonds of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Bonds to be partially redeemed must be surrendered in exchange for one or more new Bonds for the unredeemed portion of the principal. If less than all of the Bonds are to be redeemed, the District will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select, at random and by lot, the particular Bonds, or portion thereof, to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Bond (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 Bonds.* Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON

THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, 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 Bonds, 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 Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given or waived as provided in the Order, such Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and on the redemption date designated in such notice, interest on said Bonds (or principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Bonds 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 Bonds, will send any notice of redemption of any Bond, notice of proposed amendment to the Order or other notices with respect to the Bonds 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 Bonds called for redemption or any other action premised or any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "THE BONDS - Book-Entry-Only System" herein).

#### **Use of Bond Proceeds**

Proceeds from the sale of the Bonds will be used for (i) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, or repairing the District's combined utility system, (ii) acquiring Johnson County Special Utility District's participation interest in the Brazos Regional Public Utility Agency and the assignment of its rights under the SWATS Operating Agreement, and (iii) to pay costs of issuance and expenses relating to the Bonds.

#### **Payment Record**

The Issuer has not defaulted on the payment of its bonded indebtedness.

#### **Additional Parity Obligations**

The District has reserved the right to issue Additional Parity Obligations upon satisfying certain conditions precedent. See "Appendix A – Selected Provisions of the Order - Section 18 – Issuance of Additional Parity Obligations". In addition, the District has also reserved the right to issue, at any time, obligations including, but not limited to, inferior lien obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Bonds Similarly Secured as may be authorized by the laws of the State of Texas upon satisfying any conditions precedent contained in the orders authorizing the issuance of the Bonds Similarly Secured.

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## Sources and Uses

<b>Sources of Funds:</b>	<b>The Bonds</b>
Par Amount	\$34,665,000.00
Accrued Interest	26,711.67
Net Premium	<u>1,404,574.35</u>
Total Sources of Funds	<u>\$36,096,286.02</u>
<b>Uses of Funds:</b>	
Deposit to Project Fund	\$35,000,000.00
Costs of Issuance	404,261.80
Purchaser's Discount (including BAM Bond Insurance)	665,312.55
Deposit to Bond Fund (Accrued Interest)	<u>26,711.67</u>
Total Uses of Funds	<u>\$36,096,286.02</u>

## Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (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 Bonds, or (3) a combination of money and Government Obligations 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 Obligations for the Government Obligations 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 Obligations" 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 Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, 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 Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

## Amendments

The Issuer may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified

as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

### **Default and Remedies**

If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Order, any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. 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. Chapter 1371, as amended, Texas Government Code ("Chapter 1371") which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds 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 Bondholders of an entity which has sought protection under Chapter 9. Therefore, if the District is permitted to such 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 Bonds 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 institution, shall be an association or a 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 shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds 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 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 of the Bonds will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds 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.

#### **Record Date**

The record date ("Record Date") for determining the registered owner entitled to receive the interest payable on a Bond 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 Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

#### **Future Registration**

The Bonds are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed Bond certificates will be issued to the owners of the Bonds and thereafter, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or Bonds being transferred or exchanged at the designated 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds 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 Bonds 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 Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

#### **Limitation on Transfer of Bonds**

Neither the District nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business of any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

#### **Replacement Bonds**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds 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. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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## BOND INSURANCE

### BOND INSURANCE POLICY

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

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

### BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

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

#### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$483.2 million, \$221.8 million and \$261.4 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM’s website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos).



(The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

## **BOND INSURANCE GENERAL RISKS**

### **General**

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered 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 Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the 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 Bonds are payable from the ad valorem taxes further described under "THE BONDS – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the enhanced long-term rating on the Bonds 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 Bonds, 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 Bonds. 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 Underwriter, or the District's Financial Advisor have 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.

### *Claims-Paying Ability and Financial Strength of Municipal Bond Insurers*

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, events in the credit markets over the past ten years have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the investment.

## BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any 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 applicable series of Bonds), or any 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 United States Securities and Exchange Commission (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 Bonds. The Bonds 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of certificated securities. 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”). Direct Participants and Indirect Participants are jointly referred to as “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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of Bonds (“Beneficial Owner”) is in turn to be recorded on the 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 the Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Purchaser believe to be reliable, but the Issuer, the Financial Advisor and the Purchaser take no responsibility for the accuracy thereof.

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Order will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration".

### **THE SYSTEM**

#### **Regulation**

The District's water supply and distribution and wastewater collection facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The District operates and maintains the water and sewer system. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future.

#### **Water and Sanitary Sewer Facilities**

*Source of Water:* The District maintains 24 water wells with a total capacity of 1,672 gallons per minute. The District also acquires surface water provided by the Brazos River Authority in an amount of 7,000 acre feet per year of raw water from Lake Granbury. The Lake Granbury water is treated at the BRPUA 13 MGD SWATS Plant with the District treated capacity of 5.81 MGD. After the settlement, the District will own the SWATS Plant and will increase its share of capacity to 8 MGD with 5 MGD being sold to JCSUD through a take or pay Water Treatment Contract with a 5 year term with two one year optional extensions.

*Wastewater Treatment:* The District owns and operates two wastewater treatment facilities. Both plants are being upgraded to utilize the Sequencing Batch Reactor process. The capacity flow at Wastewater Treatment Plant #1 located in DeCordova Bend Estates and the City of DeCordova is 0.93 MGD which is running at approximately 51.7% of capacity. The District estimates that the current plant will not need further expansion for approximately 10 years. The permitted flow of Wastewater Treatment Plant #2 located in Pecan Plantation is 0.487 MGD and it is currently at 55% capacity. A portion of the bond proceed will be used to expand this plant to 0.830 MGD. After the improvements, the Pecan Plantation plant will be able to handle complete build out of its respective service.

## **ENVIRONMENTAL REGULATION**

Wastewater treatment and water supply facilities 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.

## **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 Investment

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P20 1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

## Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis.

The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

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

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

TABLE 1

As of May 31, 2024, the District held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash, Money Markets, and Certificates of Deposit	\$ 1,513,691.52	8.00%
TexPool	<u>18,332,873.68</u>	<u>92.00%</u>
Total	\$19,846,565.20	100.00%

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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

## TAX MATTERS

### Tax Exemption

The delivery of the Bonds is subject to an opinion of Norton Rose Fulbright US LLP, Bond Counsel to the District (“Bond Counsel”), to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code 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 will be based are subject to change. A form of Bond Counsel’s opinion appears in APPENDIX D attached hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Order by the District subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds 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 Bonds to be includable in the gross income of the owner thereof for federal income taxes from the date of the issuance of the Bonds.

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

### Tax Changes

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

### Ancillary Tax Consequences

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

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

### **Tax Accounting Treatment of Discount Bonds**

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

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

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

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

### **Tax Accounting Treatment of Premium Bonds**

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

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

## **CONTINUING DISCLOSURE OF INFORMATION**

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

### **Annual Reports**

The District will file certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general included in Table 1 herein and Tables 1 through 10 in Appendix B. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2024.

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 EMMA Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (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 statements by the required time and 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 E 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, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change with the MSRB.

### **Notices of Certain Events**

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional 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 adopted 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 Bonds nor the Order make provision for 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 Bonds 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 material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.



The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

### **Compliance with Prior Undertakings**

During the past five years and except as provided below, the District has complied in all material respects in accordance with SEC Rule 15c2-12.

On June 16, 2021, the District authorized a private placement with the Texas Water Development Board for \$2,490,000 Utility System Revenue Bonds, New Series 2021A, which financing closed on July 14, 2021. The District filed a notice of late filing referencing the financial obligation evidenced by such bonds on August 4, 2021.

## **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 Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond 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 Bonds, 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 Bonds 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 Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin, Texas has reviewed the information under the captions “THE BONDS” (except under the subcaptions “Sources and Uses”, “Payment Record”, 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 Opinion and No-Litigation Certificate”, “LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER PERTINENT INFORMATION—Registration and Qualification of Bonds for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Bonds 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 Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

### **Litigation**

Other than the Lawsuit disclosed herein under the caption “THE BRAZOS REGIONAL PUBLIC UTILITY AGENCY”, which has been resolved by the Agreed Final Judgment, 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 Bonds, 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 Bonds 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 Bonds 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 Bonds 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 Bonds 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 Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

### **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 would prove to be accurate.

### **OTHER PERTINENT INFORMATION**

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

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Bonds have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds 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 Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

#### **Ratings**

S&P Global Ratings ("S&P") has assigned a rating of "AA" to the Bonds with the understanding that concurrently with the delivery of the Bonds, the policy will be issued by Build America Mutual Assurance Company. The District has received an underlying, unenhanced rating of "AA-" from S&P. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views 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 revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

### **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 resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. 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 Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting 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 delivery of the Bonds.

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 Issuer 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 Bonds, the District accepted the bid of Robert W. Baird & Co., Inc. (the "Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of \$1,404,574.35, plus accrued interest on the Bonds 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 Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Bonds, 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 the Bonds and the receipt of the bids therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, 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.

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**APPENDIX A**

**SELECTED PROVISIONS OF THE ORDER**

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## APPENDIX A

### 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 Section 33 and 51 of this Order have the meanings assigned to them in such Section, 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 solely by a first and prior lien on and pledge of the Net Revenues of the System and (ii) any obligations hereafter issued to refund any of the foregoing if issued in a manner so as to be payable from and equally ratably secured by a first and prior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with applicable law.

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

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

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

(E) The term *Bonds* shall mean the “Acton Municipal Utility District Utility System Revenue Bonds, New Series 2024”, dated August 15, 2024, authorized by this Order.

(F) The term *Bonds Similarly Secured* shall mean the currently outstanding Previously Issued Parity Bonds, the Bonds, 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 the parity with the and Previously Issued Parity Bonds.

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

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

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

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

(K) The term *Debt Service Requirements* shall mean as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on or other payments due under such obligation, assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest or other payment obligations calculated by assuming (1) that such non-fixed interest rate for every future 12-month period is equal to the rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the “Revenue Bond Index” or, if such Revenue Bond Index is no longer being maintained by The Bond Buyer (or its successor) at the time of calculation, such interest rate shall be assumed to be 80% of the most recently reported yield, as of the time of calculation, at which United States Treasury obligations of like maturity have been sold and (2) that, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is



amortized such that annual debt service is substantially level over the remaining stated life of such bonds, and in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to stated maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the District under such hedge agreement from the amounts payable by the District under such hedge agreement and such obligations.

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

(M) The term *District* shall mean the Acton Municipal Utility District located in the Counties of Hood and Johnson, Texas and, where appropriate, the Board of Directors of the District.

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

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

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

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

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

(S) The term *Insurance Policy* shall mean the municipal bond insurance policy issued by the Insurer insuring the payment when due of the principal and interest of on the Bonds as provided therein.

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

(U) The term *Insurer* shall mean Build America Mutual Assurance Company or any successor thereto or assignee.

(V) The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being May 1 and November 1 of each year, commencing November 1, 2024, while any of the Bonds remain Outstanding.

(W) The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, certificates of obligation or other obligations hereafter issued by the District payable wholly or in part from and equally and ratably secured by a junior and inferior lien and pledge of the Net Revenues of the System, that is junior and inferior to the lien on and pledge thereof securing the payment of the Bonds Similarly Secured and any Additional Previously Issued Parity Bonds hereafter issued by the District, all as further provided in Section 18 of this Order, and (ii) any obligations issued to refund the foregoing that are payable from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System as determined by the Board of Directors in accordance with any applicable law.

(X) The term *Late Payment Rate* means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 5%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(Y) The term *Maintenance and Operating Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the District’s System together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System.

(Z) 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.

(AA) The term *Operating Agreement* shall mean the agreement by and between the District and Johnson County Special Utility District related to the operation of the SWATS Plant.

(BB) The term *Operating Reserve* shall mean the reserve for Maintenance and Operating Expenses equal to two (2) months' average Maintenance and Operating Expenses of the System which the District is required to maintain in the System Fund before making any of the transfers required or permitted by this Order.

(CC) The term *Order* shall mean this Order adopted by the Board of Directors on June 20, 2024.

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

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

(2) those Bonds for which payment has been duly provided by the District in accordance with the provisions of Section 35 of this Order by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Order or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and

(3) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 31 hereof.

(EE) The term *Pledged Revenues* shall mean (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, for the benefit of the System which hereafter are pledged by the District to the payment of the currently outstanding Previously Issued Parity Bonds, the Bonds, or any Additional Previously Issued Parity Bonds hereafter issued by the District, and excluding those revenues excluded from Gross Revenues.

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

(1) "Acton Municipal Utility District Utility System Revenue Bonds, New Series 2017", dated June 15, 2017, issued in the original principal amount of \$550,000;

(2) "Acton Municipal Utility District Utility System Revenue Bonds, New Series 2018", dated May 1, 2018, issued in the original principal amount of \$8,210,000;

(3) "Acton Municipal Utility District Utility System Revenue Bonds, New Series 2020", dated April 15, 2020, issued in the original principal amount of \$1,015,000;

(4) “Acton Municipal Utility District Utility System Revenue Bonds, New Series 2021”, dated May 1, 2021, issued in the original principal amount of \$10,870,000;

(5) “Acton Municipal Utility District Utility System Revenue Bonds, New Series 2021A”, dated June 15, 2021, issued in the original principal amount of \$2,490,000;

(6) “Acton Municipal Utility District Utility System Revenue Bonds, New Series 2021B”, dated June 15, 2021, issued in the original principal amount of \$4,980,000;

(7) “Acton Municipal Utility District Utility System Revenue Refunding Bonds, New Series 2022”, dated February 1, 2022, issued in the original principal amount of \$8,850,000; and

(8) when issued, the Bonds;

(ii) any Additional Parity Obligations, and (iii) obligations hereafter issued to refund any of the foregoing that are payable from and secured by a first and prior lien obligations on and pledge of the Net Revenues of the System as determined by the Board of Directors in accordance with any applicable law.

(GG) The term *Purchaser* shall mean the initial purchaser or purchasers of the Bonds named in Section 32 of this Order.

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

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

(JJ) The term *Special Project Bonds* shall mean bonds which the District expressly reserves the right to issue in Section 21 of this Order.

(KK) The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on May 1 of each year, as set forth in Section 2 of this Order.

(LL) The term *Subordinate Lien Obligations* shall mean (i) obligations of the District hereafter issued that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System, such obligations being subordinate and inferior to the currently outstanding Previously Issued Parity Bonds, the Bonds, and any Additional Parity Obligations or Junior Lien Obligations hereafter issued by the District; and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System as determined by the Board of Directors in accordance with any applicable law.

(MM) The term *SWATS Plant* shall mean the former Lake Granbury Surface Water and Treatment System which was previously acquired by the Brazos Regional Public Utility Agency for the benefit of the District and Johnson County Special Utility District.

(NN) The term *System* shall mean the works, improvements, facilities, plants, equipments, appliances, property, easements, leaseholds, licenses, privileges, rights of use or enjoyment, contract rights or other interests in property comprising the waterworks system and sewer system of the District now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the waterworks system and sewer system of any other entity to which the District has contractual rights of use, except the water and/or sewer facilities which the District may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System

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 and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Bonds Similarly Secured, and the interest thereon, shall constitute a first and prior lien on and pledge of the Net Revenues of the System and be valid and binding without any physical delivery thereof or further act by the District.

(B) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds and the pledge of 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 any time while the Bonds 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 Bonds the perfection of the security interest in this pledge, the Board of Directors agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, as amended, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. For the benefit of the Holders of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in this Order, the District hereby expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, along with satisfying each of the contractual covenants contained in the orders authorizing the issuance of the currently outstanding Previously Issued Parity Bonds, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

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

(B) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest and the amounts required to be deposited in any

reserve or contingency fund or account created for the payment and security of the currently outstanding Previously Issued Parity Bonds, the Bonds, and any Additional Parity Obligations hereafter issued by the District as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the currently outstanding Previously Issued Parity Bonds, the Bonds, and any Additional Parity Obligations hereafter issued by the District;

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

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

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

The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.05 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured.

The District shall also determine within thirty (30) days after the end of each Fiscal Year whether it is in compliance with the requirements of the preceding paragraph. If it is not in such compliance, then the District will instruct its engineer to deliver recommendations to the District within thirty (30) days thereafter regarding recommended rates and charges which will permit it to be in such compliance, and the District shall implement the recommendations of its engineers within sixty (60) days thereafter. Within thirty (30) days after the implementation of such recommendations, the District shall direct its engineer to certify that the actions taken by the District at the direction of its engineer will be sufficient to permit the District to be in compliance within such Fiscal Year with the requirements of the preceding paragraph.

SECTION 12: System Fund. The District hereby covenants, agrees, and reaffirms that the Gross Revenues of the System shall be deposited, as collected and received, into a separate fund or account to be created, established, and maintained with the Depository known as the "Acton Municipal Utility District Utility System Revenue Fund" (the *System Fund*) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the District. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required 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 as defined herein or required by statute to be a first charge on and claim against the Gross Revenues of the System, including maintaining the Operating Reserve; provided, however, that the District reserves the right to levy and collect a maintenance and operations ad valorem tax to be utilized to pay Maintenance and Operating Expenses if this maintenance and operations ad valorem tax is approved by the qualified voters of the District at an election held and conducted in accordance with the provisions of the Texas Water Code and other applicable law.

(B) SECOND: to the payment of the amounts required to be deposited into the funds created and established for the payment, security, and benefit of the currently outstanding Previously Issued Parity Bonds, the Bonds, and any Additional Parity Obligations hereafter issued by the District as the same become due and payable.

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

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

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

SECTION 13: Bond Fund; Excess Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable, the District agrees to maintain, at the Depository, a separate and special fund or account to be created and known as the "Acton Municipal Utility District Utility System Revenue Refunding Bonds, New Series 2024 Interest and Sinking Fund" (the *Bond Fund*). The District covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Net Revenues an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds Similarly Secured to the Purchaser. If the Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

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

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

SECTION 14: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the *Required Reserve Amount*) equal to the (i) Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds Similarly Secured or the most recently issued series of Bond Similarly Secured then Outstanding) for the Bonds Similarly Secured or (ii) the maximum amount in a reasonably required reserve fund for the Revenue Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Code (as defined in Section 33), the District agrees to create, establish, and maintain a separate and special fund or account known as the “Acton Municipal Utility District Utility System Revenue Bond Reserve Fund, New Series 2024” (the *Reserve Fund*), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the System 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

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$3,249,471.00 (\$2,423,625.00 is already on deposit in the Reserve Fund) and the District will transfer \$825,846.00 to the Reserve Fund from lawfully available funds on a monthly basis as described below, which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchaser 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 \$13,765.00 being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the 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), such monthly deposits defined as the “Required Reserve Fund Deposits”, 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 Bond Fund and as required by the orders authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of any Additional Parity Obligations.

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

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

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

#### SECTION 15: Deficiencies - Excess Net Revenues.

(A) If on any occasion there shall not be sufficient Net Revenues of the System to make the required deposits into (i) the funds and accounts required to be established, funded and maintained in accordance with the orders authorizing the issuance of the currently outstanding Previously Issued Parity Bonds and (ii) 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 set forth above and to the Bond Fund and the Reserve Fund when and as required by this Order, or any order authorizing the issuance of the Bonds Similarly Secured, or the payments required by the provisions of the orders authorizing the issuance of any Junior Lien Obligations or Subordinate Lien Obligations hereafter issued by the District, the excess Net Revenues of the System may be used by the District for any lawful purpose.

SECTION 16: Payment of Bonds Similarly Secured. While any of the Bonds Similarly Secured are Outstanding, any Authorized Official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Bonds Similarly Secured as such installment accrues or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds Similarly Secured at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

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

SECTION 18: Issuance of Additional Parity Obligations. The District reserves the right hereafter to issue Additional Parity Obligations when issued in compliance with the terms and conditions hereinafter prescribed, shall be payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System. The Additional Parity Obligations

may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

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

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

(C) the District has secured from its chief financial officer or District Manager a certificate or opinion to the effect that, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive calendar month period out of the 18 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to 1.25 times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Net Revenues, the Accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective less than ninety (90) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

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

(E) the order authorizing the issuance of the Additional Parity Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Required Reserve Amount after giving effect to the issuance of the proposed Additional Parity Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Parity Obligations are delivered.

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

The right to issue such other and further Additional Parity Obligations shall exist as often as the need therefor shall arise and so long as such Additional Parity Obligations are issued in compliance with law and the terms and conditions contained in this Order.

SECTION 19: Refunding Bonds. The District reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured, pursuant to any law then available, upon

such terms and conditions as the Board of Directors may deem to be in the best interest of the District and its inhabitants, and if less than all such outstanding Bonds Similarly Secured are refunded, the conditions precedent prescribed, for the issuance of Additional Parity Obligations, set forth in Section 18 of this Order shall be satisfied and the District official's certificate required in subparagraph C shall give effect to the Debt Service Requirements of the proposed refunding bonds (but shall not give effect to the Debt Service Requirements of the bonds being refunded following their cancellation or provision being made for their payment).

SECTION 20: Additional Revenue Obligations. The District hereby reserves the right to issue, at any time, obligations including, but not limited to, inferior lien obligations payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of the Bonds Similarly Secured as may be authorized by the laws of the State of Texas upon satisfying any conditions precedent contained in the orders authorizing the issuance of the Bonds Similarly Secured, including any Junior Lien Obligations or Subordinate Lien Obligations.

SECTION 21: Special Project Bonds. The District further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner.

SECTION 22: 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, but in no event shall the amount of insurance maintained on the projects financed with the proceeds of the Bonds be less than the amount necessary to protect the Purchaser's interest. 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 23: 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 thereto, as provided by Chapters 49 and 54, as amended, Texas Water Code, or other applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the 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. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 24: Special Covenants. The District further covenants and agrees by and through this Order as follows:

(A) It has the lawful power to pledge the Net Revenues supporting the Bonds and has lawfully exercised this power under the laws of the State of Texas, including the power existing under Chapters 49 and 54, as amended, Texas Water Code;

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

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

(D) As long as any Bonds, or any interest thereon, remain Outstanding, the District will not sell, lease, or encumber the System or any substantial part thereof (except as provided in Sections 18, 19, 20, and 21 of this Order) provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System;

(E) No free service of the System (except water provided to the District for municipal fire-fighting purposes) shall be allowed, and, should the District or any of its agents or instrumentalities make use of the services and facilities of the System, payment of the reasonable value thereof shall be made by the District out of funds from sources other than the revenues and income of the System;

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

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

SECTION 25: Limited Obligations of the District. The Bonds 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

SECTION 26: Security of Funds. All money on deposit in the funds or accounts 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 Texas for the security of public funds, and money on deposit in such funds or accounts shall be used only for the purposes permitted by this Order.

\* \* \* \*

**APPENDIX B**

**FINANCIAL INFORMATION – ACTON MUNICIPAL UTILITY DISTRICT**

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## FINANCIAL INFORMATION OF THE ISSUER

### REVENUE BOND DEBT DATA

*(As of August 1, 2024)*

Revenue Bond Debt Outstanding:	Par Amount
Utility System Revenue Bonds, New Series 2017	\$ 220,000
Utility System Revenue Bonds, New Series 2018	5,880,000
Utility System Revenue Bonds, New Series 2020	805,000
Utility System Revenue Bonds, New Series 2021	9,720,000
Utility System Revenue Bonds, New Series 2021A	2,115,000
Utility System Revenue Bonds, New Series 2021B	4,360,000
Utility System Revenue Refunding Bonds, New Series 2022	6,830,000
Utility System Revenue Bonds, New Series 2024 (the "Bonds")	34,665,000
<b>Total</b>	<b>\$ 64,595,000</b>

### GENERAL OBLIGATION BONDS AUTHORIZED BUT UNISSUED

- NONE -

### GENERAL FIXED ASSETS

TABLE 1

*(As of September 30, 2023)*

Water and Sanitary Sewer System	\$ 59,194,067
Machinery and Equipment	2,575,150
Buildings	2,593,484
Land and Easements	503,680
Construction Work in Progress	20,990,472
<b>Total General Fixed Assets</b>	<b>\$ 85,856,853</b>
Accumulated Depreciation	
Water System and Sanitary Sewer System	\$ 28,159,517
Machinery and Equipment	1,890,073
Buildings	707,856
<b>Total Accumulated Depreciation</b>	<b>\$ 30,757,446</b>
	<b>\$ 55,099,407</b>

Source: AMUD's Annual Financial Report for fiscal years ending September 30, 2023.

## REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sep. 30	Current Total Outstanding Debt	The Bonds			Combined Debt Service
		Principal	Interest	Total	
2024	\$ 3,034,625	-	-	-	\$ 3,034,625
2025	3,040,837	\$ 555,000	\$ 1,139,698	\$ 1,694,698	4,735,535
2026	2,878,739	530,000	1,569,400	2,099,400	4,978,139
2027	2,884,752	560,000	1,537,600	2,097,600	4,982,352
2028	2,882,549	595,000	1,504,000	2,099,000	4,981,549
2029	2,277,265	630,000	1,468,300	2,098,300	4,375,565
2030	2,280,724	665,000	1,430,500	2,095,500	4,376,224
2031	2,276,537	705,000	1,390,600	2,095,600	4,372,137
2032	2,274,889	750,000	1,348,300	2,098,300	4,373,189
2033	2,279,675	795,000	1,303,300	2,098,300	4,377,975
2034	1,664,440	840,000	1,255,600	2,095,600	3,760,040
2035	1,666,479	890,000	1,205,200	2,095,200	3,761,679
2036	1,662,881	945,000	1,151,800	2,096,800	3,759,681
2037	1,668,785	1,000,000	1,097,463	2,097,463	3,766,247
2038	1,659,065	1,050,000	1,047,463	2,097,463	3,756,527
2039	1,198,530	1,105,000	994,963	2,099,963	3,298,492
2040	1,213,469	1,145,000	950,763	2,095,763	3,309,231
2041	1,156,969	1,195,000	904,963	2,099,963	3,256,932
2042	-	1,240,000	857,163	2,097,163	2,097,163
2043	-	1,290,000	807,563	2,097,563	2,097,563
2044	-	1,340,000	755,963	2,095,963	2,095,963
2045	-	1,395,000	702,363	2,097,363	2,097,363
2046	-	1,450,000	646,563	2,096,563	2,096,563
2047	-	1,510,000	586,750	2,096,750	2,096,750
2048	-	1,575,000	524,463	2,099,463	2,099,463
2049	-	1,640,000	459,494	2,099,494	2,099,494
2050	-	1,705,000	391,844	2,096,844	2,096,844
2051	-	1,775,000	321,513	2,096,513	2,096,513
2052	-	1,850,000	246,075	2,096,075	2,096,075
2053	-	1,930,000	167,450	2,097,450	2,097,450
2054	-	2,010,000	85,425	2,095,425	2,095,425
<b>Total</b>	<b>\$ 38,001,213</b>	<b>\$ 34,665,000</b>	<b>\$ 27,852,535</b>	<b>\$ 62,517,535</b>	<b>\$ 100,518,748</b>

## COVERAGE FACTOR

### (1) Average Annual Debt Service Requirement:

Net Revenue available for debt service for fiscal year ended 9/30/2023	\$ 6,925,174
Average Annual Debt Service Requirements (2025-2054)	\$ 3,249,471
Coverage Factor	2.13X

### (2) Maximum Annual Debt Service Requirement:

Net Revenues available for debt service for fiscal year ended 9/30/2023	\$ 6,925,174
Maximum annual debt service requirement (9/30/2027)	\$ 4,982,352
Coverage Factor	1.39X

**PRINCIPAL REPAYMENT SCHEDULE**

Fiscal Year Ending 9/30	Currently Outstanding Principal Repayment Schedule	The Bonds Repayment Schedule	Combined Principal Repayment Scheduled	Bonds Outstanding at End of Year	Percent of Principal Retired
2025	\$ 2,300,000	\$ 555,000	\$ 2,855,000	\$ 61,740,000	4%
2026	2,210,000	530,000	2,740,000	59,000,000	9%
2027	2,285,000	560,000	2,845,000	56,155,000	13%
2028	2,355,000	595,000	2,950,000	53,205,000	18%
2029	1,825,000	630,000	2,455,000	50,750,000	21%
2030	1,885,000	665,000	2,550,000	48,200,000	25%
2031	1,940,000	705,000	2,645,000	45,555,000	29%
2032	2,000,000	750,000	2,750,000	42,805,000	34%
2033	2,055,000	795,000	2,850,000	39,955,000	38%
2034	1,480,000	840,000	2,320,000	37,635,000	42%
2035	1,505,000	890,000	2,395,000	35,240,000	45%
2036	1,525,000	945,000	2,470,000	32,770,000	49%
2037	1,555,000	1,000,000	2,555,000	30,215,000	53%
2038	1,570,000	1,050,000	2,620,000	27,595,000	57%
2039	1,135,000	1,105,000	2,240,000	25,355,000	61%
2040	1,170,000	1,145,000	2,315,000	23,040,000	64%
2041	1,135,000	1,195,000	2,330,000	20,710,000	68%
2042	-	1,240,000	1,240,000	19,470,000	70%
2043	-	1,290,000	1,290,000	18,180,000	72%
2044	-	1,340,000	1,340,000	16,840,000	74%
2045	-	1,395,000	1,395,000	15,445,000	76%
2046	-	1,450,000	1,450,000	13,995,000	78%
2047	-	1,510,000	1,510,000	12,485,000	81%
2048	-	1,575,000	1,575,000	10,910,000	83%
2049	-	1,640,000	1,640,000	9,270,000	86%
2050	-	1,705,000	1,705,000	7,565,000	88%
2051	-	1,775,000	1,775,000	5,790,000	91%
2052	-	1,850,000	1,850,000	3,940,000	94%
2053	-	1,930,000	1,930,000	2,010,000	97%
2054	-	2,010,000	2,010,000	-	100%
	<u>\$ 29,930,000</u>	<u>\$ 34,665,000</u>	<u>\$ 64,595,000</u>		

**REVENUE BOND RESERVE FUND BALANCES**

**TABLE 2**

*(As of May 31, 2024)*

Existing Reserve Fund Requirement.....	\$	2,219,819
Current Reserve Fund Balance.....	\$	2,423,625

After the issuance of the Bonds the new Reserve Fund Requirement will be \$3,249,471. The District shall make monthly deposits of \$13,765 for sixty months or until the Reserve Fund Requirement is reached.

**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.

	Fiscal Year Ended				
	9/30/2023	9/30/2022	9/30/2021	9/30/2020	9/30/2019
<b>General Fund Revenue</b>					
Water Services	\$ 10,155,752	\$ 9,063,271	\$ 7,355,130	\$ 7,724,343	\$ 6,625,623
Sewer Services	2,348,594	2,336,489	2,186,613	1,933,927	1,963,030
Application Fees	106,388	133,690	157,310	152,095	201,288
Penalties and Interest	81,262	78,996	13,782	32,486	68,059
Tap Connection Fees	858,880	1,077,623	1,303,178	1,165,040	1,500,066
SWATS Revenue	-	-	-	-	-
Investment Earnings	<u>1,098,463</u>	<u>193,282</u>	<u>15,351</u>	<u>98,213</u>	<u>197,410</u>
Total Revenue	\$ 14,649,339	\$ 12,883,351	\$ 11,031,364	\$ 11,106,104	\$ 10,555,476
<b>Expenditures</b>					
Professional Fees	\$ 470,853	\$ 257,300	\$ 73,354	\$ 69,943	\$ 88,920
Contracted Services	207,157	167,437	111,358	161,699	72,263
Payroll	2,353,544	2,193,613	2,175,090	2,078,080	1,906,087
Utilities	719,750	532,079	437,683	413,661	394,661
Materials and Supplies	224,086	240,470	207,798	179,456	185,466
Repairs and Maintenance	823,266	692,157	583,104	397,574	509,108
SWATS O & M and Water <sup>(1)</sup>	2,356,952	1,983,414	2,007,336	2,483,123	2,849,864
Other Expenditures	<u>568,557</u>	<u>607,617</u>	<u>888,558</u>	<u>239,705</u>	<u>760,315</u>
Total Expenditures	\$ 7,724,165	\$ 6,674,087	\$ 6,484,281	\$ 6,023,241	\$ 6,766,684
<b>Net Revenue Available for Debt Service</b>	<u>\$ 6,925,174</u>	<u>\$ 6,209,264</u>	<u>\$ 4,547,083</u>	<u>\$ 5,082,863</u>	<u>\$ 3,788,792</u>
Debt Service	\$ 3,068,236	\$ 3,061,851	\$ 1,921,560	\$ 1,874,537	\$ 1,873,548
Debt Service Coverage	2.26X	2.03X	2.37X	2.71X	2.02X
Customer Count:					
Water	8,948	8,463	8,257	8,175	7,884
Sewer	4,819	4,407	4,502	4,335	4,128
Water Billed to Customers (Thousands of Gallons)	968,856	941,669	738,248	810,347	622,400

<sup>(1)</sup> Represents payments for raw water under a Take-or-Pay Contract with Brazos Regional Public Utility Agency, water treatment cost and debt service on treatment facilities. See Table 4, Water Supply on B-5.

Source: AMUD's Annual Financial Reports.

**PENSION FUND LIABILITY**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contribution Rates (Percentage of gross covered salary)			
Employee	5.00%	5.00%	5.00%
District	8.75%	9.29%	7.01%
Actuarial Valuation as of	<u>12/31/2022</u>	<u>12/31/2021</u>	<u>12/31/2020</u>
Assets	\$ 4,768,930	\$ 3,738,668	\$ 3,378,799
Accrued Liabilities	5,194,657	(3,977,392)	(3,655,047)
(Unfunded)/Overfunded Liabilities	\$ (425,727)	\$ (238,724)	\$ (276,248)
Funded Ratio	91.80%	94.00%	92.40%
Annual Covered Payroll	\$ 1,464,791	\$ 1,488,502	\$ 1,467,574
(Unfunded)/Overfunded Liability as a Percentage of Covered Payroll	29.06%	16.04%	18.82%

**WATER SUPPLY AND SANITARY SEWER FACILITIES**

**TABLE 4**

**Source of Water Supply:** The District maintains 24 water wells with a total capacity of 1,672 gallons per minute. The District also acquires surface water provided by the Brazos River Authority in an amount of 7,000 acre feet per years of raw water from Lake Granbury. The Lake Granbury water is treated at the BRPUA 13 MGD SWATS Plant with the District treated capacity of 5.81 MGD. After the settlement, the District will own the SWATS Plat and will increase its share of capacity to 8 MGD being sold to Johnson County Special Utility District ("JCSUD") through a take or pay Water Treatment Contract with a 5 year term with a two one year optional extensions.

**Wastewater Treatment:** The District owns and operates two wastewater treatment facilities. Both plants are being upgraded to utilize the Sequencing Batch Reactor process. The capacity flow at Wastewater Treatment Plant #1 located in DeCordova Bend Estates and the City of DeCordova is 0.93 MGD which is running at approximately 51.7% of capacity. The District estimates that the current plant will not need further expansion for approximately 10 years. The permitted flow of Wastewater Treatment Plant #2 located in Pecan Plantation is 0.487 MGD and it is currently at 55% capacity. A portion of the bond proceed will be used to expand this plant to 0.930 MGD. After the improvements, the Pecan Plantation plant will be able to handle complete build out of its respective service.

**TOP TEN WATER CUSTOMERS**

**TABLE 5**

(Gallons)

Customer	Type of Customer	Annual Consumption	% of Total Use
Southwest Water Company	Water Provider	35,017,018	3.61%
Southwest Water Company	Water Provider	22,348,715	2.31%
Aqua Texas	Water Provider	7,357,600	0.76%
Southwest Water Company	Water Provider	4,924,338	0.51%
Pecan Plantation Owners Assoc	Homeowners Association	2,657,650	0.27%
James B. Mills	Resident	2,021,194	0.21%
Fairway Condos	Homeowners Association	1,855,354	0.19%
PC Legacy Park LLC	Homeowners Association	1,541,421	0.16%
Sonic Drive-In Acton	Commercial/Business	1,401,524	0.14%
Decordova Bend Estates	Homeowners Association	<u>1,312,000</u>	<u>0.14%</u>
<b>Total</b>		<b><u>80,436,814</u></b>	<b><u>8.30%</u></b>

The top 10 users above represent 8.3% of the total water billed to customers in fiscal year ending September 30, 2023.

**WATER PRODUCED****TABLE 6***(Gallons)*

<u>Month</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
October	102,078,760	72,195,712	88,290,055	79,098,694	50,348,395
November	59,063,540	59,896,645	64,306,367	47,649,565	43,500,272
December	56,000,744	53,924,278	49,786,857	44,921,452	42,952,756
January	55,349,533	50,222,761	50,057,070	42,008,454	40,594,127
February	45,701,970	44,432,590	54,427,463	39,872,459	37,832,915
March	58,966,630	65,552,623	55,169,178	40,964,788	45,468,601
April	82,433,670	77,451,819	67,136,993	63,715,782	45,925,663
May	81,847,090	98,358,912	51,339,650	88,595,958	42,095,890
June	108,860,220	135,891,556	77,425,739	105,068,980	55,950,764
July	160,076,260	163,162,118	106,127,689	126,388,459	102,709,446
August	172,429,725	134,644,841	148,472,664	152,331,375	119,407,911
September	128,590,750	101,347,106	119,244,728	84,654,555	108,558,667
Total	<u>1,111,398,892</u>	<u>1,057,080,961</u>	<u>931,784,453</u>	<u>915,270,521</u>	<u>735,345,407</u>

**WATER USAGE****TABLE 7***(Gallons)*

<u>Month</u>	<u>FY 2023</u>	<u>FY 2022</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
October	102,141,225	91,425,201	83,244,644	98,423,339	45,715,512
November	71,216,956	58,120,503	54,182,154	43,232,059	33,038,127
December	43,473,351	50,094,531	44,482,916	40,185,291	35,317,959
January	49,244,612	46,025,221	40,082,789	35,217,988	33,890,657
February	42,069,938	41,383,078	42,477,882	31,511,914	30,772,963
March	40,718,504	44,217,316	37,837,955	33,390,392	31,326,172
April	62,503,110	60,291,040	53,685,245	38,114,230	45,173,041
May	73,078,604	73,527,730	51,329,721	77,862,889	38,235,496
June	72,687,513	102,481,425	41,339,604	80,753,181	46,194,792
July	124,115,112	138,284,401	79,122,043	98,470,505	72,415,964
August	158,858,438	150,297,040	108,960,694	129,014,925	103,592,183
September	128,748,542	85,521,222	101,501,983	104,169,972	106,727,233
Total	<u>968,855,905</u>	<u>941,668,708</u>	<u>738,247,630</u>	<u>810,346,685</u>	<u>622,400,099</u>

AMUD has 24 producing water wells and a contract with the Brazos River Authority to supply raw water as needed.

**WATER RATES**

**TABLE 8**

(Based on Monthly Billing)

Effective Date	11/1/2023		4/1/2023		11/1/2021 District	4/1/2023	11/1/2021 Non-District
	District Minimum	Customer Minimum	District Minimum	Customer Minimum	Customer Minimum	Non-District Customer Minimum	Customer Minimum
Meter Size							
<=3/4"	\$ 34.34	\$ 34.34	\$ 32.70	\$ 32.70	\$ 31.14	\$ 44.00	\$ 44.00
1"	53.54	53.54	50.99	50.99	48.56	72.32	72.32
1 1/2"	70.06	70.06	66.72	66.72	63.54	93.98	93.98
2"	86.09	86.09	81.99	81.99	78.09	115.02	115.02
3"	124.49	124.49	118.56	118.56	112.91	175.48	175.48
4"	442.84	442.84	421.75	421.75	401.67	583.48	583.48

**(Rates - Per Thousand Gallons)**

**RESIDENTIAL**

Per Gallon Charge	Effective Gallons	11/1/2023 Inside District	4/1/2023 Inside District	11/1/2021 Inside District	4/1/2023 Outside District	11/1/2021 Outside District
First	8,000	\$5.43	\$5.17	\$4.92	\$0.00	\$0.00
Next	8,000	\$6.73	\$6.41	\$6.10	\$6.12	\$6.12
Next	9,000	\$7.79	\$7.42	\$7.07	\$6.12	\$6.12
Over	25,000	\$9.35	\$8.90	\$8.48	\$10.00	\$10.00

**COMMERCIAL**

		Per Meter Size	Per Meter Size	Per Meter Size	Per Meter Size	Per Meter Size
First	8,000	\$5.17	\$5.17	\$4.92	\$0.00	\$0.00
Next	8,000	\$6.41	\$6.41	\$6.10	\$6.12	\$6.12
Next	9,000	\$7.42	\$7.42	\$7.07	\$6.12	\$6.12
Over	25,000	\$8.90	\$8.90	\$8.48	\$10.00	\$10.00

**IMPACT FEES**

		Effective 4/1/2023	
Inside District:	Water Impact Fee	\$	4,900
	Water Tap Fee	\$	500
	Sewer Impact Fee	\$	4,900
	Sewer Tap Fee	\$	375
Outside District:	Water Tap Reserve	\$	4,900
	Water Tap Fee	\$	500

**SEWER RATES****TABLE 9**

(Based on Monthly Billing)

	<b>Rates Effective</b>		<b><u>11/1/2023</u></b>	<b><u>4/1/2023</u></b>
<b>Residential</b>				
Minimum for Pecan Plantation, DeCordova Bend subdivisions and Acton area	\$	27.78	\$	26.46
Per Gallon Rate (8,000 gallon cap based on winter average usage)	\$	4.05	\$	3.86
<b>Commercial</b>				
Minimum	\$	27.78	\$	26.46
Per Gallon Rate	\$	4.05	\$	3.86

Note: Winter residential average cap increased from 6,000 to 8,000 gallons effective 10/01/2015.

**Wastewater Treatment Facilities****TABLE 10**

AMUD has two existing wastewater treatment facilities. Both plants use the extended aeration process. The permitted flow of Wastewater Treatment Plant #1 located in DeCordova Bend Estates, City of DeCordova is 0.6 mgd running at approximately 43% of capacity. The permitted flow of the Wastewater Treatment Plant #2 located in Pecan Plantation is 0.40 mgd and it is running at approximately 26% of capacity.



**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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August 21, 2024

Norton Rose Fulbright US LLP  
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Austin, Texas 78701-4255  
United States

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**FINAL**

IN REGARD to the authorization and issuance of the “Acton Municipal Utility District Utility System Revenue Bonds, New Series 2024” (the *Bonds*), dated August 15, 2024, in the aggregate principal amount of \$34,665,000 we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the Acton Municipal Utility District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of May 1 in each of the years 2025 through 2050, and May 1, 2054, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Order.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Directors of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of ACTON MUNICIPAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, NEW SERIES 2024**

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from and equally and ratably secured solely, together with the currently outstanding Previously Issued Parity Bonds, 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, Junior Lien 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 Bonds 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 Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation. The pledge of 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 Bonds; and to abolish the Issuer.

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

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

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue

**Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas in connection with the authorization and issuance of ACTON MUNICIPAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, NEW SERIES 2024**

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**

**EXCERPTS FROM  
ACTON MUNICIPAL UTILITY DISTRICT'S  
AUDITED 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 complete Annual Financial Report for further information.)

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**ACTON MUNICIPAL UTILITY DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**



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Acton Municipal Utility District  
Annual Financial Report  
September 30, 2023

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Acton Municipal Utility District  
Annual Financial Report  
September 30, 2023

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }  
COUNTY OF HOOD }

I, Ray Lewis, Board President of the  
(Name of Duly Authorized District Representative)

ACTON MUNICIPAL UTILITY DISTRICT  
(Name of District)

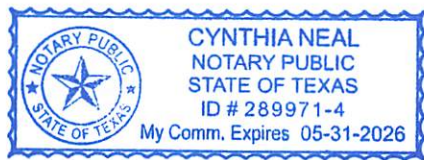
Hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the 17th day of January, 2024, its annual audit report for the calendar ended September 30, 2023 and that copies of the annual audit report have been filed in the District's office, located at 6420 Lusk Branch Court, Granbury, Texas 76049.  
(Address of the District's Office)

This 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 Texas Water Code Section 49.194.

Date: Jan 17, 2024 By: [Signature]  
(Signature of District Representative)

Ray Lewis, Board President  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 17th day of January, 2024.



[Signature]  
(Signature of Notary)

My Commission Expires On: May 31, 2026.  
Notary Public in the State of Texas.



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Acton Municipal Utility District  
Granbury, Texas

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Acton Municipal Utility District (the "District"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Acton Municipal Utility District, as of September 30, 2023, and the respective changes in financial position 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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our Responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Acton Municipal Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management for the Financial Statements

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 Acton Municipal Utility District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Acton Municipal 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 Acton Municipal 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 on pages 5 – 10 and budgetary, pension and OPEB information on pages 35 - 41 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 statement, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the other supplementary information on page 42 and Texas supplementary information on pages 43-59 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2024,



on our consideration of the 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 any opinion on the effectiveness of the District's 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 the District's internal control over financial reporting and compliance.

*George Morgan Sneed, P.C.*

Weatherford, Texas  
January 11, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Acton Municipal Water District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities for the year ended September 30, 2023. We encourage readers to consider the information presented here.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the current fiscal year by \$58,106,854 as compared to \$50,174,679 for the previous period. Of this amount, \$14,005,480 (unrestricted net position) may be used to meet the District's ongoing obligations to citizens and creditors.
- The District's net position increased by \$7,932,175 because of this year's operations as compared to an increase of \$3,439,003 for previous period.
- At September 30, 2023 the District's governmental funds reported combined ending fund balances of \$28,651,764. At September 30, 2022, the combined ending fund balance was \$34,411,232.
- At September 30, 2023 the unassigned fund balance of the general fund was \$13,525,496, which was 125% of current year general fund expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the Statement of Net Position and the Statement of Activities on pages 11-12.

The Statement of Net Position presents information on all of the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The District reports one kind of activity in the government-wide financial statements.

Governmental activity – The District’s services are reported here, including water, sewer, and administration. User charges and to a lesser extent property taxes, finance most of these activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District’s funds are governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Notes 8 and 9 of the notes to the financial statements provide reconciliations to facilitate this comparison between governmental funds and governmental activities.

The District has three governmental funds. Information is presented separately in the fund financial statements for the General Fund, Debt Service Fund and Capital Projects Fund, which are considered major funds.

The governmental fund financial statements can be found on pages 11-12 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 13 - 33 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve, over time, as a useful indicator of a government’s financial position. In the case of the Acton Municipal Water District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$58,106,854 at September 30, 2023.

72% of the District’s net position reflects its investment in capital assets (e.g., land, buildings, water and sanitary sewer systems, and machinery and equipment), less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the District’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

As of September 30, 2023, the District is able to report positive balances in all categories of net position.

Below is a summary of the District's Statement of Net Position.

Condensed Statement of Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 41,859,847	\$ 47,121,554
Capital assets	55,099,407	43,661,138
Total assets	<u>96,959,254</u>	<u>90,782,692</u>
Deferred outflows of resources	750,815	700,953
Total deferred outflows of resources	<u>750,815</u>	<u>700,953</u>
Current liabilities	3,144,224	3,214,262
Noncurrent liabilities	35,580,877	37,420,002
Total liabilities	<u>38,725,101</u>	<u>40,634,264</u>
Deferred inflows of resources	878,114	674,702
Total deferred inflows of resources	<u>878,114</u>	<u>674,702</u>
Net investment in capital assets	41,742,498	35,347,759
Restricted net position	2,358,876	2,253,729
Unrestricted net position	14,005,480	12,573,191
Total net position	<u>\$ 58,106,854</u>	<u>\$ 50,174,679</u>

Governmental activities increased the District's net position by \$7,932,175. Total revenues increased \$5,102,197. Water and sewer services increased \$1,104,586 because more gallons of water were sold in the current year and rates were increased 5%. Other charges for service decreased \$243,779 primarily because of a decrease in number of impact fees. Capital grants and contributions increased 3,177,788 in the current year due to developers contributing completed water and sewer improvements. Investment earnings increased \$1,079,214 because interest rates increased and the amount of cash and investments increased. Total expenses increased \$609,025. The District was affected by utility rate increases and price increases due to inflation and supply chain issues. The largest increase was \$462,552 SWATS operating and maintenance due to increase in expenses at the SWATS plant and increase in gallons of water produced.

Below is a summary of the District's Statement of Activities. Expenses have been reclassified to match current year presentation.

	<u>Governmental Activities</u>	
	<u>09/30/2023</u>	<u>09/30/2022</u>
Revenues		
Program revenues:		
Water and sewer services	\$ 12,504,346	\$ 11,399,760
Other charges for services	1,046,530	1,290,309
Capital grants and contributions	3,550,881	373,093
General revenues:		
Property taxes	11,948	25,891
Investment earnings	1,300,334	221,120
Gain(loss) on disposal of assets	224	1,893
Total revenues	<u>18,414,263</u>	<u>13,312,066</u>
Expenses		
Professional fees	508,560	257,300
Contracted services	207,157	167,437
Payroll	2,313,004	2,140,670
Utilities	719,750	532,079
Materials and supplies	224,086	240,470
Repairs and maintenance	825,798	685,168
SWATS O&M and Raw Water Purchases	2,643,628	2,181,076
Other expenditures/expenses	568,828	608,218
Debt Service		
Interest	584,416	701,447
Bond fees	2,691	488,902
Depreciation	1,884,170	1,870,296
Total expenses	<u>10,482,088</u>	<u>9,873,063</u>
Change in net position	7,932,175	3,439,003
Net position - beginning	<u>50,174,679</u>	<u>46,735,676</u>
Net position - ending	<u>\$ 58,106,854</u>	<u>\$ 50,174,679</u>

## FINANCIAL ANALYSIS OF THE FUND FINANCIAL STATEMENTS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year the District's governmental funds reported combined ending fund balance of \$28,651,765. This is a decrease of \$5,759,467. \$13,525,496 of fund balance constitutes unassigned fund balance, which is available for spending at the District's discretion. The remainder is nonspendable or restricted to indicate it is not available for new spending.

The general fund is the chief operating fund of the District. At the end of the year, unassigned fund balance of the general fund was \$13,525,496. During the year fund balance decreased \$4,010,902.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The District amended its general fund budget once during the year. Budgeted revenues were increased \$768,000 primarily for investment earnings due to interest rates increasing. Budgeted expenditures were increased \$768,000 with the largest increases being \$275,000 in professional fees for attorneys and \$200,000 for repairs and maintenance. Actual expenditures were \$816,628 less than budgeted with the largest variances in SWATS O&M and raw water purchases.

## **CAPITAL ASSETS**

The District's investment in capital assets for its governmental activities as of September 30, 2023, amounts to \$55,099,407 (net of accumulated depreciation). The investment in capital assets includes land, buildings, water and sanitary sewer systems, machinery and equipment, and construction in progress.

Major capital asset events during the fiscal year included the following:

- \$1,221,344 for construction of Waste Water Treatment Plant #1
- \$7,438,768 for construction of Waste Water Treatment Plant #2
- \$3,550,881 developer contributions of water and wastewater improvements.

Additional information on the District's capital assets can be found in Note 8 to the financial statements.

## **DEBT ADMINISTRATION**

At the end of the current of the current fiscal year, the Acton Municipal Water District has bonds outstanding of \$32,155,000. All of these bonds are secured solely by revenues of the water and sewer system.

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

Many factors impact the District and its operations including the economy, weather, growth in customer base and the demands caused by this growth, price increases in fuel, electricity, materials and labor, employment and changes in the housing market. Weather is the single largest factor affecting revenues. New construction during the last fiscal year has bloomed again and we are experiencing an increase in new home building throughout the District.

Total projected revenue for fiscal year 2024 (FY2024) is \$14,219,040, with \$9,152,560 and \$2,487,700 provided by water and sewer, respectively. The balance of revenue is from miscellaneous fees, interest on invested funds, and lease of water tower space for telecommunications equipment. Impact fees are collected on new construction to provide for expansion of existing facilities to accommodate growth and the demand additional customers place on existing facilities and infrastructure and to offset debt service on growth related capital projects.

Operations and Maintenance Expense for FY2024 is budgeted in the amount of \$8,020,567. It is expected that the District will be able to fund operations and maintenance requirements while maintaining appropriate debt service coverage and sustaining a sound overall financial position.

Capital expenditures for FY2024 are budgeted in the amount of \$20,927,000. Of this amount \$12,579,000 will be funded by bond funds with the remainder, \$8,348,000, funded from operations activities. Of the amount funded by operations, \$5,125,000 is scheduled to be funded by a new bond issue in FY2024. Although various water and sewer improvement projects will be constructed using capital reserve funds, escalating project costs will necessitate the issuance of bonds in the near future. If necessary, the District will adjust rates and fees as needed to maintain its sound financial position.

In response to current and projected growth, the District received \$1,015,000 in 2020 from Texas Water Development Board (TWBD) for the engineering phase of the expansion of Wastewater Treatment Plant #2 in Pecan Plantation. Another bond issue was completed in 2021 in the amount of \$10,870,000 for the expansion construction phase of this plant.

In 2018, the District received funding from the TWBD in the amount of \$8,210,000 for the construction phase of the expansion of the Wastewater Treatment Plant #1 in De Cordova Bend Estates (DCBE). Additional funds in the amount of \$2,490,000 were received in FY2021 from TWDB to cover the gap due to the lowest responsible bid received being in excess of the original construction budget. The DCBE construction phase is scheduled for completion during the fourth quarter of 2023.

The District also issued bonds at the end of FY2021 with the sale being funded in October 2021 in the amount of \$5,000,000 for the funding of water and wastewater infrastructure additions and improvements. Capital reserves are also utilized as needed to maintain debt at manageable levels. District rates were increased 5% this year starting on November 1, 2023.

In this regard, the District's bond rating was raised to 'AA-' from 'A+' by Standard & Poor's Ratings Services in November 2012.

The District is planning to issue bonds for several upcoming and current projects within the fiscal year.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide a general overview of Acton Municipal Water District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's business office at Acton Municipal Water District, 6420 Lusk Branch Court, Granbury Texas 76049.

## BASIC FINANCIAL STATEMENTS



ACTON MUNICIPAL UTILITY DISTRICT  
Statement of Net Position and Governmental Funds Balance Sheet  
September 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Net Position
<b>ASSETS</b>						
Cash and cash equivalents	\$ 785,107	\$ 16,709	\$ -	\$ 801,816	\$ -	\$ 801,816
Investments	9,075,134	-	-	9,075,134	-	9,075,134
Restricted cash and cash equivalents	741,260	-	1,796,703	2,537,963	-	2,537,963
Restricted Investments	12,399,138	2,338,823	-	14,737,961	-	14,737,961
Customer receivables	1,750,259	-	-	1,750,259	-	1,750,259
Taxes receivable	-	3,344	-	3,344	-	3,344
Receivable from BRPUA	1,014,910	-	-	1,014,910	-	1,014,910
Inventories	1,094,605	-	-	1,094,605	-	1,094,605
Due from other funds	13,250	-	-	13,250	(13,250)	-
Prepaid items	439,182	-	-	439,182	-	439,182
Note Receivable	48,444	-	-	48,444	-	48,444
Tower lease receivable	817,365	-	-	817,365	-	817,365
Investment in joint venture	-	-	-	-	9,538,864	9,538,864
Capital assets (net of accumulated depreciation)						
Nondepreciable	-	-	-	-	21,494,152	21,494,152
Depreciable, net of accumulated depreciation	-	-	-	-	33,605,255	33,605,255
Total assets	<u>28,178,654</u>	<u>2,358,876</u>	<u>1,796,703</u>	<u>32,334,233</u>	<u>64,625,021</u>	<u>96,959,254</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred outflows related to pensions	-	-	-	-	524,969	524,969
Deferred outflows related to OPEB	-	-	-	-	13,931	13,931
Deferred charges on refunding	-	-	-	-	211,915	211,915
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>750,815</u>	<u>750,815</u>
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Accounts payable	1,639,017	-	-	1,639,017	-	1,639,017
Accrued liabilities	153,142	-	-	153,142	-	153,142
Due to other funds	-	-	13,250	13,250	(13,250)	-
Customer deposits	741,260	-	-	741,260	-	741,260
Prepaid customer impact fees	268,963	-	-	268,963	-	268,963
Interest payable	-	-	-	-	341,842	341,842
<b>Noncurrent liabilities</b>						
Due within one year	-	-	-	-	2,556,130	2,556,130
Due in more than one year	-	-	-	-	33,024,747	33,024,747
Total liabilities	<u>2,802,382</u>	<u>-</u>	<u>13,250</u>	<u>2,815,632</u>	<u>35,909,469</u>	<u>38,725,101</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred revenue	865,809	1,027	-	866,836	(49,471)	817,365
Deferred inflows related to pensions	-	-	-	-	35,135	35,135
Deferred inflows related to OPEB	-	-	-	-	25,614	25,614
Total deferred inflows of resources	<u>865,809</u>	<u>1,027</u>	<u>-</u>	<u>866,836</u>	<u>11,278</u>	<u>878,114</u>
<b>FUND BALANCE AND NET POSITION</b>						
<b>FUND BALANCES:</b>						
Nonspendable for inventories and prepaids	1,533,787	-	-	1,533,787	(1,533,787)	-
Restricted for debt service	-	2,357,849	-	2,357,849	(2,357,849)	-
Restricted for construction	9,451,180	-	1,783,453	11,234,633	(11,234,633)	-
Unassigned fund balance	13,525,496	-	-	13,525,496	(13,525,496)	-
Total fund balances	<u>24,510,463</u>	<u>2,357,849</u>	<u>1,783,453</u>	<u>28,651,765</u>	<u>(28,651,765)</u>	<u>-</u>
Total Liabilities, deferred inflows of resources and fund balances	<u>\$ 28,178,654</u>	<u>\$ 2,358,876</u>	<u>\$ 1,796,703</u>	<u>\$ 32,334,233</u>		
<b>NET POSITION</b>						
Net investment in capital assets					41,742,498	41,742,498
Restricted for debt service					2,358,876	2,358,876
Unrestricted net position					14,005,480	14,005,480
Total net position					<u>\$ 58,106,854</u>	<u>\$ 58,106,854</u>

The notes to the financial statements are an integral part of this statement.

ACTON MUNICIPAL UTILITY DISTRICT  
Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended September 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments	Statement of Activities
<b>REVENUES</b>						
Charges for services						
Water and sewer services	\$ 12,504,346	\$ -	\$ -	\$ 12,504,346	\$ -	\$ 12,504,346
Penalties	81,262	-	-	81,262	-	81,262
Application fees	106,388	-	-	106,388	-	106,388
Tap connection fees	74,700	-	-	74,700	-	74,700
Impact fees	784,180	-	-	784,180	-	784,180
Capital grants and contributions						
Developer contributions	-	-	-	-	3,550,881	3,550,881
General revenues						
Property taxes	-	11,948	-	11,948	-	11,948
Investment earnings	1,098,463	103,768	98,103	1,300,334	-	1,300,334
Total revenues	<u>14,649,339</u>	<u>115,716</u>	<u>98,103</u>	<u>14,863,158</u>	<u>3,550,881</u>	<u>18,414,039</u>
<b>EXPENDITURES/EXPENSES</b>						
Current						
Professional fees	470,853	-	-	470,853	37,707	508,560
Contracted services	207,157	-	-	207,157	-	207,157
Payroll	2,353,544	-	-	2,353,544	(40,540)	2,313,004
Utilities	719,750	-	-	719,750	-	719,750
Materials and supplies	224,086	-	-	224,086	-	224,086
Repairs and maintenance	823,266	-	-	823,266	2,532	825,798
SWATS O&M and Raw						
Water Purchases	2,356,952	-	-	2,356,952	286,676	2,643,628
Other expenditures/expenses	568,557	271	-	568,828	-	568,828
Capital Outlay:	-	-	9,839,994	9,839,994	(9,839,994)	-
Debt Service						
Principal	2,185,000	10,000	-	2,195,000	(2,195,000)	-
Interest	880,584	298	-	880,882	(296,466)	584,416
Bond fees	2,691	-	-	2,691	-	2,691
Depreciation	-	-	-	-	1,884,170	1,884,170
Total expenditures/expenses	<u>10,792,440</u>	<u>10,569</u>	<u>9,839,994</u>	<u>20,643,003</u>	<u>(10,160,915)</u>	<u>10,482,088</u>
Excess (deficiency) of revenue over expenditures	<u>3,856,899</u>	<u>105,147</u>	<u>(9,741,891)</u>	<u>(5,779,845)</u>	<u>13,711,796</u>	<u>7,931,951</u>
Other financing source (uses):						
Sale of capital assets	20,378	-	-	20,378	(20,154)	224
Transfers in	-	-	7,888,179	7,888,179	-	7,888,179
Transfers out	(7,888,179)	-	-	(7,888,179)	-	(7,888,179)
Total other financing sources (uses)	<u>(7,867,801)</u>	<u>-</u>	<u>7,888,179</u>	<u>20,378</u>	<u>(20,154)</u>	<u>224</u>
Change in fund balance/net position	(4,010,902)	105,147	(1,853,712)	(5,759,467)	13,691,642	7,932,175
Fund Balance/Net Position - beginning	28,521,365	2,252,702	3,637,165	34,411,232	15,763,447	50,174,679
Fund Balance/Net Position - ending	<u>\$ 24,510,463</u>	<u>\$ 2,357,849</u>	<u>\$ 1,783,453</u>	<u>\$ 28,651,765</u>	<u>\$ 29,455,089</u>	<u>\$ 58,106,854</u>

The notes to the financial statements are an integral part of this statement.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements of Acton Municipal Utility District (District) consist only of the funds of the District. The District has no oversight responsibility for any other governmental entity since no other entities are considered to be controlled by or dependent on the District.

The District was created on by order of the Texas Water Commission on July 21, 1982, under the terms and provisions of Section 59 of Article XVI of the Texas Constitution for the purpose of having and exercising functions, powers, authority, rights, and duties provided in Chapter 54, as amended, of the Texas Water Code. The Board of Directors held its first meeting on July 27, 1982. The voters of the District confirmed the organization of Acton Municipal Utility District on August 14, 1982. The District is governed by a five-member board that is elected to four year terms.

The complete and accurate legal description of the boundaries of the District are attached as Exhibit “A” to the Acton Municipal Utility District Second Amended information Form and Official Map filed in Volume 1266, Real Records of Hood County, Texas.

The functions to be performed by the District are those specified in Section 54.102, Texas Water code, including, but not limited to, the purchase, construction, and acquisition, repair, extension and improvements, facilities, plants, equipment, and appliances necessary to:

- a. Provide a water supply for municipal uses, domestic uses, and commercial purposes.
- b. Collect, transport, process, dispose of, and control all domestic industrial or communal waste, in fluid, solid or composite state; and water or other local harmful excess water in the District and the payment of organization expenses, operation expenses, and interest during the construction.

Joint Venture

The Acton Municipal Utility District and Johnson County Special Utility District created the Brazos Regional Public Utility Agency (Agency) on January 5, 2012. The Agency was created to achieve economies of scale in providing essential water systems to the public, through the ownership and operation of a water treatment plant and related facilities. The Agency meets the criteria of a joint venture between the sponsors with an ongoing financial responsibility.

B. Government-wide and Fund Financial Statements

The District is engaged in one governmental program and therefore is considered a special purpose government under GASB No. 34. This allows the District to present a combined columnar format that reconciles the individual line items of fund data to government-wide data in a separate column on the face of the financial statements. Governmental fund financial statements are prepared on the modified accrual basis of accounting. An adjustments column includes those adjustments needed to convert fund financial statements to full accrual basis government-wide financial statements. The statement of net position and statement of activities are government-wide financial statements. Governmental activities supported by allocations from the organizing sponsors.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources used for water and sewer operations. All service revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund.

Debt Service Fund – This fund is used to account for accumulation of resources for, and payment of, principal and interest of general long-term debt for the defined area tax bonds.

Capital Projects Fund – This is a budgeted fund used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays.

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred.

The accounts of the District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and demand deposits.

2. Inventories

All inventories are valued at cost. The District's inventory is recorded under the purchase method. Under the purchase method the inventory is first recorded as an expense when purchased. A physical inventory is taken at the end of the fiscal year and the inventory is adjusted to reflect the inventory at that date. The inventories do not reflect current appropriable resources therefore an equivalent portion of fund balance is nonspendable.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Unbilled Service

Utility operating revenues (water and sewer) are billed on monthly cycles. The District records estimated revenues for service delivered during the fiscal year, which will be billed during the next fiscal year. Unbilled service revenue reported in customer receivables was \$650,128 at September 30, 2023.

4. Capital Assets

Capital assets are reported in the governmental activities column in the government-wide financial statements. Capital assets include property, plant, equipment and infrastructure assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

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

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Water System	20 - 40	years
Sanitary Sewer System	20 - 40	years
Equipment	10 - 15	years
Furniture and Fixtures	5 - 15	years
Trucks	7 - 10	years
Buildings	40 - 50	years
Engineering	40	years

5. Prepaid items

Payments made to vendors for services that will benefit periods beyond September 30, 2023, are recorded as prepaid items in both the government-wide and fund financial statements.

6. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of estimates by management that affect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

7. Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. Sick leave is not paid upon separation with the District. Vacation leave accrued and unused at the end of the last day of employment will be paid up to the maximum accrual per years of service. This liability is recorded in the government-wide financial statements.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expenses in the current period.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System (TCDRS) and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense) until then. The District has three items that qualify in this category, deferred outflows related to pension, deferred outflows related to OPEB and deferred charges on refunding bonds reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of the refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position and the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three types of items in this category, unavailable revenues for governmental funds and deferred inflows related to pensions and deferred inflows related to OPEB in the government-wide statement of net position. Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the fiscal year, the general fund reported deferred gain on sale of capital assets related to the note receivable of \$48,444 and the debt service fund reported deferred property taxes of \$1,027 .

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Lease-related amounts are recognized at the inception of leases in which the District is the lessor. The \$817,365 deferred inflow of resources is recorded in an amount equal to the corresponding lease receivable plus certain additional amounts received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The inflow of resources is recognized in a systematic and rational manner over the term of the lease.

11. Fund Balances – Governmental Funds

The District classifies fund balances in the governmental funds as follows:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts to internal constraints imposed by formal action of the District’s Board of Directors by the approval of a vote or resolution at a public meeting.

Assigned – includes amounts that are intended to be used for specific purposes, but are neither restricted nor committed. Intent is established either by the Board of Directors or by the Board of Directors delegating this authority to management for specific purposes.

Unassigned – all amounts not included in other spendable classifications.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been first spent out of committed funds, then assigned, and finally unassigned as needed.

12. Net Position

Net position on the statement of net position includes the following:

- Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt, excluding any unspent bond proceeds, that remains outstanding that was used to finance those assets.
- Restricted – Amounts restricted by external sources or by constitutional provision or enabling legislation.
- Unrestricted – all other net position are reported in this category.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 2: DEPOSITS AND INVESTMENTS

The Texas Public Funds Investment Act authorize the government to invest in obligations of the U.S. Treasury, obligations of states, agencies, counties, cities and other political subdivisions, secured certificates of deposit, repurchase agreements, banker's acceptance, commercial paper, mutual funds, guaranteed investment contracts and investment pools. During the year ended September 30, 2023, Acton Municipal Utility District did not own any types of securities other than those permitted by statute.

The District invests idle funds in the Texas Local Government Investment Pool (TexPool). The District's investment pool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the pool are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of the pool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

The Texas State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. As a requirement to maintain its rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller of Public Accounts for review.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The District's funds are required to be deposited and invested under the terms of a depository contract. The District's deposits are required to be collateralized with securities held by the pledging financial institution's trust department or agent in the District's name. 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 deposits were fully insured or collateralized as required by the District's investment policy. \$1,796,701 of the District's cash balances are held in escrow accounts and collateralized in the name of the financial institution, not the District.

The District entered into escrow agreements with the Texas Water Development Board for the 2017, 2018, 2020 and 2021 revenue bonds. The escrowed funds are kept in separate accounts at a depository bank and are not subject to warrants, drafts or checks drawn by the District but shall be disbursed or withdrawn to pay the costs of the project for with the agreement was executed and solely upon written authorization from the executive administrator or his designated representative. The balance in the escrow accounts at September 30, 2023, was \$1,796,701.

Credit Risk-Investments

The District controls credit risk by limiting its investments to those instruments allowed by the State Public Funds Investment Act described above.



ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 2: DEPOSITS AND INVESTMENTS

Interest Rate Risk-Investments

The District manages interest rate risk by structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, investing primarily in certificates of deposit, shorter-term securities, money market mutual funds or local government investment pools and diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. The District will not directly invest in securities maturing more than two years from the date of purchase.

The District's investments at September 30, 2023, included the following:

Investment	Rating	Maturities	Cost	Value
TexPool	AAAm	39 days*	\$ 23,813,095	\$ 23,813,095
			\$ 23,813,095	\$ 23,813,095

\*The weighted average maturity of the underlying TexPool investments

NOTE 3: NOTE RECEIVABLE

During the 2012-13 year, the District sold property and issued a \$247,500 note receivable. The note has a 4.5% interest rate, monthly payments of \$1,893 including principal and interest, and a final maturity date of January 1, 2028. The note balance as of September 30, 2023, was \$48,444.

NOTE 4: PROPERTY TAXES

Property taxes are levied each October 1, in conformity with Subtitle E, Texas Property Tax Code. The taxes are levied from valuations assessed as of the prior January 1. Taxes are due on October 1 immediately following the levy date and are delinquent after the following January 31. Tax liens are automatic on January 1 each year. The Hood County Appraisal District is responsible for appraising property in the District. The District has only levied a property tax in a defined area of the District to pay for debt service related to the installation of a sewer system in the defined area. Property tax revenues are recognized as revenue when collected or "susceptible" to accrual.

NOTE 5: INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances and transfers as of September 30, 2023, were as follows:

Receivable Fund	Payable Fund	Amount	Purpose
General	Capital Projects	\$ 13,250	Reimburse expenditures
Transfer In	Transfer Out	Amount	Purpose
Capital Projects Fund	General	7,888,179	Capital outlay
		\$ 7,888,179	

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 6: RECONCILIATION OF THE FUND BALANCE – GOVERNMENTAL FUNDS TO NET POSITION – GOVERNMENTAL ACTIVITIES

Total Fund Balances - Governmental Funds		\$ 28,651,765
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. The cost of these assets was \$85,856,853 and the accumulated depreciation was \$30,757,446.		55,099,407
<p>Some liabilities are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position. Details of these differences are as follows:</p>		
Interest payable	(341,842)	
Bonds	(32,155,000)	
Bond premiums	(1,861,374)	
Compensated absences	(68,938)	(34,427,154)
<p>Included in the items related to noncurrent liabilities is the recognition of the District's net pension liability required by GASB 68 in the amount of \$1,444,927 and a deferred resource inflow related to pensions of \$35,135 and a deferred resource outflow related to pensions of \$524,969. This amounts to a decrease in net position.</p>		
		(955,093)
<p>The deferred revenue is not available soon enough to pay for the current period's expenditure and therefore is not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.</p>		
		1,027
<p>Included in the items related to noncurrent liabilities is the recognition of the District's net OPEB liability required by GASB 75 in the amount of \$50,638 and a deferred resource inflow related to OPEB of \$25,614 and a deferred resource outflow related to OPEB of \$13,931. This amounts to a decrease in net position.</p>		
		(62,321)
<p>The note receivable is not available soon enough to pay for the current period's expenditures and therefore is not reported in the fund financial statements, but are reported in the governmental activities of the statement of net position.</p>		
		48,444
<p>Long-term investment in joint venture is not a financial resource and therefore is not reported in governmental funds. The equity joint venture balance is:</p>		
		9,538,864
Net Position of Governmental Activities		\$ 58,106,854

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 7: RECONCILIATION OF THE CHANGE IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES

Total Net Change in Fund Balances - Governmental Funds		\$ (5,759,467)
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including \$9,774,090 of capital outlays and \$2,195,000 of debt principal payments is to increase net position.	11,969,090	
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect is to decrease net position.	(1,884,170)	
The net effect of miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations and disposals) is to increase net position.	3,528,195	
Deferred charges on refunding are not financial resources and not recognized as assets in the changes in these balances are reported as expenses in the governmental activities and noncurrent liabilities in the government-wide financial statements.	(66,314)	
Current year interest payable, bond premiums and compensated absences are not due and payable in the current period and, therefore are not reported as liabilities in the funds.		
Interest payable	29,068	
Bond premiums	333,712	
Compensated absences	(170)	362,610
Revenue in the government-wide statement of activities that does not provide current financial resources are not reported as revenue in the funds.		
GASB requires the District to recognize their net pension liability, deferred resource inflow related to pensions, and deferred resource outflow related to pensions. The changes in these balances increase net position.	42,798	
GASB requires the District to recognize their OPEB liability and deferred resource inflow related to OPEB, and deferred resource outflow related to OPEB. The changes in these balances decrease net position.	(2,088)	
Expenditures related to the joint venture are adjusted in the statement of activities to reflect the District's share of BRPUA's activity for the year.	(258,479)	
		\$ 7,932,175

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 8: CAPITAL ASSETS

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

	Beginning Balance	Increases	Reclass/ Decreases	Ending Balance
<b>Non Depreciable Assets:</b>				
Land and easements	\$ 485,475	\$ 18,205	\$ -	\$ 503,680
Construction in progress	12,268,885	8,769,349	(47,762)	20,990,472
Total non-depreciable assets	<u>12,754,360</u>	<u>8,787,554</u>	<u>(47,762)</u>	<u>21,494,152</u>
<b>Depreciable Assets:</b>				
Buildings	2,595,390	-	(1,906)	2,593,484
Water and Sanitary Sewer System	54,769,040	4,366,942	58,085	59,194,067
Machinery and equipment	2,446,997	215,705	(87,552)	2,575,150
Total capital assets being depreciated	<u>59,811,427</u>	<u>4,582,647</u>	<u>(31,373)</u>	<u>64,362,701</u>
<b>Accumulated Depreciation:</b>				
Buildings	(656,233)	(52,608)	985	(707,856)
Water and Sanitary Sewer System	(26,423,512)	(1,698,573)	(37,432)	(28,159,517)
Machinery and equipment	(1,824,904)	(132,989)	67,820	(1,890,073)
Total accumulated depreciation	<u>(28,904,649)</u>	<u>(1,884,170)</u>	<u>31,373</u>	<u>(30,757,446)</u>
Business-type activities capital assets, net	<u>\$ 43,661,138</u>	<u>\$ 11,486,030</u>	<u>\$ (47,762)</u>	<u>\$ 55,099,407</u>

NOTE 9: LONG-TERM LIABILITIES

A. Changes in long-term liabilities

Long-term liabilities consisted of the following at September 30, 2023:

Description	Beginning Balance	Additions	Retirements	Ending Balance	Due within one year
Revenue Bonds	\$ 24,090,000	\$ -	\$ 1,575,000	\$ 22,515,000	\$ 1,605,000
Revenue Bonds - Private Placement	10,260,000	-	620,000	9,640,000	620,000
Premium on Bonds	2,195,086	-	333,712	1,861,374	302,043
Compensated absences	68,768	68,938	68,768	68,938	29,087
Net pension liability	733,624	711,303	-	1,444,927	-
Net OPEB liability	72,524	-	21,886	50,638	-
Total Long Term Liabilities	<u>\$ 37,420,002</u>	<u>\$ 780,241</u>	<u>\$ 2,619,366</u>	<u>\$ 35,580,877</u>	<u>\$ 2,556,130</u>

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 9: LONG-TERM LIABILITIES (continued)

B. Bonds Payable

The District issues bonds to provide funds for the acquisition and construction of major capital projects. Defined tax area bonds are secured by tax proceeds from the defined area. The revenues collected must be separately accounted for and used for payment of the debt service. This requirement has been met. The revenue bonds are secured from revenues of the water and sewer system. The following bonds are outstanding as of September 30, 2023:

Bond Description	Date Issued	Maturity Date	Interest Rate	Original Principal	Amount Outstanding
<b>Revenue Bonds</b>					
Defined Area Unlimited Tax Bonds, Series 2003	5/21/2003	2/1/2023	2.90% - 5.95%	\$ 335,000	\$ -
Utility System Revenue Bonds, Series 2021	5/1/2021	5/1/2041	2.000% - 5.00%	10,870,000	10,105,000
Utility System Revenue Bonds, Series 2021B	10/1/2021	5/1/2041	2.0%-4.0%	4,980,000	4,560,000
Utility System Revenue Refunding Bonds, Series 2022	2/1/2022	5/1/2033	2.0%-4.0%	8,850,000	7,850,000
					<u>22,515,000</u>
<b>Revenue Bonds - Private Placement</b>					
Utility System Revenue Bonds, Series 2017	6/21/2017	5/1/2028	.09% - .44%	550,000	275,000
Utility System Revenue Bonds, Series 2018	5/15/2018	5/1/2038	.01% - 1.38%	8,210,000	6,270,000
Utility System Revenue Bonds, Series 2020	4/15/2020	5/1/2040	0%	1,015,000	855,000
Utility System Revenue Bonds, Series 2021A	6/15/2021	5/1/2041	0% - .10%	2,490,000	2,240,000
					<u>9,640,000</u>
Total Revenue Bonds					<u>\$ 32,155,000</u>

The annual debt service requirements of the bonds outstanding as of September 30, 2023 are as follows:

	Revenue Bonds			Revenue Bonds - Private Placement		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 1,605,000	\$ 739,638	\$ 2,344,638	\$ 620,000	\$ 69,988	\$ 689,988
2025	1,675,000	673,588	2,348,588	625,000	67,250	692,250
2026	1,585,000	604,588	2,189,588	625,000	64,152	689,152
2027	1,655,000	539,038	2,194,038	630,000	60,715	690,715
2028	1,720,000	470,588	2,190,588	635,000	56,962	691,962
2029-2033	6,755,000	1,463,188	8,218,188	2,950,000	220,905	3,170,905
2034-2038	4,555,000	594,988	5,149,988	3,085,000	91,664	3,176,664
2039-2043	2,965,000	128,381	3,093,381	470,000	586	470,586
	<u>\$ 22,515,000</u>	<u>\$ 5,213,997</u>	<u>\$ 27,728,997</u>	<u>\$ 9,640,000</u>	<u>\$ 632,222</u>	<u>\$ 10,272,222</u>

The revenue bonds require a reserve fund to be established for the security and payment of the bonds and any additional revenue bonds which shall be accumulated to an amount equal to the average annual debt service requirement of all outstanding revenue bonds. The balance in the reserve account was \$2,338,823 as of September 30, 2023, which exceeds the required balance.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 9: LONG-TERM LIABILITIES (continued)

The revenue bonds require the District to fix and maintain rates, which will provide annual revenues, net of maintenance and operating expenses that are at least 125% of the amount required to pay the debt service payments for the year. The net revenues exceeded the required amount for the year ended September 30, 2023.

Revenue bonds were issued as part of an agreement with the Texas Water Development Board. The revenue bonds were purchased with Clean Water State Revolving Funds and are private placements. Should the District default in the payments or performance of covenants, conditions, or obligations, the holders of these revenue bonds are entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District to perform the covenant, condition and obligation prescribed by the bond ordinance.

NOTE 10: DEFINED BENEFIT PENSION PLAN

Plan Description. The District provides retirement, disability, and death benefits for all its full-time employees through a nontraditional defined benefit pension plan in the state-wide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the state-wide agent multiple-employer public employee retirement system consisting of more than 850 nontraditional defined benefit pension plans. TCDRS Comprehensive Annual Financial Report is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2043. The report is also available at [www.tcdrs.org](http://www.tcdrs.org).

Benefits Provided. The plan provisions are adopted by the governing body of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 10 or more years of service or with 30 years of service regardless of age or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump-sum are not entitled to any amounts contributed by the employer.

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 employer within the actuarial constraints imposed by the TCDRS Act so that 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.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 10: DEFINED BENEFIT PENSION PLAN (continued)

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

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	41
Active employees	24

Contributions. The District has elected the annually determined contribution rate (variable –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, however the District may elect to contribute at a higher than actuarially determined rate or make additional lump sum contributions on an ad hoc basis to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience. The employer contributed using the actuarially determined rate of 8.49% and 8.93% for the months in accounting year 2023 and 2022, respectively. The District’s contributions to the plan for the year ended September 30, 2023 were \$248,192.

The deposit rate payable by the employee members for calendar year 2022 and 2021 is the rate of 5% as adopted by the Board of Directors. The employee contribution rate and the employer contribution rate may be changed by the governing body of the District within the options available in the TCDRS Act.

Actuarial Assumptions. The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	December 31, 2022
Actuarial cost method	Entry age normal
Asset valuation method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary increase	4.70%
Investment rate of return	7.50%

The demographic assumptions were developed from an actuarial experience investigation of TCDRS over the years 2017-2020. All assumptions, except were required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The mortality rates used to calculate the total pension liability are the same as those used to calculate the OPBE liability in Note 11. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

Discount Rate. The discount rate used to measure the total pension liability for 2023 and 2022 was 7.6%.

In order to determine the discount rate to be used by the employer TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. This alternative method reflects the funding requirements under our funding policy and the legal requirements under the TCDRS Act:

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 10: DEFINED BENEFIT PENSION PLAN (continued)

1. TCDRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increased cost due to the adoption of a cost-of-living adjustment is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60%. This rate reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by .10% to be gross of administrative expenses.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2022 information for a 10-year time horizon.

The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Geometric Real Rate of Return Expected Minus) Inflation
US Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
Int'l Equities - Developed Markets	5.00%	4.95%
Int'l Equities - Emerging Markets	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%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	2.00%	0.20%



ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 10: DEFINED BENEFIT PENSION PLAN (continued)

Pension Assets/Liabilities. At September 30, 2023, the District reported a net pension liability of \$1,444,927 measured at December 31, 2022.

There were no changes in assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were no changes in benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension liability for the year ended December 31, 2022, are as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balances as of December 31, 2021	\$ 6,228,033	\$ 5,494,409	\$ 733,624
Changes for the year:			
Service cost	171,337	-	171,337
Interest on total pension liability	482,673	-	482,673
Effect of plan changes	-	-	-
Effect of economic/demographic gains or	8,351	-	8,351
Effect of assumptions changes or inputs	(17,401)	-	(17,401)
Refund of contributions	-	(17,401)	17,401
Benefit payments	(81,219)	(81,219)	-
Administrative expenses	-	(3,133)	3,133
Member contributions	-	73,238	(73,238)
Net investment income	-	(336,073)	336,073
Employer contributions	-	189,349	(189,349)
Other	-	27,677	(27,677)
Balances as of December 31, 2022	<u>\$ 6,791,774</u>	<u>\$ 5,346,847</u>	<u>\$ 1,444,927</u>

Discount Rate Sensitivity Analysis. The following represents 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.

	1% decrease discount rate 6.60%	Current Discount Rate 7.60%	1% increase discount rate 8.60%
Net Pension Liability	\$ 2,476,880	\$ 1,444,927	\$ 587,717

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 10: DEFINED BENEFIT PENSION PLAN (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 \$241,395.

At September 30, 2023, the District reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,088	\$ -
Changes in assumptions	95,376	35,135
Net difference between projected and actual earnings	137,884	-
Contributions made subsequent to measurement date	245,621	-
Total	<u>\$ 524,969</u>	<u>\$ 35,135</u>

The \$245,621 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of net pension liability for the year ended September 30, 2024.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Plan year ended December 31:	
2023	\$ 57,576
2024	8,427
2025	26,073
2026	152,137
2027	-
Thereafter	-
Total	<u>\$ 244,213</u>

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description. The TCDRS administers a defined benefit group-term life fund (GTLF). This is a voluntary program in which participating members may elect to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's current annual compensation. The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$5,000. As the GTLF covers both active and retiree participants, with no segregation of assets, the GTLF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

The member contributes to the GTLF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the GTLF program is to assure that adequate resources are available to meet all insurance benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

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

Inactive employees or beneficiaries currently receiving benefits	7
Inactive employees entitled to but not yet receiving benefits	9
Active employees	24

Total OBEB Liability. The District's total OPEB liability was measured as of December 31, 2022, and 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:

Valuation date	December 31, 2022
Actuarial cost method	Entry age normal
Investment rate of return	3.72%

Mortality rates for service retirees were 135% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for males and 120% of Pub-2010 General Healthy Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

Mortality rates for disabled retirees were 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of 160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period January 1, 2017 to December 31, 2020, except where required to be different by GASB 75.

Discount Rate. The discount rate used to measure the Total OPEB Liability was 3.72%. The discount rate was based on the 20 Year Bond GO Index published by bondbuyer.com as of December 31, 2022.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Changes in the Total OPEB liability for the year ended December 31, 2022, are as follows:

	Total OPEB Liability (a)
Balances as of December 31, 2021	\$ 72,524
Changes for the year:	
Service cost	2,615
Interest on total OPEB liability	1,539
Effect of plan changes	-
Effect of economic/demographic gains or	(4,679)
Effect of assumptions changes or inputs	(20,482)
Benefit payments	(879)
Balances as of December 31, 2022	\$ 50,638

Discount Rate Sensitivity Analysis. The following presents the total OPEB liability of the District, calculated using the discount rate of 3.72%, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.72%) or 1-percentage-point higher (4.72%) than the current rate:

	1% decrease discount rate 2.72%	Current Discount Rate 3.72%	1% increase discount rate 4.72%
Net Pension Liability	\$ 61,853	\$ 50,638	\$ 42,011

OPEB expense and deferred outflows /inflows of resources related to OPEBs.

For the year ended September 30, 2023, the District recognized OPEB expense of \$2,910.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 11: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

At September 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB for the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,251	\$ 6,457
Changes in assumptions	12,117	19,157
Contributions made subsequent to measurement date	563	-
Total	\$ 13,931	\$ 25,614

The \$563 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of OPEB liability for the year ending September 30, 2023. Amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Plan year ended December 31:	
2023	\$ (1,244)
2024	(1,248)
2025	(459)
2026	(2,150)
2027	(3,548)
Thereafter	(3,597)
Total	\$ (12,246)

NOTE 12: RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases insurance from third party insurance companies. There were no significant reductions in coverage in the past year.

NOTE 13: COMMITMENTS AND CONTINGENCIES

A. Brazos Regional Public Utility Agency (BRPUA)

In January 2012, Johnson County Special Utility District (JCSUD) and the District formed BRPUA, a joint venture entity that purchased and operates the Lake Granbury Surface Water and Treatment Center Systems (SWATS) plant. BRPUA issues audited annual financial statements for its fiscal year, which ends on September 30. Upon dissolution, BRPUA's assets would be distributed proportionally in accordance with the allocated production capacity of the SWATS plant that each participated has contracted to take at that time. The District's investment in the joint venture, \$9,538,864 is based on the District's current 44.692% allocated production capacity of BRPUA's September 30, 2023 net asset balance.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 13: COMMITMENTS AND CONTINGENCIES (continued)

The District is obligated to BRPUA to make monthly payments sufficient to pay for its allocated portion of operation and maintenance, capital improvements and debt service costs regarding the SWATS plant. In the current year, expenditures related to BRPUA contract, included in SWATS O&M and Raw Water Purchases in the financial statements, were as follows:

Operations and maintenance	\$ 1,759,085
Capital outlay	29,795
Debt service	205,900
	\$ 1,994,780

As of September 30, 2023, BRPUA owed the District \$1,014,910, which is shown as a receivable in the financial statements. This amount is based on the District's payments and its portion of BRPUA's expenditures for the year.

B. Brazos River Authority (BRA)

The District has three water availability contracts with BRA to acquire water from Lake Granbury, as follows:

Annual Acre-Feet	Rate Charged	Current Year Payment	Expiration Date
4,000	Current system rate (\$93.50)	\$ 374,000	August 2048
1,000	CPI-based	66,570	December 2033
2,000	CPI-based	29,920	December 2041

Expenditures under these contracts are included in SWATS O&M and Raw Water Purchases in the financial statements.

C. Waste Water Treatment Plant

The District has issued \$550,000, \$8,210,000, \$1,015,000, and \$2,490,000 revenue bonds for improvements at wastewater treatment plants 1 and 2 that were purchased by the Texas Water Development Board using Clean Water State Revolving Funds. The District also issued \$10,870,000 and \$4,980,000 revenue bonds for improvements at wastewater treatment plant 2. The District has a construction contract for improvements at wastewater treatment plant 1 that was complete at year end with \$436,700 of retainage remaining to pay from revenue bonds purchased by the Texas Water Development Board. The District has a contract for improvements at wastewater treatment plant 2 with a balance to finish of \$5,312,229 which will be funded with the remaining funds from the revenue bonds.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 13: COMMITMENTS AND CONTINGENCIES (continued)

D. Litigation

The District is the defendant in one ongoing lawsuit. The outcome of this lawsuit is not presently determinable, and an estimate of the possible outcome has not been made by management and legal counsel however no claim for monetary damages was made. The outcome of the lawsuit could significantly alter the ownership structure of the Brazos Regional Public Utility Agency joint venture, however, the water treatment plant is expected to continue operating.

NOTE 14: LEASES RECEIVABLES

The District is reporting lease receivable of \$817,365 at September 30, 2023. For 2023, the District reported lease revenue of \$32,454 and interest revenue of \$27,141 related to the lease payments received. The lease is summarized as follows:

	Lease <u>Receivable</u>	Lease <u>Revenue</u>	Lease <u>Interest Revenue</u>
Lease			
Water Tower Lease	\$ 817,365	\$ 32,454	\$ 27,141
Total	<u>\$ 817,365</u>	<u>\$ 32,454</u>	<u>\$ 27,141</u>

*Water Tower Lease* – The District entered into lease agreements on September 1, 2007 and June 1, 2019, respectively, for tower space to use for their wireless phone companies. The lease terms are 5 years from the date following the commencement of construction of the equipment at the site with additional 5 year renewals. Based on the agreements, the District is receiving monthly payments through 2032 and 2036. Future payments receivable are as follows:

	Principal	Interest
2024	\$ 33,958	\$ 26,062
2025	35,078	24,941
2026	36,511	23,784
2027	40,795	22,530
2028	42,141	21,184
2029 - 2033	240,467	83,872
2034 - 2038	220,559	42,590
2039 - 2043	146,469	15,896
2044 - 2048	21,387	261
Total	<u>817,365</u>	<u>261,120</u>

NOTE 15: EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through January 11, 2024, which is the date the financial statements were available to be issued.

ACTON MUNICIPAL UTILITY DISTRICT  
Notes to Financial Statements  
September 30, 2023

NOTE 16: NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 96, Subscription-Based Information Technology Arrangements was effective for the fiscal year ending September 30, 2023. The District has entered into subscription-based information technology arrangements involving:

- A SCADA (Supervisory Control and Data Acquisition) watch service suite regarding the Agency's water system.
- Various desktop and server software subscriptions
- Accounting and payroll services software

The Agency has outflows of resources during the fiscal year totaling \$29,372 that are not included in the measurement of a subscription liability. The District's software subscriptions are not commitments longer than twelve months therefore a subscription liability is not calculated.



REQUIRED SUPPLEMENTARY INFORMATION

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ACTON MUNICIPAL UTILITY DISTRICT  
 Budgetary Comparison Schedule - General Fund  
 For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Charges for services				
Water and sewer services	\$ 10,560,400	\$ 10,560,400	\$ 12,504,346	\$ 1,943,946
Penalties	68,000	68,000	81,262	13,262
Application fees	167,980	167,980	106,388	(61,592)
Tap connection fees	78,500	78,500	74,700	(3,800)
Impact fees	1,277,500	1,277,500	784,180	(493,320)
General revenues				
Investment earnings	90,000	858,000	1,098,463	240,463
Total revenues	<u>12,242,380</u>	<u>13,010,380</u>	<u>14,649,339</u>	<u>1,638,959</u>
<b>EXPENDITURES:</b>				
Current				
Professional fees	240,000	515,000	470,853	44,147
Contracted services	182,600	265,600	207,157	58,443
Payroll	2,584,615	2,584,615	2,353,544	231,071
Utilities	711,710	844,710	719,750	124,960
Materials and supplies	240,700	265,700	224,086	41,614
Repairs and maintenance	533,200	733,200	823,266	(90,066)
SWATS O&M and Raw Water Purchases	2,626,307	2,626,307	2,356,952	269,355
Other expenditures/expenses	653,700	705,700	568,557	137,143
Debt Service				
Principal	2,185,000	2,185,000	2,185,000	-
Interest	878,236	878,236	880,584	(2,348)
Bond fees	5,000	5,000	2,691	2,309
Total expenditures	<u>10,841,068</u>	<u>11,609,068</u>	<u>10,792,440</u>	<u>816,628</u>
Excess (deficiency) of revenue over expenditures	1,401,312	1,401,312	3,856,899	2,455,587
Other financing source (uses):				
Sale of capital assets	5,000	5,000	20,378	15,378
Transfers out	(2,878,560)	(2,878,560)	(7,888,179)	(5,009,619)
Total other financing sources (uses)	<u>(2,873,560)</u>	<u>(2,873,560)</u>	<u>(7,867,801)</u>	<u>(4,994,241)</u>
Change in fund balance	(1,472,248)	(1,472,248)	(4,010,902)	(2,538,654)
Fund balance - beginning	28,521,365	28,521,365	28,521,365	-
Fund balance - ending	<u>\$ 27,049,117</u>	<u>\$ 27,049,117</u>	<u>\$ 24,510,463</u>	<u>\$ (2,538,654)</u>

The notes to the required supplementary information are an integral part of this schedule.

ACTON MUNICIPAL UTILITY DISTRICT  
Schedule of Changes in Net Pension Liability and Related Ratios  
Texas County & District Retirement System  
For the year ended September 30, 2023

	2014	2015	2016	2017
Total Pension Liability				
Service cost	\$ 126,261	\$ 128,982	\$ 150,184	\$ 146,047
Interest on total pension liability	218,376	251,674	273,882	307,009
Effect of plan changes	-	(32,692)	-	-
Effect of economic/demographic gains or losses	97,373	(73,679)	(29,322)	(20,286)
Effect of assumptions changes or inputs	-	43,775	-	(69,393)
Benefit payments/refund of contributions	(37,435)	(37,998)	(60,083)	(56,210)
Net change in total pension liability	404,575	280,062	334,661	307,167
Total Pension Liability - Beginning	2,652,451	3,057,026	3,337,088	3,671,749
Total Pension Liability - Ending	3,057,026	3,337,088	3,671,749	3,978,916
Plan Fiduciary Net Position				
Employer contributions	88,068	86,382	87,557	143,175
Member contributions	57,941	60,155	61,448	62,956
Net investment income	134,959	(40,983)	171,968	380,072
Benefit payments/refund of contributions	(37,436)	(37,998)	(60,083)	(56,210)
Administrative expenses	(1,642)	(1,647)	(1,869)	(2,073)
Other	1,282	2,157	12,863	1,990
Net change in fiduciary net position	243,172	68,066	271,884	529,910
Plan Fiduciary Net Position - Beginning	2,004,213	2,247,385	2,315,451	2,587,335
Plan Fiduciary Net Position - Ending	2,247,385	2,315,451	2,587,335	3,117,245
Net Pension Liability - Ending	\$ 809,641	\$ 1,021,637	\$ 1,084,414	\$ 861,671
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	73.52%	69.39%	70.47%	78.34%
Pensionable Covered Payroll	\$ 1,158,812	\$ 1,203,097	\$ 1,228,958	\$ 1,259,127
Net Pension Liability as a Percentage of Covered Employee Payroll	69.87%	84.92%	88.24%	68.43%

The Schedule of Changes in the Agency's Net Pension Liability and Related Ratios shows the in Total Pension Liability less the changes in Fiduciary Net Position, resulting in the net pension liability calculation for the District. Note that this is a 10-year schedule, to be created by the Agency prospectively, over the next 10-year period.

The notes to the required supplementary information are an integral part of this schedule.

2018	2019	2020	2021	2022
\$ 146,768	\$ 150,150	\$ 149,887	\$ 184,621	\$ 171,337
331,442	364,975	397,072	442,676	482,673
-	-	-	-	-
5,325	(44,093)	28,973	65,163	8,351
-	-	381,501	(70,271)	(17,401)
(68,955)	(77,058)	(71,852)	(67,207)	(81,219)
414,580	393,974	885,581	554,982	563,741
3,978,916	4,393,496	4,787,470	5,673,051	6,228,033
4,393,496	4,787,470	5,673,051	6,228,033	6,791,774

194,931	96,816	119,117	107,387	189,349
64,404	66,079	74,371	74,425	73,238
(55,947)	534,457	400,652	979,399	(336,073)
(68,955)	(77,058)	(71,852)	(67,207)	(98,620)
(2,614)	(2,954)	(3,219)	(2,973)	(3,133)
5,985	3,479	3,982	4,459	27,677
137,804	620,819	523,051	1,095,490	(147,562)
3,117,245	3,255,049	3,875,868	4,398,919	5,494,409
3,255,049	3,875,868	4,398,919	5,494,409	5,346,847

\$ 1,138,447   \$ 911,602   \$ 1,274,132   \$ 733,624   \$ 1,444,927

74.09%   80.96%   77.54%   88.22%   78.73%

\$ 1,288,083   \$ 1,321,572   \$ 1,487,417   \$ 1,488,502   \$ 1,464,761

88.38%   68.98%   85.66%   49.29%   98.65%

ACTON MUNICIPAL UTILITY DISTRICT  
Schedule of Employer Contributions  
Texas County & District Retirement System  
For the year ended September 30, 2023

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Contribution as a % of Covered Payroll
2015	\$ 85,325	\$ 85,325	\$ -	\$ 1,169,527	7.30%
2016	88,011	88,011	-	1,229,895	7.16%
2017	92,087	142,087	(50,000)	1,257,300	11.30%
2018	93,430	193,430	(100,000)	1,266,234	15.28%
2019	86,792	99,292	(12,500)	1,300,775	7.63%
2020	97,521	112,521	(15,000)	1,428,959	7.87%
2021	101,472	110,172	(8,700)	1,504,950	7.32%
2022	121,487	180,033	(58,546)	1,474,080	12.21%
2023	189,349	284,192	(150,000)	1,558,202	18.24%

The notes to the required supplementary information are an integral part of this schedule.

ACTON MUNICIPAL UTILITY DISTRICT  
Schedule of Changes in Total OPEB Liability and Related Ratios  
Texas County & District Retirement System  
For the year ended September 30, 2023

	2017	2018	2019	2020	2021	2022
Total OPEB Liability						
Service cost	\$ 2,669	\$ 2,644	\$ 2,419	\$ 2,173	\$ 2,707	\$ 2,615
Interest on total pension liability	1,539	1,644	1,873	1,586	1,506	1,539
Effect of plan changes	-	-	-	-	-	-
Effect of economic/demographic gains or losses	983	151	(3,686)	1,541	(1,214)	(4,679)
Effect of assumptions changes or inputs	2,432	(5,601)	12,831	8,197	1,572	(20,482)
Benefit payments	(504)	(515)	(925)	(1,041)	(744)	(879)
Net change in total OPEB liability	7,119	(1,677)	12,512	12,456	3,827	(21,886)
Total OPEB Liability - Beginning	38,287	45,406	43,729	56,241	68,697	72,524
Total OPEB Liability - Ending	\$ 45,406	\$ 43,729	\$ 56,241	\$ 68,697	\$ 72,524	\$ 50,638
Covered Employee Payroll	\$1,259,127	\$ 1,288,083	\$ 1,321,572	\$ 1,487,417	\$ 1,488,502	\$ 1,464,761
Net OPEB Liability as a Percentage of Covered Employee Payroll	3.61%	3.39%	4.26%	4.62%	4.87%	3.46%

The notes to the required supplementary information are an integral part of this schedule.

Acton Municipal Utility District  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2023

NOTE 1 – BUDGET

The budget was prepared on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America, for the general fund and capital projects fund. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. During September of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning October 1. The budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget.
- c. Prior to October 1, the budget is legally enacted through passage of a resolution by the Board of Directors.

The budget is prepared and controlled at the function level within each fund and is amended at this level as needed. Amendments are presented at the Board at its regular meetings. Each amendment must have Board approval.

Expenditures in excess of appropriations

Total expenditures of the general fund were less than appropriations by \$816,628. Transfers out exceeded appropriations by \$5,009,619 because of transfers from bonds funds for capital projects.

NOTE 2 – DEFINED BENEFIT PENSION PLANS

Notes to Schedule of Contributions

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
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Acton Municipal Utility District  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2023

NOTE 2 – DEFINED BENEFIT PENSION PLANS (continued)

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
<u>Methods and assumptions used to determine contribution rates:</u>	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.0 years (based on contribution rate calculated in 12/31/2022 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 administrative and 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 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected 2022: New investment return and inflation assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: Employer contributions reflect that a 100% CPI COLA was adopted. 2016: Employer contributions reflect that a 100% CPI COLA was adopted. 2017: Employer contributions reflect that a 100% CPI COLA was adopted. Also, new Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: Employer contributions reflect that a 100% CPI COLA was adopted. 2019: Employer contributions reflect that a 100% CPI COLA was adopted. 2020: Employer contributions reflect that a 100% CPI COLA was adopted. 2021: Employer contributions reflect that a 100% CPI COLA was adopted. 2022: Employer contributions reflect that a 100% CPI COLA was adopted.

NOTE 3 – SCHEDULE OF CHANGES IN TOTAL OPEB

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

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## OTHER SUPPLEMENTARY INFORMATION

ACTON MUNICIPAL UTILITY DISTRICT  
 Budgetary Comparison Schedule - Capital Projects Fund  
 For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
<b>REVENUES:</b>				
Investment earnings	\$ -	\$ -	\$ 98,103	\$ 98,103
Total revenues	<u>-</u>	<u>-</u>	<u>98,103</u>	<u>98,103</u>
<b>EXPENDITURES:</b>				
Capital Outlay	18,878,560	18,878,560	9,839,994	9,038,566
	<u>18,878,560</u>	<u>18,878,560</u>	<u>9,839,994</u>	<u>9,038,566</u>
Excess (deficiency) of revenue over expenditures	(18,878,560)	(18,878,560)	(9,741,891)	9,136,669
Other financing source (uses):				
Transfers in	18,878,560	18,878,560	7,888,179	(10,990,381)
Total other financing sources (uses)	<u>18,878,560</u>	<u>18,878,560</u>	<u>7,888,179</u>	<u>(12,745,366)</u>
Change in fund balance	-	-	(1,853,712)	(3,608,697)
Fund balance - beginning	<u>3,637,165</u>	<u>3,637,165</u>	<u>3,637,165</u>	<u>-</u>
Fund balance - ending	<u>\$ 3,637,165</u>	<u>\$ 3,637,165</u>	<u>\$ 1,783,453</u>	<u>\$ (3,608,697)</u>

TEXAS SUPPLEMENTARY INFORMATION

Acton Municipal Utility District  
 TSI-1. Services and Rates  
 For the Year Ended September 30, 2023

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

- |   |   |                                     |
|---|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water  | <input checked="" 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 checked="" type="checkbox"/> Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect) |   |                                     |

2. **Retail Service Providers**

a. **Retail Rates for a 5/8" meter:**

	Minimum Charge	Minimum Usage	Flat Rate Y/N		Rate per 1000 Gallons Over Minimum Use	Usage Levels
Water	\$ 32.70	N/A	N		\$ 5.17	0 to 8,000
					\$ 6.41	8,001 to 16,000
					\$ 7.42	16,001 to 25,000
					\$ 8.90	25,001 to above
Wastewater	\$ 26.46	N/A	N	4	\$ 3.86	0 to 8,000

District employs winter averaging for wastewater usage? Yes

Total charges per 10,000 gallons usage:                      Water                      \$ 86.88                      Wastewater                      \$ 57.34  
 (maximum)

b. **Water and Wastewater Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0	0		
≤ 3/4"	8,948	8,775	x 1.0	8,775
1"	49	49	x 2.5	123
1 1/2"	6	6	x 5.0	30
2"	46	46	x 8.0	368
3"	29	29	x 15.0	435
4"	5	5	x 25.0	125
Total Water	<u>9,083</u>	<u>8,910</u>		<u>9,856</u>
Total Wastewater	<u>4,819</u>	<u>4,538</u>	x 1.0	<u>4,335</u>

3. **Total Water Consumption during the Fiscal Year:**

Gallons pumped into system:	<u>1,111,398,892</u>	Water Accountability Ratio:
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	<u>968,855,708</u>	<u>87.17%</u>

**TSI-1. Services and Rates (Continued)**

**4. Location of District:**

County(ies) in which District is located: Hood, Johnson

Is the District located entirely within one county? No

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

City(ies) in which the District is located: DeCordova, Granbury

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

ETJs in which the District is located: Decordova, Granbury

Are Board members appointed by an office outside the district?

If Yes, by whom? No

Acton Municipal Utility District  
 TSI-2. General Fund Expenses  
 For the Year Ended September 30, 2023

Personnel Expenses (including benefits)*	\$	2,353,544
Professional Fees:		
Auditing		24,000
Legal		403,523
Engineer		43,330
Purchased Services For Resale:		
Bulk Water Purchases		451,380
Contracted Services		
SWATS Plant		1,905,572
Other		207,157
Utilities		719,750
Repairs and Maintenance		823,266
Materials and supplies		224,086
Administrative Expenses		
Directors Fees		31,500
Office supplies		40,077
Insurance		111,978
Postage		58,819
Other Administrative Expenses		326,183
Debt Service		
Principal		2,185,000
Interest		880,584
Bond fees		2,691
	<u>\$</u>	<u>10,792,440</u>

\* Number of persons employed by the District:      27 Full-Time  
    0 Part-Time



Acton Municipal Utility District  
 TSI-3. Temporary Investments  
 For the Year Ended September 30, 2023

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable At End of Year
General Fund:					
	TexPool	Market	On demand	\$ 21,474,272	\$ -
	Total			<u>\$ 21,474,272</u>	<u>\$ -</u>
Debt Service Fund:					
	TexPool	Market	On demand	<u>\$ 2,338,823</u>	<u>\$ -</u>

Acton Municipal Utility District  
 TSI-4. Taxes Levied and Receivable  
 For the Year Ended September 30, 2023

	Maintenance Taxes	Debt Service Taxes	Other District Taxes
Taxes Receivable, Beginning of Year	\$ -	\$ 3,344	\$ -
2022 Original Levy	-	11,626	-
(less abatements)	-	-	-
Total to be accounted for	<u>-</u>	<u>14,970</u>	<u>-</u>
Tax collections:			
Current year	-	(11,415)	-
Prior years	-	(211)	-
Total collections	<u>-</u>	<u>(11,626)</u>	<u>-</u>
Taxes Receivable, End of Year	<u>\$ -</u>	<u>\$ 3,344</u>	<u>\$ -</u>
Taxes Receivable, By Years			
1987 - 2017	\$ -	\$ 1,918	\$ -
2018	-	356	-
2019	-	314	-
2020	-	284	-
2021	-	261	-
2022	-	211	-
Taxes Receivable, End of Year	<u>\$ -</u>	<u>\$ 3,344</u>	<u>\$ -</u>

Defined Area Taxes:

	Tax Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Property Valuations	\$ 58,129,000	\$ 47,801,905	\$ 44,506,680	\$ 40,159,340
Debt Service Tax Rates Per \$100 Valuation	0.02	0.0525	0.06	0.07
Original Tax Levy	\$ 11,626	\$ 25,096	\$ 26,711	\$ 28,494
Percent of Taxes Collected to Taxes Levied	98.19%	97.93%	98.94%	98.94%

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2017 Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	55,000	1,034	56,034
2025	55,000	792	55,792
2026	55,000	578	55,578
2027	55,000	379	55,379
2028	55,000	187	55,187
	\$ 275,000	\$ 2,970	\$ 277,970
	\$ 275,000	\$ 2,970	\$ 277,970

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2018 Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	390,000	68,706	458,706
2025	395,000	66,209	461,209
2026	395,000	63,326	458,326
2027	400,000	60,086	460,086
2028	405,000	56,526	461,526
2029	405,000	52,678	457,678
2030	410,000	48,588	458,588
2031	415,000	44,202	459,202
2032	420,000	39,554	459,554
2033	425,000	34,640	459,640
2034	430,000	29,454	459,454
2035	435,000	23,994	458,994
2036	440,000	18,295	458,295
2037	450,000	12,399	462,399
2038	455,000	6,279	461,279
	<u>\$ 6,270,000</u>	<u>\$ 624,936</u>	<u>\$ 6,894,936</u>

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2020 Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

<u>Due During Fiscal Years Ending</u>	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total</u>
2024	50,000	-	50,000
2025	50,000	-	50,000
2026	50,000	-	50,000
2027	50,000	-	50,000
2028	50,000	-	50,000
2029	50,000	-	50,000
2030	50,000	-	50,000
2031	50,000	-	50,000
2032	50,000	-	50,000
2033	50,000	-	50,000
2034	50,000	-	50,000
2035	50,000	-	50,000
2036	50,000	-	50,000
2037	50,000	-	50,000
2038	50,000	-	50,000
2039	50,000	-	50,000
2040	55,000	-	55,000
	<u>\$ 855,000</u>	<u>\$ -</u>	<u>\$ 855,000</u>

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2021 Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	385,000	331,894	716,894
2025	405,000	312,644	717,644
2026	425,000	292,392	717,392
2027	445,000	271,144	716,144
2028	470,000	248,894	718,894
2029	495,000	225,394	720,394
2030	520,000	200,644	720,644
2031	545,000	174,645	719,645
2032	570,000	147,394	717,394
2033	595,000	124,594	719,594
2034	610,000	106,744	716,744
2035	625,000	94,544	719,544
2036	635,000	82,041	717,041
2037	650,000	69,344	719,344
2038	660,000	56,344	716,344
2039	675,000	43,144	718,144
2040	690,000	29,644	719,644
2041	705,000	14,979	719,979
	<u>\$ 10,105,000</u>	<u>\$ 2,826,423</u>	<u>\$ 12,931,423</u>

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2021A Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	125,000	249	125,249
2025	125,000	248	125,248
2026	125,000	249	125,249
2027	125,000	248	125,248
2028	125,000	249	125,249
2029	125,000	248	125,248
2030	125,000	249	125,249
2031	125,000	248	125,248
2032	125,000	249	125,249
2033	125,000	248	125,248
2034	125,000	249	125,249
2035	125,000	248	125,248
2036	125,000	249	125,249
2037	125,000	248	125,248
2038	120,000	249	120,249
2039	120,000	249	120,249
2040	125,000	213	125,213
2041	125,000	125	125,125
	\$ 2,240,000	\$ 4,315	\$ 2,244,315
	\$ 2,240,000	\$ 4,315	\$ 2,244,315

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2021B Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	200,000	111,544	311,544
2025	205,000	105,544	310,544
2026	210,000	99,394	309,394
2027	220,000	93,094	313,094
2028	225,000	86,494	311,494
2029	230,000	79,744	309,744
2030	240,000	72,844	312,844
2031	245,000	65,644	310,644
2032	255,000	58,294	313,294
2033	260,000	53,194	313,194
2034	265,000	47,994	312,994
2035	270,000	42,694	312,694
2036	275,000	37,294	312,294
2037	280,000	31,794	311,794
2038	285,000	26,194	311,194
2039	290,000	20,138	310,138
2040	300,000	13,613	313,613
2041	305,000	6,863	311,863
	<u>\$ 4,560,000</u>	<u>\$ 1,052,369</u>	<u>\$ 5,612,369</u>



Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 Series 2022 Utility System Revenue Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	1,020,000	296,200	1,316,200
2025	1,065,000	255,400	1,320,400
2026	950,000	212,800	1,162,800
2027	990,000	174,800	1,164,800
2028	1,025,000	135,200	1,160,200
2029	520,000	94,200	614,200
2030	540,000	73,400	613,400
2031	560,000	51,800	611,800
2032	580,000	29,400	609,400
2033	600,000	12,000	612,000
	<u>\$ 7,850,000</u>	<u>\$ 1,335,200</u>	<u>\$ 9,185,200</u>

Acton Municipal Utility District  
 TSI-5. Long-Term Debt Service Requirements - By Years  
 All Bonds  
 For the Year Ended September 30, 2023

Due During Fiscal Years Ending	Principal Due	Interest Due	Total
2024	2,225,000	809,627	3,034,627
2025	2,300,000	740,837	3,040,837
2026	2,210,000	668,739	2,878,739
2027	2,285,000	599,751	2,884,751
2028	2,355,000	527,550	2,882,550
2029	1,825,000	452,264	2,277,264
2030	1,885,000	395,725	2,280,725
2031	1,940,000	336,539	2,276,539
2032	2,000,000	274,891	2,274,891
2033	2,055,000	224,676	2,279,676
2034	1,480,000	184,441	1,664,441
2035	1,505,000	161,480	1,666,480
2036	1,525,000	137,879	1,662,879
2037	1,555,000	113,785	1,668,785
2038	1,570,000	89,066	1,659,066
2039	1,135,000	63,531	1,198,531
2040	1,170,000	43,470	1,213,470
2041	1,135,000	21,967	1,156,967
	<u>\$ 32,155,000</u>	<u>\$ 5,846,213</u>	<u>\$ 38,001,213</u>

Acton Municipal Utility District  
 TSI-6, Change in Long-Term Bonded Debt  
 September 30, 2023

	Bond Issue 2003	2017	2018	2020	2021	2021A	2021B	2022
Interest Rate	(Defined Area) 2.90 - 5.95%	.09 - .44%	.01 - 1.38%	0.00%	2.00 - 5.00%	.0 - .10%	2.0-4%	2.0-4%
Dates Interest Payable	2/1-8/1	11/1-5/1	11/1-5/1	11/1-5/1	11/1-5/1	11/1-5/1	11/1-5/1	11/1-5/1
Maturity Date	2/1/2023	5/1/2028	5/1/2038	5/1/2040	5/1/2041	5/1/2041	5/1/2041	5/1/2033
Beginning Bonds Outstanding	\$ 10,000	\$ 330,000	\$ 6,660,000	\$ 905,000	\$ 10,475,000	\$ 2,365,000	\$ 4,755,000	\$ 8,850,000
Bonds Sold During the Fiscal Year	-	-	-	-	-	-	-	-
Bonds Retired During the Fiscal Year	10,000	55,000	390,000	50,000	370,000	125,000	195,000	1,000,000
Ending Bonds Outstanding	\$ -	\$ 275,000	\$ 6,270,000	\$ 855,000	\$ 10,105,000	\$ 2,240,000	\$ 4,560,000	\$ 7,850,000
Interest Paid During the Fiscal Year	\$ 298	\$ 1,238	\$ 70,811	\$ -	\$ 350,394	\$ 249	\$ 119,344	\$ 336,200

Paying Agent's Name and City:

Series 2017	Bank of Texas
Series 2018	Bank of Texas
Series 2020	BOKF, NA
Series 2021	BOKF, NA
Series 2021A	BOKF, NA
Series 2021B	BOKF, NA
Series 2022	BOKF, NA

Bond Authority:

	Series 2003 Tax Bonds	Series 2017 Revenue Bonds	Series 2018 Revenue Bonds	Series 2020 Revenue Bonds	Series 2021 Revenue Bonds	Series 2021A Revenue Bonds	Series 2021B Revenue Bonds	Series 2022 Revenue Bonds
Amount Authorized by Voters	\$ 550,000	\$ 550,000	\$ 8,210,000	\$ 1,015,000	\$ 10,870,000	\$ 2,490,000	\$ 4,980,000	\$ 8,850,000
Amount Issued	\$ 550,000	\$ 550,000	\$ 8,210,000	\$ 1,015,000	\$ 10,870,000	\$ 2,490,000	\$ 4,980,000	\$ 8,850,000
Remaining To Be Issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Debt Service Fund cash and temporary investments balances as of

September 30, 2023

\$ 2,355,532

Average annual debt service payment (Principal and Interest) for

remaining term of bonded debt:

\$ 2,111,178

Acton Municipal Utility District  
TSL-7. Comparative Schedule of Revenues and Expenditures-Five Years Ended  
September 30, 2023

	Amounts				
	2023	2022	2021	2020	2019
<b>General Fund</b>					
<b>Revenues:</b>					
Water services	10,155,752	9,063,271	7,355,130	7,724,343	6,625,623
Sewer services	2,348,594	2,336,489	2,186,613	1,933,927	1,963,030
Penalties	81,262	78,996	13,782	32,486	68,059
Application fees	106,388	133,690	157,310	152,095	201,288
Tap and impact fees	858,880	1,077,623	1,303,178	1,165,040	1,500,066
Investment earnings	1,098,463	193,282	15,351	98,213	197,410
Total Revenues	<u>14,649,339</u>	<u>12,883,351</u>	<u>11,031,364</u>	<u>11,106,104</u>	<u>10,555,476</u>
<b>Expenditures:</b>					
Professional fees	470,853	257,300	73,354	69,943	88,920
Contracted services	207,157	167,437	111,358	161,699	72,263
Payroll	2,353,544	2,193,613	2,175,090	2,078,080	1,906,087
Utilities	719,750	532,079	437,683	413,661	394,661
Materials and supplies	224,086	240,470	207,798	179,456	185,466
Repairs and maintenance	823,266	692,157	583,104	397,574	509,108
SWATS O&M and Raw Water Purchases	2,356,952	1,983,414	2,007,336	2,483,123	2,849,864
Other Expenditures	3,636,832	4,097,108	2,792,353	2,397,705	2,393,139
Total Expenses	<u>10,792,440</u>	<u>10,163,578</u>	<u>8,388,076</u>	<u>8,181,241</u>	<u>8,399,508</u>
Excess (deficiency) of revenue over expenditures	<u>3,856,899</u>	<u>2,719,773</u>	<u>2,643,288</u>	<u>2,924,863</u>	<u>2,155,968</u>
<b>Debt Service</b>					
<b>Revenues:</b>					
Property taxes	11,948	24,864	29,208	29,102	32,145
Investment earnings	103,768	15,630	669	12,177	31,044
Total Revenues	<u>115,716</u>	<u>40,494</u>	<u>29,877</u>	<u>41,279</u>	<u>63,189</u>
<b>Expenditures:</b>					
Tax collection services	271	601	726	1,822	1,307
Bond fees	0	750	750	750	1,244
Debt service principal and interest	10,298	26,333	27,801	29,258	25,553
Total Expenses	<u>10,569</u>	<u>27,684</u>	<u>29,277</u>	<u>31,830</u>	<u>28,104</u>
Excess (deficiency) of revenue over expenditures	<u>105,147</u>	<u>12,810</u>	<u>600</u>	<u>9,449</u>	<u>35,085</u>
Total Active Retail Water and Wastewater Connections	<u>13,448</u>	<u>13,194</u>	<u>12,870</u>	<u>12,759</u>	<u>12,510</u>

Percent of Fund Total Revenues

2023	2022	2021	2020	2019
69 %	70 %	67 %	70	63 %
16	18	20	17	19
1	1	0	0	1
1	1	1	1	2
6	8	12	11	14
7	2	0	1	2
<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>99</u>
3	2	1	1	1
1	1	1	1	1
16	17	20	19	18
5	4	4	4	4
2	2	2	2	2
6	5	5	4	5
16	15	18	22	27
25	32	25	22	23
<u>74</u>	<u>79</u>	<u>76</u>	<u>74</u>	<u>80</u>
<u>26</u>	<u>21</u>	<u>24</u>	<u>26</u>	<u>20</u>
10 %	61 %	98 %	71 %	51 %
90	39	2	29	49
<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
0	1	2	4	2
0	2	3	2	2
9	65	93	71	40
<u>9</u>	<u>68</u>	<u>98</u>	<u>77</u>	<u>44</u>
<u>91</u>	<u>32</u>	<u>2</u>	<u>23</u>	<u>56</u>

Acton Municipal Utility District  
 TSI-8. Board Members, Key Personnel, and Consultants  
 September 30, 2023

Complete District Mailing Address: 6420 Lusk Branch Ct Granbury, Texas 76049

District Business Telephone Number: 817-326-4720

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid September 30, 2023</u>	<u>Expense Reimbursements September 30, 2023</u>	<u>Title at Year End</u>
<b>Board Members:</b>				
John Featherston	(Elected) 2021 - 2025	\$ 6,000	\$ 480	Secretary
Gary Rose	(Elected) 2023 - 2027	\$ 6,750	\$ 409	Treasurer
Don Cleveland	(Elected) 2021 - 2025	\$ 6,300	-	Vice President
Raymond Lewis	(Elected) 2023 - 2027	\$ 7,200	\$ 351	President
Van Vernon	(Elected) 2021 - 2025	\$ 5,250	\$ 320	Assist Sec/Tres
<b>Key Administrative Personnel:</b>				
Richard English				General Manager
Bob Evert				Comptroller
Gaetano Riggio				Superintendent
<b>Consultants:</b>				
Jackson Walker LLP		\$ 338,140		Attorney/Consultant
George, Morgan & Sneed, P.C.		\$ 24,000		Auditor
Enprotec/Hibbs & Todd		\$ 634,467		Engineer

OVERALL COMPLIANCE AND INTERNAL CONTROL  
SECTION



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

To the Board of Directors  
Acton Municipal Utility District  
Granbury, Texas

We have audited, in accordance with the 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 the governmental activities and major funds of Acton Municipal Utility District (the “District”) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated January 11, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

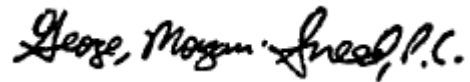


## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 financial statements. 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*.

### **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 black ink that reads "George Morgan Ince, P.C." in a cursive style.

Weatherford, Texas  
January 11, 2024

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

To the Board of Directors  
Acton Municipal Utility District  
Granbury, Texas

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

***Opinion on Each Major Federal Program***

We have audited Acton Municipal Utility District’s (the “District”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended September 30, 2023. The 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, Acton Municipal Utility District complied, in all material respects, with the types of 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; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Acton Municipal 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 the 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 the District’s federal programs.

### ***Auditors 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 the 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 generally accepted auditing standards, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 Acton Municipal 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 the 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 the 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 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 a material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*George Morgan Freed, P.C.*

Weatherford, Texas

January 11, 2024

**ACTON MUNICIPAL WATER 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:

Material weakness identified?        Yes   X   No

Significant deficiency identified that are not considered to be material weaknesses?        Yes   X   None Reported

Noncompliance material to financial statements noted        Yes   X   No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified?        Yes   X   No

Significant deficiency(s) identified that are not considered to be material weaknesses?        Yes   X   None Reported

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 the Uniform Guidance?        Yes   X   No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee?   X   Yes        No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

**ACTON MUNICIPAL UTILITY DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Financial Statement Findings

None

**ACTON MUNICIPAL UTILITY DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Contact for Corrective Action Plan:

Richard English  
General Manager

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.



**ACTON MUNICIPAL UTILITY DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<u>U.S. Environmental Protection Agency</u>				
Pass-through from Texas Water Development Board				
Capitalization Grants for Clean Water State Revolving Funds	66.458	L1000580	-	\$ 30,457
Capitalization Grants for Clean Water State Revolving Funds	66.458	L1000727	-	128,525
Capitalization Grants for Clean Water State Revolving Funds	66.458	L1001397	-	<u>1,009,408</u>
Total U.S. Environmental Protection Agency			-	<u>1,168,390</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ -</u>	<u>\$ 1,168,390</u>

The accompanying notes are an integral part of this schedule.

**ACTON MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Reporting Entity

The Acton Municipal Utility District was created by order of the Texas Water Commission on July 21, 1982, under the terms and provisions of Section 59 of Article XVI of the Texas Constitution for the purpose of having and exercising functions, powers, authority, rights, and duties provided in Chapter 54, as amended, of the Texas Water Code. The Board of Directors held its first meeting on July 27, 1982. The voters of the District confirmed the organization of Acton Municipal Utility District on August 14, 1982. The District is governed by a five-member board that is elected to four year terms.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal program activity of the Acton Municipal Utility District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Indirect Cost Rate

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform guidance.

Texas Water Development Board Loans

The District issued bonds that were purchased by the Texas Water Development Board with Clean Water State Revolving Funds. The amounts of federal awards reported in the Schedule of Expenditures of Federal Awards are the amount of bond funds spent during the period. The following are bonds outstanding at September 30, 2023, that were purchased with Clean Water State Revolving Funds.

Utility System Revenue Bonds, Series 2017	\$ 275,000
Utility System Revenue Bonds, Series 2018	6,270,000
Utility System Revenue Bonds, Series 2020	855,000
Utility System Revenue Bonds, Series 2021A	2,240,000
	<hr/>
	\$ 9,640,000

**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

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

MEMBER: [NAME OF MEMBER]

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

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

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

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIMEN

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

Email:

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

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services  
Provided By:

