

OFFICIAL STATEMENT DATED MARCH 25, 2025

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

**Insured Rating (BAM): S&P “AA” (stable outlook)  
See “BOND INSURANCE” and  
“RATING” herein.**

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations.

*The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions.*

**\$8,785,000**  
**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**  
**(El Paso County, Texas)**  
**UNLIMITED TAX AND REVENUE BONDS, SERIES 2025**

**Dated: April 1, 2025**

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

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

**AUTHORITY FOR ISSUANCE . . .** The \$8,785,000 El Paso County Water Control and Improvement District No. 4 Unlimited Tax and Revenue Bonds, Series 2025 (the “Bonds”) are being issued by the El Paso County Water Control and Improvement District No. 4 (the “District” or the “Issuer”) pursuant to the constitution and general laws of the State of Texas, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an approving order of the Texas Commission on Environmental Quality (the “TCEQ”), and an order adopted by the Board of Directors of the District on March 25, 2025 authorizing the issuance and sale of the Bonds (the “Bond Order”) (See “THE BONDS – Authority for Issuance of the Bonds”). The Bonds are dated April 1, 2025, and mature on August 15 in each of the years and in the amounts shown on page ii.

**PAYMENT TERMS . . .** The Bonds will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Delivery Date (defined herein) and will be payable on August 15 and February 15 of each year commencing February 15, 2026 until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. DTC will act as securities depository. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal, and interest on the Bonds will be payable to the paying agent/registrars to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”). The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas (see “THE BONDS - Paying Agent/Registrar”). The Bonds are obligations solely of the District and are not obligations of the City of El Paso, Texas; El Paso County, Texas; the State of Texas; or any entity other than the District.

**SECURITY FOR THE BONDS . . .** The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District, and are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Order described herein) of the District’s waterworks and sewer system. **THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN.** See “RISK FACTORS” herein.

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used to finance (i) the Tenth Street raw water 250,000-gallon ground storage tank; (ii) Cypress Well No. 6 equipment; (iii) Ikard Lift Station replacement; (iv) land acquisition costs; and (v) pay the costs associated with the issuance of the Bonds.

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



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**See following page for Maturity Schedule, Interest Rates, Yields, and CUSIP Numbers**

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**DELIVERY . . .** The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Disclosure Counsel to the District. It is expected that the Bonds will be available for initial delivery through the services of DTC, on or about April 24, 2025 (the “Delivery Date”).

**MATURITY SCHEDULE, INTEREST RATES, YIELDS, AND CUSIP NUMBERS\*****\$8,785,000  
UNLIMITED TAX AND REVENUE BONDS, SERIES 2025****\$5,610,000 Serial Bonds**

| <u>(August 15)</u> | <u>Principal<br/>Amount</u> | <u>Interest<br/>Rate</u> | <u>Initial<br/>Yield<sup>(1)</sup></u> | <u>CUSIP<br/>Suffix<sup>(2)</sup></u> |
|--------------------|-----------------------------|--------------------------|--|---------------------------------------|
| 2026               | \$ 35,000                   | 7.125%                   | 3.050%                                 | AW7                                   |
| 2027               | 175,000                     | 7.125%                   | 3.100%                                 | AX5                                   |
| 2028               | 185,000                     | 7.125%                   | 3.150%                                 | AY3                                   |
| 2029               | 200,000                     | 7.125%                   | 3.250%                                 | AZ0                                   |
| 2030               | 215,000                     | 7.125%                   | 3.350%                                 | BA4                                   |
| 2031               | 230,000                     | 7.125%                   | 3.450%                                 | BB2                                   |
| 2032               | 245,000                     | 7.125%                   | 3.550%                                 | BC0                                   |
| 2033               | 265,000                     | 7.125%                   | 3.650%                                 | BD8                                   |
| 2034               | 280,000                     | 7.125%                   | 3.750%                                 | BE6                                   |
| 2035               | 300,000                     | 7.125%                   | 3.850%                                 | BF3                                   |
| 2036               | 325,000                     | 5.375%                   | 3.900%                                 | (3) BG1                               |
| 2037               | 340,000                     | 4.125%                   | 4.000%                                 | (3) BH9                               |
| 2038               | 355,000                     | 4.125%                   | 4.125%                                 | BJ5                                   |
| 2039               | 370,000                     | 4.125%                   | 4.125%                                 | BK2                                   |
| 2040               | 385,000                     | 4.125%                   | 4.125%                                 | BL0                                   |
| 2041               | 400,000                     | 4.250%                   | 4.250%                                 | BM8                                   |
| 2042               | 415,000                     | 4.250%                   | 4.250%                                 | BN6                                   |
| 2043               | 435,000                     | 4.375%                   | 4.375%                                 | BP1                                   |
| 2044               | 455,000                     | 4.375%                   | 4.375%                                 | BQ9                                   |

**(Interest to accrue from the Delivery Date)****\$3,175,000 Term Bonds**\$965,000 4.500% Term Bond Due August 15, 2046, Priced to Yield 4.500%<sup>(1)</sup> CUSIP Suffix: BS5<sup>(2)</sup>\$1,055,000 4.500% Term Bond Due August 15, 2048, Priced to Yield 4.500%<sup>(1)</sup> CUSIP Suffix: BU0<sup>(2)</sup>\$1,155,000 4.500% Term Bond Due August 15, 2050, Priced to Yield 4.500%<sup>(1)</sup> CUSIP Suffix: BW6<sup>(2)</sup>

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds maturing on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. See “THE BONDS – Optional Redemption.”

**MANDATORY REDEMPTION . . .** The Bonds stated to mature on August 15 in the years 2046, 2048 and 2050 (the “Term Bonds”) are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

<sup>(1)</sup> Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.

<sup>(2)</sup> CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. 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 Initial Purchaser take any responsibility for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(3)</sup> Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2035, the earliest date of redemption for the Bonds, at a price of par plus accrued interest to the date of redemption.

## USE OF INFORMATION IN OFFICIAL STATEMENT

*This Official Statement, which includes the cover page, and the Appendices thereto does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

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

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Initial Purchaser. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.*

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 THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

*None of the District, the Initial Purchaser, or the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System, as such information was provided by DTC.*

*Any reference to website addresses represented herein are for information purposes only and may be in the form of a hyperlink solely for the readers' convenience. Unless specified otherwise, such websites and the information on links contained therein are not incorporated into, and are not part of, this Official Statement.*

*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 or constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.*

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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 D - Specimen Municipal Bond Insurance Policy".

*[The remainder of this page intentionally left blank.]*

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## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information and to the definitions contained in or incorporated into this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the cover page and all appendices. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without the entire Official Statement.

**THE DISTRICT . . .** The El Paso Water Control and Improvement District No. 4 (the “District”) is a water control and improvement district created by an order of the Commissioner’s Court of El Paso County, Texas on January 17, 1955, under Article XVI, Section 59, of the Texas Constitution, with all the powers, privileges and duties applicable to water control and improvements districts and operating under Chapters 49 and 51 of the Texas Water Code. The District is a political subdivision of Texas with the rights, powers, privileges, and authority established by the general laws of the State of Texas, including particularly Chapters 49 and 51 of the Texas Water Code, as amended, and Chapter 9048 of the Texas Special District Local Laws Code, as amended. See “THE DISTRICT.”

**LOCATION . . .** The District is a small community-based utility district whose boundary encompasses approximately 886 acres including the unincorporated community of Fabens, Texas. Fabens, Texas is an unincorporated community located in southeastern El Paso County on Texas Highway 80 approximately 28 miles southeast of El Paso, Texas. The Town of Fabens is served by the Southern Pacific Railroad, Texas Highway 80 (Alameda Avenue), U.S. Interstate Highway 10 (I-10) and Texas FM 793/76 (Fabens Street). In addition, the Fabens Airport, a general aviation facility owned by El Paso County, is located on the District’s northern boundary. The District was created in 1955 under the provision of the Texas Constitution for the purposes of providing water and wastewater facilities for the unincorporated community of Fabens.

**DEVELOPMENT WITHIN THE DISTRICT AND SERVICES PROVIDED . . .** Land within the District has been developed for single-family residential, multi-family residential and commercial usage. The District issued its first series of bonds in 2003, and the proceeds from that and subsequent issues were used by the District to finance the District’s portion of the cost of acquiring and constructing its water supply and distribution and wastewater collection and treatment systems.

As reflected in the Special District Report of Property Value prepared by the El Paso Central Appraisal District for the District’s 2024 tax year (the latest available), the District includes 1,796 single family properties, 52 multifamily properties, 155 commercial and industrial real properties, 126 vacant platted residential lots, 151 commercial and industrial personal properties, 681 mobile home properties, 13 real and tangible personal utility properties, and four other real estate properties (qualified ag, rural non-qualified land and colonia lots). See “DISTRICT DEBT AND AD VALOREM TAX INFORMATION – Table 2” for assessed valuations of these property categories.

In addition to serving the residential, business and investment properties described in the preceding paragraph, the District provides water and sewer services to 235 residential and 27 commercial out-of-district customers.

The District does not include acreage zoned for commercial or other specific purposes.

**THE BONDS . . .** The Bonds are being issued by the District pursuant to the constitution and general laws of the State of Texas, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an approving order of the Texas Commission on Environmental Quality (the “TCEQ”), and an order adopted by the Board of Directors of the District on March 25, 2025 authorizing the issuance and sale of the Bonds (the “Bond Order”) (See “THE BONDS – Authority for Issuance of the Bonds”). **The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.** See "THE BONDS – Optional Redemption."

**SECURITY . . .** Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined herein), if any, of the District’s waterworks and sewer system (the “System”). The Bonds are obligations of the District and are not obligations of the City of El Paso, Texas; the State of Texas; El Paso County, Texas; or any other political subdivision or agency. See "THE BONDS – Security and Source of Payment."

**USE OF PROCEEDS . . .** Proceeds from the sale of the Bonds will be used for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

**PAYMENT RECORD . . .** The District has previously issued four series of waterworks system combination unlimited tax and revenue bonds and one series of waterworks system combination unlimited tax and revenue refunding bonds. As of the Delivery Date (defined herein) \$6,596,000 principal amount of such previously issued bonds will remain outstanding (the “Outstanding Bonds”). The District has never defaulted on the payment of principal or interest on its previously issued bonds.

**MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE. . .** S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a Bond Insurance Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Build America Mutual Assurance Company (“BAM”) for the Bonds. An explanation of the rating may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds. (See “RATING”, “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.)

**TAX MATTERS . . .** In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. **The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions.**

**SUMMARY OF KEY ANALYTICAL DATA**

|   |    |                            |
|---|----|----------------------------|
| Unrestricted Net Position as of 12/31/2023        | \$ | 5,087,536                  |
| Estimated Population of the District              |    | 7,964 <sup>(1)</sup>       |
| Taxable Assessed Valuation (2024-25)              | \$ | 218,419,860 <sup>(2)</sup> |
| TAV Per Capita                                    | \$ | 27,426                     |
| Unlimited Tax Debt as of 3/1/2025, plus the Bonds | \$ | 15,381,000 <sup>(3)</sup>  |
| Ratio of Unlimited Tax Debt to TAV                |    | 7.04%                      |
| Unlimited Tax Debt per Capita                     | \$ | 1,931                      |

<sup>(1)</sup> District estimates. FYE 2020-2024 population held constant for purposes of illustration.

<sup>(2)</sup> Sources: The valuations shown are the certified Taxable Assessed Valuations reported annually by the El Paso Central Appraisal District. The valuations are subject to change during the ensuing year due to settlement of contested valuation or other similar matter.

<sup>(3)</sup> Includes the Bonds and the Outstanding Bonds.

**DISTRICT ADMINISTRATION**

**ELECTED OFFICIALS**

| <u>Board of Director</u>     | <u>Term Ends<br/>November</u> | <u>Occupation</u>  | <u>Term<br/>Inception</u> |
|------------------------------|-------------------------------|--------------------|---------------------------|
| Jenny Gutierrez, President   | 2028                          | Retired            | 2024                      |
| Sammy Madrid, Vice President | 2026                          | Self Employed      | 2022                      |
| Jorge Carrasco, Secretary    | 2026                          | Self Employed      | 2022                      |
| Ana Sanchez, Member          | 2028                          | Admin. Specialist  | 2024                      |
| Martin Madrid, Member        | 2026                          | Compliance Officer | 2022                      |

**SELECTED ADMINISTRATIVE STAFF**

| <u>Name</u>                   | <u>Title</u>            | <u>First Year<br/>with District</u> |
|-------------------------------|-------------------------|-------------------------------------|
| Romie Martinez <sup>(1)</sup> | Interim General Manager | 2016                                |
| Patty Cruz                    | Office Manager          | 2013                                |

<sup>(1)</sup> Ms. Romie Martinez was elected by the Board on February 5, 2024 as the Interim General Manager.

**CONSULTANTS AND ADVISORS**

|                         |   |
|-------------------------|---|
| Auditors .....          | Pena Briones McDaniel & Co.<br>El Paso, Texas           |
| Financial Advisor ..... | Tijerina Financial Consulting LLC<br>San Antonio, Texas |
| Bond Counsel .....      | McCall, Parkhurst & Horton L.L.P.<br>Dallas, Texas      |
| Disclosure Counsel..... | McCall, Parkhurst & Horton L.L.P.<br>Austin, Texas      |
| Engineer.....           | CDM Smith<br>El Paso, Texas                             |

For additional information regarding the District, please contact:

|  |    |   |    |   |
|--|----|---|----|---|
| Romie Martinez<br>Interim General Manager<br>El Paso County WC&ID #4<br>117 E. Main St.<br>Fabens, Texas 79838<br>915-764-2212 – Telephone | or | Robert A. Tijerina<br>Tijerina Financial Consulting LLC<br>8000 West Interstate 10<br>Suite 610<br>San Antonio, Texas 78230<br>210-366-8033 - Telephone | or | Thomas Lastrapes<br>Tijerina Financial Consulting LLC<br>8000 West Interstate 10<br>Suite 610<br>San Antonio, Texas 78230<br>210-366-8033 - Telephone |
|--|----|---|----|---|

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## OFFICIAL STATEMENT

relating to

**\$8,785,000**

### **El Paso County Water Control and Improvement District No. 4**

(El Paso County, Texas)

### **Unlimited Tax and Revenue Bonds, Series 2025**

#### INTRODUCTION

This Official Statement, which includes the schedules and appendices hereto, provides certain information in connection with the issuance by the \$8,785,000 El Paso County Water Control and Improvement District No. 4 (the “District”) of its Unlimited Tax and Revenue Bonds, Series 2025 (the “Bonds”). Capitalized terms used herein have the same meanings assigned to such terms in the Bond Order (hereinafter defined). See APPENDIX C – SELECTED PROVISIONS OF THE BOND ORDER.

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an approving order of the Texas Commission on Environmental Quality (the “TCEQ”), and an order adopted by the Board of Directors of the District on March 25, 2025 authorizing the issuance and sale of the Bonds (the “Bond Order”).

There follows in this Official Statement descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

#### RISK FACTORS

**GENERAL . . .** The Bonds are obligations of the District and are not obligations of the State of Texas, El Paso County, Texas, the City of El Paso, Texas, or any other entity. The Bonds, equally and ratably with the Outstanding Bonds and any future bonds, are secured by and payable from (i) a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District, and (ii) a pledge of Net Revenues derived from the operation of the District’s waterworks and sewer system (the “System”). See “THE BONDS – Security and Source of Payment.” The investment quality of the Bonds depends on the ability of the District to: (i) collect all taxes levied against the taxable property within the District, and, in the event of foreclosure of the District’s tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities; and (ii) generate Net Revenues from the operation of the System. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners, there will be a market for the property, or that the System will provide sufficient Net Revenues to make any contribution to future debt service payments.

**FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS . . .** Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences, commercial, retail and multi-family properties. The market value of such properties is related to general economic conditions in El Paso, the State of Texas and the nation and those conditions can affect the demand for such properties. Demand for residential, multi-family and commercial projects of this type can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and costs and the prosperity and demographic characteristics of the urban center in which such properties are located. Were the District to experience a significant number of residential foreclosures, the value of all homes within the District could be adversely affected.

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 certified taxable assessed valuation of the District is \$218,419,860. After issuance of the Bonds, the District’s maximum annual debt service requirement will be \$1,022,122 (calendar year 2041), and the average annual debt service requirement, on a calendar

year basis, will be \$775,530 (2025 through 2057, inclusive). Assuming no increase or decrease from the 2024 certified assessed valuation, a debt service tax rate of \$0.3680 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement and a debt service tax rate of \$0.2492 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See “DISTRICT DEBT AND AD VALOREM TAX INFORMATION.”

**TAX VALUE CONCENTRATION . . .** The top ten taxpayers in the District currently account for approximately ten percent (10%) of the District’s tax base. The top taxpayer alone accounts for approximately five percent (5%) of the District’s tax base. See “DISTRICT DEBT AND AD VALOREM TAX INFORMATION – Table 4 – Largest Taxpayers.” Adverse developments in economic conditions could impact these taxpayers and the tax values in the District, resulting in less local tax revenues. If any major taxpayer (and particularly, the top taxpayer) were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process which can only occur annually, or, perhaps, fund debt service payments from other resources, if available. See “THE BONDS - Remedies in Event of Default” and “DISTRICT DEBT AND AD VALOREM TAX INFORMATION - Ad Valorem Property Taxation - District’s Rights in Event of Tax Delinquencies” in this Official Statement.

**TAX COLLECTIONS . . .** The District’s ability to make debt service payments on the Bonds may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer’s right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Because ownership of the land within the District will become highly fragmented among a numerous taxpayers, attorney’s fees and other costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer.

**OWNERS’ REMEDIES . . .** Pursuant to Texas law, the Bond Order provides that if the District defaults in the payment of the principal of or interest on any of the Bonds when due, or defaults in the observance or performance of any of the covenants, conditions or obligations set forth in the Bond Order, then the Registered Owners shall be entitled to seek a writ of mandamus from a court of proper jurisdiction to compel the District to perform its obligations or levy adequate taxes to make principal or interest payments on the Bonds. Such remedy would have to be exercised upon each separate default and may prove costly, time-consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, to protect the interests of the bondholders, and all legal actions to enforce such remedies would have to be taken at the initiative of, and be financed by, the Registered Owners. The Bond Order does not provide for acceleration of maturity of the Bonds upon any default; consequently, the remedy of mandamus may have to be relied upon from year to year. Texas courts have held that districts such as the District are immune from suits for money damages under the doctrine of governmental immunity. Further, if a judgment in such a suit could be obtained, such a judgment could not be enforced by a direct levy and execution against the District’s property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights and remedies of the Registered Owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditor’s rights generally.

In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, a suit seeking the remedy of mandamus would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

**BANKRUPTCY LIMITATION TO OWNERS’ RIGHTS . . .** The enforceability of the rights and remedies of registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners’ remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, is insolvent or unable to meet its debts as they mature, (2) desires to effect a plan to adjust such debts, and (3) has either obtained the agreement of or has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a water control and improvement district, such as the District, must obtain the approval of the TCEQ as a condition to

seeking relief under the U.S. Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law 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.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the U.S. Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a Registered Owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

**MARKETABILITY . . .** The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

**FUTURE DEBT . . .** The District has the right to issue additional debt from time to time as needed. If additional bonds are issued in the future and property values have not increased proportionately, such issuance might increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. See "THE BONDS - Issuance of Additional Debt."

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

**GOVERNMENTAL APPROVAL . . .** As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order signed on January 22, 2025 (the "TCEQ Order"). In addition, the Attorney General of Texas must also approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

**POTENTIAL NATURAL DISASTERS . . .** The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District's tax rate. See "TAXING PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster."

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties within the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

**STORM WATER . . .** In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on higher statistical rainfall amount, resulting in interim flood plain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally

result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain. See “THE SYSTEM – 100-Year-Flood Plain.”

**ENVIRONMENTAL REGULATIONS** . . . Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a water control and improvement district or other type of special purpose 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 to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the El Paso area.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the DFW Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects. Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility 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. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater 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 district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as

well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the Regional District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

**CHANGES IN TAX LEGISLATION . . .** Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

**2025 LEGISLATIVE SESSION . . .** The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

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## THE BONDS

**GENERAL . . .** The Bonds are dated April 1, 2025, and are expected to be available for initial delivery through the services of DTC, on or about April 24, 2025 (the "Delivery Date"). Interest on the Bonds will accrue from the Delivery Date, at the rates set forth on the page i following the cover page hereof, is payable semiannually on February 15, 2026 and each August 15 and February 15 of each year thereafter until maturity or prior redemption. The Bonds are stated to mature on August 15 in the years and in the principal amounts set forth on page i following the cover page hereof. The Bonds will be initially issued utilizing the Book-Entry-Only System of The Depository Trust Company ("DTC"), and will be in fully registered form, payable to Cede & Co., as nominee for DTC. See "Book-Entry-Only System" below. The Bonds are issued only as fully registered Bonds in denominations of \$5,000 of principal amount or any integral multiple thereof (an "Authorized Denomination").

The principal and redemption price of the Bonds is payable on the maturity or redemption date upon surrender at the corporate trust office of U.S. Bank Trust Company, National Association, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds payable on any interest payment date shall be paid to the owner (the "Owner") whose name appears in the registration books of the Paying Agent/Registrar (the "Register") at the close of business on the Record Date (**the close of business on the last business day of the month immediately preceding an interest payment date**) and shall be paid by the Paying Agent/Registrar by check sent via United States mail, first class, postage prepaid, to the address of the Owner recorded in the Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. So long as the Bonds are in book-entry-only form and are registered in the name of Cede & Co., as nominee for DTC, payment of the principal of and interest on the Bonds will be made to the beneficial owners thereof as described below under "Book-Entry-Only System."

In the event of a non-payment of interest on a scheduled payment date with respect to the Bonds, that remains unpaid for 30 days thereafter, the Bond Order requires the Paying Agent/Registrar to establish a Special Record Date, if and when funds for the payment of such interest are received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" that 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 Owner of a Bond appearing in the Register of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

If the date specified for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized or required to be closed, then such payment will be made on the next succeeding day which is not one of the foregoing days, without additional interest and with the same force and effect as if made on the specified date for such payment.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, an approving order of the TCEQ, and an order adopted by the Board of Directors of the District on March 25, 2025 authorizing the issuance and sale of the Bonds (the "Bond Order").

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Bonds are 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 ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*Neither the District nor the Initial Purchaser can or does give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered 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 bond will be issued for each maturity of the Bonds, in the aggregate principal amount of each such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a

“clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has been rated “AA+” by S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

Redemption notices shall be sent to DTC. If less than all of the 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.

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable dates 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 in the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants

will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical Bonds will be printed and delivered.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes not responsibility for the accuracy thereof.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds will constitute direct obligations of the District, payable from ad valorem taxes levied against all taxable property located within the District, without legal limit as to rate or amount. The Bond Order irrevocably pledges such ad valorem taxes to the payment of the principal of and interest on the Bonds while they remain outstanding. See "DISTRICT DEBT AND AD VALOREM TAX INFORMATION" herein. The Bonds are further payable from and secured by a pledge of and lien on certain Net Revenues (as defined in the Bond Order) of the District’s waterworks and sewer system (the “System”). See “THE SYSTEM” and APPENDIX C – “SELECTED PROVISIONS OF THE BOND ORDER.”

The District covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with Net Revenues of the System and any other revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as they become due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its “Debt Service Fund” for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if a city dissolves the District and assumes all debts and liabilities of the District.

The Bonds are obligations of the District secured solely by an annual ad valorem tax levied on property located within the District and from the Net Revenues of the System and are not obligations of the State of Texas; El Paso County, Texas; the City of El Paso, Texas; or any entity other than the District as described herein.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem Bonds maturing on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds within a maturity are to be redeemed, the Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds stated to mature on August 15 in the years 2046, 2048 and 2050 (the “Term Bonds”) are subject to mandatory redemption in part prior to maturity on August 15 in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the Bond Fund which are required to be made in amount sufficient to redeem on August 15 of each year the principal amount of such Term Bonds as follows:

| \$965,000 Term Bonds<br>Due on August 15, 2046 |                                | \$1,055,000 Term Bonds<br>Due on August 15, 2048 |                                | \$1,155,000 Term Bonds<br>Due on August 15, 2050 |                                |
|--|--------------------------------|--|--------------------------------|--|--------------------------------|
| Principal<br>Amount                            | Redemption Date<br>(August 15) | Principal<br>Amount                              | Redemption Date<br>(August 15) | Principal<br>Amount                              | Redemption Date<br>(August 15) |
| \$ 470,000                                     | 2045                           | \$ 515,000                                       | 2047                           | \$ 565,000                                       | 2049                           |
| 495,000  | 2046 (Maturity)                | 540,000  | 2048 (Maturity)                | 590,000  | 2050 (Maturity)                |

**NOTICE OF REDEMPTION . . .** Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each Owner of a Bond to be redeemed, in whole or in part, at the address of the Owner appearing in the Register at the close of business on the business day next preceding the date of mailing of such notice. ANY NOTICE GIVEN SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ALL



OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with 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 Bond 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 "DESCRIPTION OF THE BONDS – Book-Entry-Only System" herein.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each Owner by United States mail, first class, postage prepaid, which notice shall also give the effective date of the change and the address of the new Paying Agent/Registrar. If the Paying Agent/Registrar is replaced, 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.

**TRANSFER AND EXCHANGE . . .** In the event the Book-Entry-Only System shall be discontinued with respect to the Bonds, such Bonds may be transferred and exchanged on the Register only upon presentation and surrender thereof to the Paying Agent/Registrar, and such transfer or exchange shall be without expense or service charge to the Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange 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 being transferred or exchanged, at the principal corporate trust office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new Owner or its designee. New Bonds registered and delivered in an exchange or transfer shall be in Authorized Denominations for any one stated maturity and for a like aggregate principal amount and interest rate as the Bond or Bonds surrendered for exchange or transfer.

Neither the District nor the Paying Agent/Registrar shall be required to issue, transfer or exchange any Bond in whole or in part during the period commencing with the close of business on any Record Date or Special Record Date and ending on the day subsequent to the immediately following payment date or, with respect to any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption, provided that such limitation of transfer shall not be applicable to the exchange by the registered owner of the uncalled balance of a Bond. The Paying Agent/Registrar shall require payment by the Owner requesting such transfer or exchange of any tax or other governmental charges required to be paid with respect to such transfer or exchange.

**REPLACEMENT BONDS . . .** If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount and bearing the same rate of interest as the Bond so mutilated, destroyed, stolen or lost will be issued under the conditions set forth in the Bond Order. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of

such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only upon (a) the filing with the District and the Paying Agent/Registrar of evidence satisfactory to establish to the Paying Agent/Registrar proof of the ownership and the circumstances of loss, destruction or theft of such Bond, and (b) the furnishing to the Paying Agent/Registrar of such security of indemnity satisfactory to it to hold it and the District harmless. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable requirements as the District and the Paying Agent/Registrar may prescribe and pay such expenses as may be incurred in connection therewith.

**PAYMENT RECORD . . .** The District has previously issued four series of waterworks system combination unlimited tax and revenue bonds and one series of waterworks system combination unlimited tax and revenue refunding bonds. As of the Delivery Date (defined herein) \$6,596,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds"). The District has never defaulted on the payment of principal or interest on its previously issued bonds.

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

The Bond Order further provides that the District may, with the written consent of the registered owners of at least a majority in aggregate principal amount of the remaining Parity Obligations (as defined in the Bond Order) then outstanding and affected thereby, amend, change, modify, or rescind any provisions of the Order; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Parity Obligations, reduce the principal amount thereof or the rate of interest thereof, (ii) give any preference to any Parity Obligation over any other Parity Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Parity Obligations required for consent to any such amendment, change, modification, or rescission. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

**DEFEASANCE . . .** The Bond Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent or other authorized entity, in trust (1) money sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District approves the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District approves the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

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 or redemption 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, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of

the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

**ISSUANCE OF ADDITIONAL DEBT . . .** The voters within the District have authorized the issuance of a total of \$17,540,000 of unlimited tax bonds for new money water and wastewater purposes to serve the District pursuant to elections conducted within the District on February 8, 1997, November 6, 2007 and November 8, 2011. A total of \$8,513,000 principal amount of such voted authorization has been issued to date. Following the issuance of the Bonds, \$242,000 principal amount of unlimited tax bonds will remain authorized but unissued.

The District may issue additional bonds necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes and revenues, the District's voters, generally. In addition, voters may authorize the issuance of additional bonds or certain contractual obligations secured by ad valorem taxes. The District also has the right to issue revenue bonds, revenue notes, special project bonds, bond anticipation notes and tax anticipation notes without the necessity of voter approval. The District has reserved the right to issue Additional Parity Obligations, which shall be payable from and secured by a first lien on and pledge of the Net Revenues in the same manner and to the same extent as the Bonds upon satisfying certain covenants contained in the Bond Order. See APPENDIX C – "SELECTED PROVISIONS OF THE BOND ORDER."

**CONSOLIDATION . . .** The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of any such consolidation.

**REMEDIES IN EVENT OF DEFAULT . . .** If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Order.

Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Owners. 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Order may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Owners' Remedies" and "RISK FACTORS—Bankruptcy Limitation to Owners' Rights."

**USE AND DISTRIBUTION OF BOND PROCEEDS**

**PURPOSE OF THE BONDS . . .** Proceeds from the sale of the Bonds will be used to finance (i) the Tenth Street raw water 250,000-gallon ground storage tank; (ii) Cypress Well No. 6 equipment; (iii) Ikard Lift Station replacement; (iv) land acquisition costs; and (v) pay the costs associated with the issuance of the Bonds.

The construction costs on the following page were compiled by CDM Smith (“CDM Smith”), and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by CDM Smith and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District’s auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

|            |  | <u>District's Share</u>  |
|------------|--|--------------------------|
| <b>I.</b>  | <b>CONSTRUCTION COSTS</b>                                |                          |
|            | A. Developer Contribution Items                          | \$ -                     |
|            | None   |                          |
|            | B. District Items  |                          |
|            | 1. Tenth Street Raw Water 250,000 Gallon GST             | \$ 1,530,100             |
|            | 2. Cypress Well No. 6 Equipment                          | 1,193,700                |
|            | 3. Ikard Lift Station Replacement                        | 3,482,150                |
|            | 4. Land Acquisition Costs for Ikard Lift Station         | 30,533                   |
|            | 5. Contingencies (10% of Items No. 1-3)                  | 620,595                  |
|            | 6. Engineering, Testing, Inspection etc. (Items No. 1-3) | 1,767,000                |
|            | Total District Items                                     | <u>\$ 8,624,078</u>      |
|            | <b>Total Construction Costs (93.08% of BIR)</b>          | <b>\$ 8,624,078</b>      |
| <b>II.</b> | <b>NONCONSTRUCTION COSTS</b>                             |                          |
|            | A. Legal Fee   | \$ 87,850                |
|            | B. Fiscal Agent Fees                                     | 85,449                   |
|            | C. Bond Discount   | - <sup>(1)</sup>         |
|            | D. Bond Issuance Expenses                                | 24,499                   |
|            | E. Bond Application Report Costs                         | 40,000                   |
|            | F. Attorney General Fee                                  | 8,785                    |
|            | G. TCEQ Bond Issuance Fee                                | 21,963                   |
|            | I. Underwriter's Discount                                | 372,135 <sup>(2)</sup>   |
|            | <b>Total Nonconstruction Costs</b>                       | <u><b>\$ 640,680</b></u> |
|            | <b>TOTAL BOND ISSUE REQUIREMENT</b>                      | <b>\$ 9,264,758</b>      |

<sup>(1)</sup> The Bonds were sold at a premium, of which 100% was used to pay Nonconstruction Costs.

<sup>(2)</sup> Includes the bond insurance premium paid to Build America Mutual.

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## THE DISTRICT

**GENERAL . . .** The District is a water control and improvement district created by an order of the Commissioner’s Court of El Paso County, Texas on January 17, 1955, under Article XVI, Section 59, of the Texas Constitution, with all the powers, privileges and duties applicable to water control and improvements districts and operating under Chapters 49 and 51 of the Texas Water Code. The District is a political subdivision of Texas with the rights, powers, privileges, and authority established by the general laws of the State of Texas, including particularly Chapters 49 and 51 of the Texas Water Code and Chapter 9048 of the Texas Special District Local Laws Code, each as amended.

The District is subject to the continuing supervision of the TCEQ. The District consists of approximately 886 acres.

**LOCATION . . .** Fabens, Texas is an unincorporated community located in southeastern El Paso County on Texas Highway 80 approximately 28 miles southeast of El Paso, Texas. The District is a small community-based utility district whose boundary encompasses approximately 886 acres including the unincorporated community of Fabens, Texas. The Town of Fabens is served by the Southern Pacific Railroad, Texas Highway 80 (Alameda Avenue), U.S. Interstate Highway 10 (I-10) and Texas FM 793/76 (Fabens Street). In addition, the Fabens Airport, a general aviation facility owned by El Paso County, is located on the District’s northern boundary. The District was created in 1955 under the provision of the Texas Constitution for the purpose of the providing water and wastewater facilities for the unincorporated community of Fabens.

**AUTHORITY . . .** The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water and; the collection, transportation, and treatment of wastewater. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is authorized to issue its bonds to finance its water and sanitary sewer facilities, with the approval of the TCEQ and the Attorney General of Texas, to the extent authorized by the District’s qualified voters.

**DEVELOPMENT WITHIN THE DISTRICT AND SERVICES PROVIDED . . .** Land within the District has been developed for single-family residential, multi-family residential and commercial usage. The District issued its first series of bonds in 2003, and the proceeds from that and subsequent issues were used by the District to finance the District’s portion of the cost of acquiring and constructing its water supply and distribution and wastewater collection and treatment.

As reflected in the Special District Report of Property Value prepared by the El Paso Central Appraisal District for the District’s 2024 tax year (the latest available), the District includes 1,796 single family properties, 52 multifamily properties, 155 commercial and industrial real properties, 126 vacant platted residential lots, 151 commercial and industrial personal properties, 681 mobile home properties, 13 real and tangible personal utility properties, and four other real estate properties (qualified ag, rural non-qualified land and colonia lots). See “DISTRICT DEBT AND AD VALOREM TAX INFORMATION – Table 2” for assessed valuations of these property categories.

In addition to serving the residential, business and investment properties described in the preceding paragraph, the District provides water and sewer services to 235 residential and 27 commercial out-of-district customers.

The District does not include acreage zoned for commercial or other specific purposes.

**GENERAL MANAGER AND STAFF . . .** Romie Martinez serves as the Interim General Manager to the District. There are currently 14 full-time staff members employed by the District.

The District provides pension benefits for its employees through a Simplified Employee Pension (“SEP”) plan, facilitated by Mainstay. Under a SEP plan, the employer is permitted to contribute a certain amount to an employee’s Individual Retirement Account (IRA). The employer agrees to make discretionary contributions to the IRAs of all eligible employees who are at least 21 years old and worked in at least 1 year of the immediately preceding 5 years.

The District adopted the SEP plan May 12, 1994, effective March 4, 1994. The amount of employer contribution is a percentage of wages not to exceed 15% annually. The percentage amount is determined every March and was 5% of compensation for 2023 and 2022. The employer contribution for 2023 and 2022 was \$31,089 and \$24,743, respectively.

**COMMUNITY FACILITIES . . .** Community facilities available in the general geographic area of the District are set forth below:

Churches: Nine churches are located within the District, and are exempt from payment of property taxes.

Fire Protection: Fire protection within the District is provided by Fabens Fire and Rescue, one of six fire stations included in the El Paso County Emergency Services District No. 2. The Fabens fire station is located 0.1 miles from the District’s main office.

Medical Facilities: The nearest health care facility located in the vicinity of the District is the Horizon City Campus of The Hospitals of Providence, 13600 Horizon Blvd., Horizon City, TX 79928, approximately 17 miles from the District’s main office. The Horizon City Campus offers emergency and inpatient care, as well as diagnostic services. The District is also located approximately 29 miles from University Medical Center of El Paso, 4815 Alameda Ave, El Paso, TX 79905, a Level 1 trauma center and Level 1 stroke center.

Recreational Facilities: The District, Fabens Independent School District and El Paso County work together to maintain Fabens Veterans Park.

Schools: The District is located in the Fabens Independent School (“Fabens ISD”). Students from the District attend the following state-accredited Fabens ISD schools, all of which are located within the District. The Fabens ISD schools are exempt from payment of property taxes.

| <u>Fabens ISD School</u>    | <u>No. of Students (approx.)</u> | <u>Distance from District Office</u> |
|-----------------------------|----------------------------------|--------------------------------------|
| Fabens High School          | 641                              | 0.8 miles                            |
| Fabens Middle School        | 480                              | 1.3 miles                            |
| O’Donnell Elementary School | 259                              | 0.5 miles                            |
| Fabens Elementary School    | 611                              | 1.5 miles                            |

Shopping Facilities: Various shopping facilities including supermarkets, pharmacies, cleaners and restaurants are in close proximity to the District along the intersection of Fabens Road and Main Street.

## THE SYSTEM

**REGULATION . . .** According to the District’s engineer, the water distribution and wastewater collection facilities (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ and El Paso County. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies, and the construction has been inspected by the TCEQ, as applicable.

Waterworks and sewage treatment facilities are constructed by the District. Following construction, waterworks and sewage treatment facilities are subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

**WATER SYSTEM . . .** Water Supply: The District is presently serviced by one water plant with an aggregate well capacity of 2,100 gallons per minute (“gpm”), booster pump capacity of 700 gpm, and a ground and elevated storage capacity of 500,000 gallons. The District’s engineer states that these water supply facilities are sufficient to serve approximately 4,100 equivalent single family connections. The District also operates a 500,000-gallon ground elevated storage tank and a 250 gpm booster station that provides water to out of District ratepayers in the vicinity of Interstate 10 and Fabens Road. The District operates under TCEQ Public Water System ID No. 0710018.

**WASTEWATER SYSTEM . . .** Wastewater Treatment: The District owns and operates a permanent wastewater treatment plant with a present capacity totaling 1,200,000 gallons per day (“gpd”). The plant is sufficient to serve approximately 4,100 equivalent single family connections. The 1,200,000 gpd wastewater treatment plant operates under the TCEQ TPDES Permit No. WQ0010166001 that was issued on February 10, 2025.

**100-YEAR FLOOD PLAIN . . .** “Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded, and a number of neighborhoods in the greater El Paso area that are above the 100-year flood plain have flooded multiple times in the last several years. According to the Engineer, approximately 55 acres within the District along

the San Felipe Arroyo (valley) lies within the 100-Year Flood Plain. According to the Engineer, the floodplain acreage lies mainly along the creek with minimal impact into the residential development of the District.

San Felipe Arroyo rises three miles northwest of the Fabens Desert Chapel and seven miles northeast of Fabens in southeastern El Paso County and runs southwest for ten miles to its mouth on the River Drain, on the southwest side of Fabens. The surrounding flat to rolling terrain is surfaced by sandy soils that support scattered oak mottes and bunch grasses. In 1938, three dams were completed on San Felipe Arroyo for purposes of flood control: the Fabens Dam, a mile northeast of Fabens; the Rattlesnake Dam; and the Roberts Tank Dam. The lower reaches of the arroyo, from below the Fabens Dam to the northeastern edge of the town of Fabens, have been straightened by levees.

**2024 WATER AND WASTEWATER SYSTEM USAGE**

| <u>Description</u>                         | <u>Amount</u>       |
|--|---------------------|
| Water Pumped                               | 314,526,200 gallons |
| Water Sold                                 | 249,400,889 gallons |
| Flushing and Leaks                         | 53,853,291 gallons  |
| Water Loss                                 | 11,272,020 gallons  |
| Water Loss ( <i>as % of water pumped</i> ) | 4.00%               |

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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 an exhibit 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 Insurance Company**

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

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

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

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

### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$498.6 million, \$253.4 million and \$245.2 million, respectively.

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

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

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

### *Additional Information Available From BAM*

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

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

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

### **BOND INSURANCE RISK FACTORS**

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence 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 – Remedies in Event of Default"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the bondholders.

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

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

## DISTRICT DEBT AND AD VALOREM TAX INFORMATION

The following tables and calculations relate to the Bonds and to all other tax-supported debt of the District. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the District.

**Table 1 - Current Appraised Valuation, Exemptions and Tax Supported Debt**

|  |                   |                           |
|--|-------------------|---------------------------|
| 2024 Market Valuation Established by El Paso Central Appraisal District <sup>(1)</sup> |                   | \$ 294,673,659            |
| Totally Exempt Property  |                   | <u>(22,254,552)</u>       |
|  |                   | \$ 272,419,107            |
|  |                   |                           |
| Total Market Value of Taxable Property   |                   |                           |
| Disabled Person/ Spouses   | 432,000           |                           |
| Disable Veterans/Spouses   | 235,581           |                           |
| Disable Veterans/Spouses Homestead Exemption   | 1,761,536         |                           |
| Local Optional Over-65 Homestead Exemption   | 1,187,252         |                           |
| Pollution Control  | 600,165           |                           |
| Productivity Loss  | 51,432            |                           |
| 23.231 Cap Loss  | 14,320,184        |                           |
| Value Lost to 10% Cap on Residential Homestead   | <u>35,411,097</u> | <u>53,999,247</u>         |
| <b>2024 Taxable Assessed Valuation</b>   |                   | <b>\$ 218,419,860</b>     |
|  |                   |                           |
| Outstanding Debt Obligations   |                   |                           |
| Combination Tax and Water & Sewer System Revenue Bonds, Series 2017                    | \$ 2,001,000      |                           |
| Unlimited Tax & Revenue Refunding Bonds, Taxable Series 2020                           | 4,595,000         |                           |
| The Bonds  | <u>8,785,000</u>  | <u>\$ 15,381,000</u>      |
| <b>Total Outstanding Debt</b>  |                   | <b>\$ 15,381,000</b>      |
| Interest and Sinking Fund Balance  |                   | \$ 178,934 <sup>(2)</sup> |
| Ratio Funded Tax Supported Net Debt to Taxable Assessed Valuation (after freeze)       |                   | 7.04%                     |
|  |                   |                           |
| 2024 Estimated Population  | 7,964             |                           |
| Per Capita Taxable Assessed Valuation \$   | 27,426            |                           |
| Per Capita Total Outstanding Debt \$   | 1,931             |                           |

<sup>(1)</sup> Sources: The valuations shown are the certified Taxable Assessed Valuations reported annually by the El Paso Central Appraisal District. The valuations are subject to change during the ensuing year due to settlement of contested valuation or other similar matters.

<sup>(2)</sup> Projected balance as of 12/31/2024.

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**Table 2 - Appraised Valuation by Category<sup>(1)</sup>**

| Category                                | Taxable Appraised Value for Fiscal Year Ended December 31, <sup>(1)</sup> |            |                       |            |                       |            |
|---|---|------------|-----------------------|------------|-----------------------|------------|
|   | 2025  |            | 2024                  |            | 2023                  |            |
|   | Amount  | % of Total | Amount                | % of Total | Amount                | % of Total |
| Real, Residential, SF                   | \$ 197,033,275  | 72.68%     | \$ 171,840,978        | 70.10%     | \$ 151,540,697        | 69.12%     |
| Real, Residential, MF                   | 8,620,597   | 3.18%      | 6,792,231             | 2.77%      | 5,877,307             | 2.68%      |
| Real, Vacant Lots/Tracts                | 3,308,658   | 1.22%      | 1,708,480             | 0.70%      | 1,838,955             | 0.84%      |
| Real, Qual. Ag land                     | 53,964  | 0.02%      | 53,964                | 0.02%      | 53,964                | 0.02%      |
| Real, Non-qual land/farm land           | 468,422   | 0.17%      | 438,797               | 0.18%      | 361,545               | 0.16%      |
| Real, Commercial                        | 24,337,985  | 8.98%      | 23,677,498            | 9.66%      | 20,416,462            | 9.31%      |
| Real, Industrial                        | 93,500  | 0.03%      | 93,500                | 0.04%      | 85,000                | 0.04%      |
| Real & Tang Pers: Utilities             | 17,757,766  | 6.55%      | 24,575,530            | 10.03%     | 23,826,968            | 10.87%     |
| Personal, Commercial                    | 6,771,085   | 2.50%      | 7,674,352             | 3.13%      | 6,817,175             | 3.11%      |
| Personal, Industrial                    | 80,460  | 0.03%      | 80,460                | 0.03%      | 80,460                | 0.04%      |
| Mobile Homes                            | 12,523,510  | 4.62%      | 8,178,676             | 3.34%      | 8,314,197             | 3.79%      |
| Special Inventory                       | 32,795  | 0.01%      | 8,493                 | 0.00%      | 14,484                | 0.01%      |
| Total Appraised Value Before Exemptions | \$ 271,082,017  | 100.00%    | \$ 245,122,959        | 100.00%    | \$ 219,227,214        | 100.00%    |
| Less Exemptions & Reductions            | (53,999,247)  |            | (32,484,465)          |            | (25,307,070)          |            |
| Net Taxable Assessed Valuation          | <u>\$ 218,419,860</u>   |            | <u>\$ 212,638,494</u> |            | <u>\$ 193,920,144</u> |            |

| Category                                | Taxable Appraised Value For Fiscal Year Ended December 31, |            |                       |            |
|---|--|------------|-----------------------|------------|
|   | 2022   |            | 2021                  |            |
|   | Amount   | % of Total | Amount                | % of Total |
| Real, Residential, SF                   | \$ 123,919,931   | 65.60%     | \$ 114,500,220        | 64.93%     |
| Real, Residential, MF                   | 5,183,953  | 2.74%      | 4,614,417             | 2.62%      |
| Real, Vacant Lots/Tracts                | 1,832,067  | 0.97%      | 1,807,436             | 1.02%      |
| Real, Qual. Ag land                     | 53,964   | 0.03%      | 53,964                | 0.03%      |
| Real, Non-qual land/farm land           | 291,097  | 0.15%      | 313,158               | 0.18%      |
| Real, Commercial                        | 19,932,776   | 10.55%     | 21,101,947            | 11.97%     |
| Real, Industrial                        | 85,000   | 0.05%      | 85,000                | 0.05%      |
| Real & Tang Pers: Utilities             | 22,942,966   | 12.15%     | 21,006,068            | 11.91%     |
| Personal, Commercial                    | 6,568,045  | 3.48%      | 6,837,429             | 3.88%      |
| Personal, Industrial                    | 80,460   | 0.04%      | 80,460                | 0.05%      |
| Mobile Homes                            | 7,984,231  | 4.23%      | 5,934,958             | 3.37%      |
| Special Inventory                       | 13,942   | 0.01%      | 389                   | 0.00%      |
| Total Appraised Value Before Exemptions | \$ 188,888,432   | 100.00%    | \$ 176,335,446        | 100.00%    |
| Less Exemptions & Reductions            | (13,735,589)   |            | (10,594,699)          |            |
| Net Taxable Assessed Valuation          | <u>\$ 175,152,843</u>                                      |            | <u>\$ 165,740,747</u> |            |

<sup>(1)</sup> Sources: The valuations shown are the certified Taxable Assessed Valuations reported annually by the El Paso Central Appraisal District. The valuations are subject to change during the ensuing year due to settlement of contested valuation or other similar matters.

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**Table 3 - Tax Rates, Levies, Collections and Ratios**

|   | Fiscal Year End December 31, <sup>(1)</sup> |                     |                   |                   |                   |
|---|---|---------------------|-------------------|-------------------|-------------------|
|   | 2025  | 2024 <sup>(2)</sup> | 2023              | 2022              | 2021              |
| I&S Tax Rate  | \$ 0.1340                                   | \$ 0.1407           | \$ 0.1579         | \$ 0.1771         | \$ 0.1827         |
| Maintenance Tax Rate                                  | -   | -                   | -                 | -                 | -                 |
| Total Tax Rate  | <u>\$ 0.1340</u>                            | <u>\$ 0.1407</u>    | <u>\$ 0.1579</u>  | <u>\$ 0.1771</u>  | <u>\$ 0.1827</u>  |
| Taxable Assessed Valuation <sup>(1)</sup>             | \$ 218,419,860                              | \$ 212,638,494      | \$ 193,920,144    | \$ 175,152,843    | \$ 165,740,747    |
| Approximate Total Taxes Levied                        | <u>\$ 292,617</u>                           | <u>\$ 299,197</u>   | <u>\$ 306,117</u> | <u>\$ 310,246</u> | <u>\$ 302,885</u> |
| Current Collection Ratio                              | 86.95% <sup>(3)</sup>                       | 97.73%              | 94.34%            | 95.60%            | 95.56%            |
| Total Collection Ratio                                | 86.95% <sup>(3)</sup>                       | 97.73%              | 96.02%            | 98.17%            | 100.45%           |
| Estimated Population <sup>(4)</sup>                   | 7,964                                       | 7,964               | 7,964             | 7,964             | 7,964             |
| Taxable Assessed Valuation per Capita                 | \$ 27,426                                   | \$ 26,700           | \$ 24,350         | \$ 21,993         | \$ 20,811         |
| Funded Outstanding Debt at End of Year <sup>(5)</sup> | \$ 15,381,000                               | \$ 6,634,000        | \$ 6,791,000      | \$ 6,942,000      | \$ 7,092,000      |
| Gross Debt to TAV Ratio                               | 7.04%                                       | 3.12%               | 3.50%             | 3.96%             | 4.28%             |
| Gross Debt per Capita                                 | \$ 1,931.32                                 | \$ 833.00           | \$ 852.71         | \$ 871.67         | \$ 890.51         |

<sup>(1)</sup> Sources: The valuations shown are the certified Taxable Assessed Valuations reported annually by the El Paso Central Appraisal District. The valuations are subject to change during the ensuing year due to settlement of contested valuation or other similar matters.

<sup>(2)</sup> Unaudited information provided by the District.

<sup>(3)</sup> In process of collection.

<sup>(4)</sup> District estimates. FYE 2021-2025 population held constant for purposes of illustration.

<sup>(5)</sup> Includes the Bonds and the Outstanding Bonds.

**Table 4 - Largest Taxpayers**

| Name of Taxpayer                  | Nature of Property | 2024<br>Taxable<br>Assessed<br>Valuation | % of Total<br>Taxable<br>Assessed<br>Valuation |
|-----------------------------------|--------------------|--|--|
| El Paso Electric Co.              | Electric Utility   | \$ 10,917,660                            | 5.00%  |
| Texas Gas Service                 | Gas Pipeline       | 1,985,990                                | 0.91%  |
| Union Pacific Railroad Co.        | Railroad           | 1,815,340                                | 0.83%  |
| San Eli Supermarket Fabens Branch | Grocery Store      | 1,598,569                                | 0.73%  |
| A&J Assets LLC                    | HVAC               | 1,047,019                                | 0.48%  |
| Estrada Manuel F                  | Residential        | 987,782                                  | 0.45%  |
| West Texas Detention Center       | Detention Facility | 875,393                                  | 0.40%  |
| Roadrunner Gas Transmission LLC   | Gas Pipeline       | 855,425                                  | 0.39%  |
| Gonzalez Micaela                  | Residential        | 762,920                                  | 0.35%  |
| Memorial Pines Cemetery LTD       | Cemetery           | 742,485                                  | 0.34%  |
|                                   |                    | <u>\$ 21,588,583</u>                     | <u>9.88%</u>                                   |

Source: El Paso Central Appraisal District.

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## Estimated Overlapping Debt and Overlapping Tax Rates

As in the case of the District, various taxing units within the District’s boundaries may incur debts that are paid from ad valorem taxes levied by such taxing units on taxable properties within the District’s boundaries. Such taxing units are separate legal entities and independent of the District. The information in this table shows direct and estimated overlapping ad valorem tax debt and is based on information obtained from the individual taxing units or from the Texas Municipal Reports published by the Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of information relating to any taxing unit other than itself, and no person should rely upon such information as being accurate or complete. Additionally, taxing units listed herein may have issued additional tax debt since the date hereof, and such taxing units may have programs requiring the issuance of substantial amounts of additional tax debt, the amount of which cannot be determined at this time.

| Taxing Jurisdiction   | 2024<br>Taxable<br>Assessed<br>Valuation | 2024<br>Tax<br>Rate | Total<br>Funded Debt<br>(as of 3/31/2025) | Estimated<br>%<br>Applicable | District's<br>Overlapping<br>Funded<br>Debt |
|---|--|---------------------|---|------------------------------|---|
| El Paso County WC&ID #4   | \$ 218,419,860                           | \$ 0.13397          | \$ 15,381,000                             | (1) 100.00%                  | \$ 15,381,000                               |
| El Paso County  | 67,345,088,235                           | 0.42632             | 220,574,094                               | 0.32%                        | 705,837                                     |
| El Paso Co. Hospital District   | 29,413,944,594                           | 0.21950             | 277,445,000                               | 0.32%                        | 887,824                                     |
| Fabens ISD  | 245,094,584                              | 1.12310             | 18,245,000                                | 60.06%                       | 10,957,947                                  |
| Total Direct and Overlapping Tax Debt   |  |                     |   |                              | \$ 27,932,608                               |
| Ratio of Direct Overlapping Tax Debt to Taxable Assessed Valuation (after freeze) |  |                     |   |                              | 12.79%                                      |
| Per Capita Overlapping Funded Debt  |  |                     |   |                              | \$ 3,507                                    |

(1) Includes the Bonds and the Outstanding Bonds.  
Source: The Municipal Advisory Council of Texas.

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**Table 5 –Debt Service Requirements**

| Fiscal<br>Year<br>Ending<br>12/31 | Outstanding Debt Service Requirements |                     |                      | The Bonds           |                     |                      | Total<br>Debt Service<br>Requirements | % of<br>Principal<br>Retired |
|-----------------------------------|---------------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|---------------------------------------|------------------------------|
|                                   | Principal                             | Interest            | Total                | Principal           | Interest            | Total                |                                       |                              |
| 2025                              | \$ 163,000                            | \$ 235,829          | \$ 398,829           | \$ -                | \$ -                | \$ -                 | \$ 398,829                            |                              |
| 2026                              | 170,000                               | 229,757             | 399,757              | 35,000              | 582,854             | 617,854              | 1,017,611                             |                              |
| 2027                              | 176,000                               | 223,443             | 399,443              | 175,000             | 443,000             | 618,000              | 1,017,443                             |                              |
| 2028                              | 182,000                               | 217,044             | 399,044              | 185,000             | 430,531             | 615,531              | 1,014,575                             |                              |
| 2029                              | 193,000                               | 210,134             | 403,134              | 200,000             | 417,350             | 617,350              | 1,020,484                             | 9.59%                        |
| 2030                              | 199,000                               | 202,937             | 401,937              | 215,000             | 403,100             | 618,100              | 1,020,037                             |                              |
| 2031                              | 205,000                               | 195,514             | 400,514              | 230,000             | 387,781             | 617,781              | 1,018,295                             |                              |
| 2032                              | 212,000                               | 187,977             | 399,977              | 245,000             | 371,394             | 616,394              | 1,016,371                             |                              |
| 2033                              | 223,000                               | 179,943             | 402,943              | 265,000             | 353,938             | 618,938              | 1,021,880                             |                              |
| 2034                              | 229,000                               | 171,609             | 400,609              | 280,000             | 335,056             | 615,056              | 1,015,666                             | 24.53%                       |
| 2035                              | 241,000                               | 163,035             | 404,035              | 300,000             | 315,106             | 615,106              | 1,019,141                             |                              |
| 2036                              | 247,000                               | 154,131             | 401,131              | 325,000             | 293,731             | 618,731              | 1,019,863                             |                              |
| 2037                              | 258,000                               | 144,775             | 402,775              | 340,000             | 276,263             | 616,263              | 1,019,037                             |                              |
| 2038                              | 265,000                               | 135,090             | 400,090              | 355,000             | 262,238             | 617,238              | 1,017,327                             |                              |
| 2039                              | 277,000                               | 125,150             | 402,150              | 370,000             | 247,594             | 617,594              | 1,019,744                             | 43.84%                       |
| 2040                              | 288,000                               | 114,865             | 402,865              | 385,000             | 232,331             | 617,331              | 1,020,196                             |                              |
| 2041                              | 300,000                               | 105,672             | 405,672              | 400,000             | 216,450             | 616,450              | 1,022,122                             |                              |
| 2042                              | 306,000                               | 96,208              | 402,208              | 415,000             | 199,450             | 614,450              | 1,016,658                             |                              |
| 2043                              | 268,000                               | 84,703              | 352,703              | 435,000             | 181,813             | 616,813              | 969,516                               |                              |
| 2044                              | 275,000                               | 74,821              | 349,821              | 455,000             | 162,781             | 617,781              | 967,602                               | 66.72%                       |
| 2045                              | 287,000                               | 64,529              | 351,529              | 470,000             | 142,875             | 612,875              | 964,404                               |                              |
| 2046                              | 299,000                               | 53,859              | 352,859              | 495,000             | 121,725             | 616,725              | 969,584                               |                              |
| 2047                              | 305,000                               | 42,748              | 347,748              | 515,000             | 99,450              | 614,450              | 962,198                               |                              |
| 2048                              | 317,000                               | 31,452              | 348,452              | 540,000             | 76,275              | 616,275              | 964,727                               |                              |
| 2049                              | 74,000                                | 19,588              | 93,588               | 565,000             | 51,975              | 616,975              | 710,563                               | 91.80%                       |
| 2050                              | 76,000                                | 17,526              | 93,526               | 590,000             | 26,550              | 616,550              | 710,076                               |                              |
| 2051                              | 79,000                                | 15,395              | 94,395               | -                   | -                   | -                    | 94,395                                |                              |
| 2052                              | 81,000                                | 13,228              | 94,228               | -                   | -                   | -                    | 94,228                                |                              |
| 2053                              | 83,000                                | 10,941              | 93,941               | -                   | -                   | -                    | 93,941                                |                              |
| 2054                              | 85,000                                | 8,631               | 93,631               | -                   | -                   | -                    | 93,631                                | 98.24%                       |
| 2055                              | 88,000                                | 6,252               | 94,252               | -                   | -                   | -                    | 94,252                                |                              |
| 2056                              | 90,000                                | 3,812               | 93,812               | -                   | -                   | -                    | 93,812                                |                              |
| 2057                              | 93,000                                | 1,289               | 94,289               | -                   | -                   | -                    | 94,289                                | 100.00%                      |
|                                   | <u>\$ 6,634,000</u>                   | <u>\$ 3,541,889</u> | <u>\$ 10,175,889</u> | <u>\$ 8,785,000</u> | <u>\$ 6,631,611</u> | <u>\$ 15,416,611</u> | <u>\$ 25,592,500</u>                  |                              |

**Table 6 - Authorized But Unissued Ad Valorem Tax Debt**

| Purpose            | Date Authorized | Amount Authorized | Amount Previously Issued | Amount Being Issued <sup>(1)</sup> | Unissued Balance |
|--------------------|-----------------|-------------------|--------------------------|------------------------------------|------------------|
| Water & Sewer      | 2/8/1997        | \$ 3,300,000      | \$ 3,300,000             | \$ -                               | \$ -             |
| Water & Sewer      | 11/6/2007       | 4,000,000         | 2,952,000                | 1,048,000                          | -                |
| Water & Wastewater | 11/8/2011       | 10,240,000        | 2,261,000                | 7,737,000                          | 242,000          |
| Total              |                 | \$ 17,540,000     | \$ 8,513,000             | \$ 8,785,000                       | \$ 242,000       |

<sup>(1)</sup> Represents the Bonds.

**Table 7 - Other Obligations**

As of December 31, 2023, the District had no capital leases or other similar obligations outstanding. Please refer to the Notes to the audited financial statements filed together herewith for a description of other "Contingencies and Commitments."

### TAXING PROCEDURES

**AUTHORITY TO LEVY TAXES . . .** The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of and Security for Payment." Under State law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "DISTRICT DEBT AND AD VALOREM TAX INFORMATION."

**PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . .** The Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The El Paso Central Appraisal District has the responsibility for appraising property for all taxing units within El Paso County, including the District. Such appraisal values are subject to review and change by the El Paso County Appraisal Review Board (the "Appraisal Review Board").

**PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites, and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. For the 2024 tax year, the District has granted a residential homestead exemption of \$3,000 for residents sixty-five (65) years of age or older and for certain disabled persons. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran



claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

***Residential Homestead Exemptions:*** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation if the exemption is adopted by the governing body of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

***Tax Abatement:*** El Paso County and the District may enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

***Freeport Goods and Goods-in-Transit Exemption:*** Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are not exempt from taxation by the District; however, the District has elected to continue to tax goods in transit.

***Temporary Exemption for Qualified Property Damaged by a Disaster:*** The Property Tax Code provides for temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the appraisal district is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged

to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

**VALUATION OF PROPERTY FOR TAXATION . . .** Generally, property in the District must be appraised by EPCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives a special use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years. The Property Tax Code requires EPCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in EPCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by EPCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from EPCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as EPCAD chooses formally to include such values on its appraisal roll.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent (20%) of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024.

**DISTRICT AND TAXPAYER REMEDIES . . .** Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**LEVY AND COLLECTION OF TAXES . . .** The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 15 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an

amount established by the District and a delinquent tax attorney. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected. Additionally, certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions are entitled by law to pay current taxes on a residential homestead in four installments with the first due before February 1 of each year and the final installment due before August 1 or to defer the payment of taxes without penalty during the time of ownership.

**ROLLBACK OF OPERATIONS AND MAINTENANCE TAX RATE . . .** Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as “Special Taxing Units.” Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

#### *Special Taxing Units*

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

#### *Developed Districts*

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year’s debt service and contract tax rate plus 1.035 times the previous year’s operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing Districts*

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District’s adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year’s debt service and contract tax rate plus 1.08 times the previous year’s operation and maintenance tax rate.

*The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. For the 2024 tax year, the District was determined to be a Developed District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

**DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "DISTRICT DEBT AND AD VALOREM TAX INFORMATION – Estimated Overlapping Debt and Overlapping Tax Rates"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS – Tax Collections."

**THE EFFECT OF FIRREA ON TAX COLLECTIONS OF THE DISTRICT . . .** The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed. To the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes or may affect the valuation of such property.

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## OTHER FINANCIAL INFORMATION

**Table 8 - Summary Statement of Revenues, Expenses and Changes in Net Position**

|  | Fiscal Years Ending December 31, |                      |                      |                      |                      |
|--|----------------------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2023                             | 2022                 | 2021                 | 2020                 | 2019                 |
| <b>Revenues:</b>                         |                                  |                      |                      |                      |                      |
| Water Revenue                            | \$ 1,450,206                     | \$ 1,354,097         | \$ 1,308,081         | \$ 1,318,069         | \$ 1,395,653         |
| Sewer Revenue                            | 1,304,178                        | 1,256,405            | 1,241,293            | 1,317,036            | 1,325,260            |
| Service charges - water                  | 106,228                          | 94,711               | 108,553              | 118,672              | 94,221               |
| Service charges - sewer                  | 17,892                           | 11,139               | 19,260               | 18,925               | 14,254               |
| Water tap and reconnect fees             | 24,563                           | 19,938               | 32,270               | 31,840               | 11,381               |
| Sewer tap fees                           | 7,612                            | 13,876               | 19,551               | 28,339               | 8,530                |
| Miscellaneous                            | 38,489                           | 75,530               | 36,585               | 24,089               | 22,124               |
| Total Revenues                           | <u>2,949,168</u>                 | <u>2,825,696</u>     | <u>2,765,593</u>     | <u>2,856,970</u>     | <u>2,871,423</u>     |
| <b>Operating Expenditures:</b>           |                                  |                      |                      |                      |                      |
| Bad debt expense                         | -                                | 701                  | 5,379                | 1,059                | -                    |
| Billing, office and computer             | 116,488                          | 77,673               | 88,585               | 94,118               | 72,332               |
| Contracted Services                      | 750                              | 40,471               | 34,127               | -                    | -                    |
| Depreciation                             | 947,964                          | 964,668              | 852,097              | 878,370              | 1,748,982            |
| Election expense                         | (1,368)                          | 12,756               | 179,074              | 189,065              | 181,375              |
| Health insurance and retirement          | 217,231                          | 201,683              | 50,485               | 48,859               | 43,275               |
| Insurance and bonds                      | 53,986                           | 52,576               | 381,275              | 235,074              | 565,335              |
| Legal and professional                   | 144,025                          | 185,502              | 707,712              | 47,600               | 243,243              |
| Maintenance, repairs and rent            | 469,251                          | 289,522              | 11,490               | 9,812                | 52,640               |
| Miscellaneous                            | 15,077                           | 15,268               | 662,988              | 675,612              | 681,072              |
| Payroll and payroll taxes                | 721,083                          | 683,405              | -                    | -                    | 41,280               |
| Settlement payment                       | -                                | -                    | -                    | -                    | -                    |
| Taxes, permits and licenses              | 43,594                           | 24,510               | 28,109               | 73,712               | 72,583               |
| Travel and Fuel                          | 5,654                            | 1,301                | -                    | -                    | -                    |
| Uniforms                                 | 14,592                           | 14,347               | 22,322               | 15,376               | 11,400               |
| Utilities and telephone                  | 152,408                          | 210,229              | 166,297              | 142,248              | 140,761              |
| Total Expenditures                       | <u>2,900,735</u>                 | <u>2,774,612</u>     | <u>3,189,940</u>     | <u>2,410,905</u>     | <u>3,854,278</u>     |
| Operating income (loss)                  | <u>48,433</u>                    | <u>51,084</u>        | <u>(424,347)</u>     | <u>446,065</u>       | <u>(982,855)</u>     |
| <b>Non-operating revenues (expenses)</b> |                                  |                      |                      |                      |                      |
| Gain on retirement of bonds              | -                                | -                    | -                    | 278,000              | -                    |
| Grant income                             | -                                | -                    | -                    | -                    | 462,415              |
| I&S taxes                                | 299,161                          | 305,526              | 305,767              | 303,478              | 327,790              |
| Interest income                          | 97,573                           | 17,895               | 3,324                | 6,947                | 7,142                |
| Interest expense                         | (247,260)                        | (252,836)            | (255,696)            | (206,577)            | (296,381)            |
| Net non-operating income (expenses)      | <u>149,474</u>                   | <u>70,585</u>        | <u>53,395</u>        | <u>381,848</u>       | <u>500,966</u>       |
| Changes in net position                  | 197,907                          | 121,669              | (370,962)            | 827,913              | (481,889)            |
| Net Position, beginning                  | 11,629,655                       | 11,507,986           | 11,878,948           | 11,051,035           | 11,532,924           |
| Net Position, ending                     | <u>\$ 11,827,562</u>             | <u>\$ 11,629,655</u> | <u>\$ 11,507,986</u> | <u>\$ 11,878,948</u> | <u>\$ 11,051,035</u> |

Source: The District's audited financial statements. Please refer to such financial statements for more detailed information.

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**Table 9 - Statement of Net Position**

| Assets   | Fiscal Years Ending December 31, |                      |                      |                      |                      |
|--|----------------------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2023                             | 2022                 | 2021                 | 2020                 | 2019                 |
| <b>Current assets</b>                          |                                  |                      |                      |                      |                      |
| Cash   | \$ 4,949,902                     | \$ 4,194,698         | \$ 3,627,574         | \$ 3,214,028         | \$ 2,483,139         |
| Restricted cash                                | 249,573                          | 224,804              | 222,325              | 797,899              | 744,798              |
| Accounts receivable                            | 201,589                          | 187,439              | 194,244              | 208,604              | 139,724              |
| Taxes receivable                               | 247,250                          | 249,312              | 247,638              | 248,998              | 260,331              |
| Prepaid expense                                | 17,282                           | 17,282               | 17,282               | 21,091               | 21,091               |
| Inventory                                      | 294,930                          | 277,233              | 284,624              | 436,283              | 121,609              |
| <b>Total Current Assets</b>                    | <b>5,960,526</b>                 | <b>5,150,768</b>     | <b>4,593,687</b>     | <b>4,926,903</b>     | <b>3,770,692</b>     |
| <b>Noncurrent assets:</b>                      |                                  |                      |                      |                      |                      |
| Investments, restricted                        | 505,651                          | 385,388              | 384,211              | -                    | -                    |
| <b>Property and equipment</b>                  |                                  |                      |                      |                      |                      |
| Land   | 224,650                          | 224,650              | 224,650              | 224,650              | 217,650              |
| Capital assets, net of accum. depreciation     | 12,551,152                       | 13,413,424           | 14,126,974           | 14,649,119           | 15,348,552           |
| <b>Total property and equipment</b>            | <b>12,775,802</b>                | <b>13,638,074</b>    | <b>14,351,624</b>    | <b>14,873,769</b>    | <b>15,566,202</b>    |
| <b>Total Assets</b>                            | <b>19,241,979</b>                | <b>19,174,230</b>    | <b>19,329,522</b>    | <b>19,800,672</b>    | <b>19,336,894</b>    |
| <b>Liabilities</b>                             |                                  |                      |                      |                      |                      |
| <b>Current liabilities</b>                     |                                  |                      |                      |                      |                      |
| Accounts payable                               | 94,658                           | 82,321               | 221,107              | 187,211              | 179,105              |
| Accrued expenses                               | 184,011                          | 185,725              | 176,672              | 178,847              | 190,253              |
| Customer deposits                              | 344,748                          | 334,529              | 331,757              | 324,666              | 313,501              |
| Bonds payable, due within one year             | 157,000                          | 151,000              | 150,000              | 139,000              | 136,000              |
| <b>Total current liabilities</b>               | <b>780,417</b>                   | <b>753,575</b>       | <b>879,536</b>       | <b>829,724</b>       | <b>818,859</b>       |
| <b>Long-term liabilities</b>                   |                                  |                      |                      |                      |                      |
| Bonds payable, beyond one year                 | 6,634,000                        | 6,791,000            | 6,942,000            | 7,092,000            | 7,467,000            |
| <b>Total long-term liabilities</b>             | <b>6,634,000</b>                 | <b>6,791,000</b>     | <b>6,942,000</b>     | <b>7,092,000</b>     | <b>7,467,000</b>     |
| <b>Total Liabilities</b>                       | <b>7,414,417</b>                 | <b>7,544,575</b>     | <b>7,821,536</b>     | <b>7,921,724</b>     | <b>8,285,859</b>     |
| <b>Net Position:</b>                           |                                  |                      |                      |                      |                      |
| Investment in cap. assets, net of related debt | 5,984,802                        | 6,696,074            | 7,259,624            | 7,642,768            | 7,963,202            |
| <b>Restricted:</b>                             |                                  |                      |                      |                      |                      |
| Sewer construction fund                        | 688,709                          | 560,387              | 557,425              | 10,830               | 10,826               |
| Water construction fund                        | 66,515                           | 49,805               | 25,267               | 230,162              | 229,943              |
| USDA sewer payment fund                        | -                                | -                    | -                    | 157,723              | 116,774              |
| Certificate of deposit                         | -                                | -                    | -                    | 383,308              | 379,327              |
| <b>Unrestricted</b>                            | <b>5,087,536</b>                 | <b>4,323,389</b>     | <b>3,665,670</b>     | <b>3,454,157</b>     | <b>2,350,963</b>     |
| <b>Total Net Position</b>                      | <b>\$11,827,562</b>              | <b>\$ 11,629,655</b> | <b>\$ 11,507,986</b> | <b>\$ 11,878,948</b> | <b>\$ 11,051,035</b> |

Source: the District's audited financial statements. Please refer to such financial statements for more detailed information.

## INVESTMENTS

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

Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the District selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits or; (ii) where the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (iii) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (v) the District appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit issued for the account of the District; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13), and require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003)

or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

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



**ADDITIONAL PROVISIONS . . .** Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District’s investment policy (except to the extent that this authorization (i) is dependent on an analysis of the makeup of the District’s entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the District’s treasurer, the chief financial officer (if not the treasurer) and the investment officer.

**Table 10 - Status of Current Investments<sup>(1)</sup>**

As indicated in bank account and investment statements, the District’s investment portfolio, including its general operating funds, debt service funds and other miscellaneous funds, had the following balances as of December 31, 2024.

|              |                     |
|--------------|---------------------|
| Money Market | <u>\$ 2,141,341</u> |
| Total        | <u>\$ 2,141,341</u> |

Source: The District's staff.

<sup>(1)</sup> All amounts held in local depository accounts are required to be covered by federal depository insurance or collateral held by the District depository's agent in the District's name.

**LEGAL MATTERS**

The District will furnish to the Initial Purchaser a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, to like effect, and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it may represent the Initial Purchaser from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Disclosure Counsel.

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 from the transaction.

## TAX MATTERS

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

In rendering its opinion, Bond Counsel to the District will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith, and (c) the certificate of the holders of the Refunded Obligations verifying the sufficiency of the amounts paid thereto to fully discharge the Refunded Obligations. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . .** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

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

**INFORMATION REPORTING AND BACKUP WITHHOLDING . . .** Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under Sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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

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

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

## CONTINUING DISCLOSURE OF INFORMATION

The District in the Order has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data and timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at <http://emma.msrb.org/>.

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 10 and in "Appendix B – FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023". The District will update and provide the information in Tables 1 through 10 within six months after the end of each fiscal year ending in and after 2024. The District will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in and after 2024. The financial statements of the District will be audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial information of the general type included in Tables 1 through 10 within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The District's current fiscal year end is December 31. Accordingly, the District must provide updated tables by the last day of June in each following year and financial statements by the last day of December in each following year. If the District changes its fiscal year, it will notify the MSRB of the change.

**EVENT NOTICES . . .** The District will provide notice in a timely manner not in excess of ten business days after the occurrence of the event of any of the following events with respect to the Bonds, as applicable: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

As used above in event notice (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if jurisdiction has been assumed by leaving the existing District Council and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall

not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. (Neither the Bonds nor the Bond Order make any provision for debt service reserves, liquidity enhancement or credit enhancement).

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

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

**LIMITATIONS AND AMENDMENTS . . .** The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although 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, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

## **RATING**

S&P assigned a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a Bond Insurance Policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM for the Bonds. An explanation of the rating may be obtained from S&P. No application has been made to a municipal rating company for an underlying rating on the Bonds. (See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.)

Such rating reflects only the view of S&P, and the District makes no representation as to the appropriateness of any rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## OTHER MATTERS

**LITIGATION CERTIFICATE.** . . Authorized representatives of the District will certify that as of the date of initial delivery of the Bonds, no litigation of any nature is now pending or, to the best of such authorized representatives' knowledge and belief, threatened against the District affecting directly or indirectly the validity of the Bonds or the Bond Order; restraining, enjoining or in any other manner affecting the issuance or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds, including the levy of or collection of the taxes pledged to pay such amounts or the pledge so made; affecting, in any way, the right or authority of the District to pay such amounts from the sources pledged, or otherwise carrying out the terms and provisions of the Bond Order or other authorizing proceedings, and the covenants and agreements therein, and each of them or affecting the corporate existence or boundaries of the District, or the title of the officers or members of the governing body or any of them to their respective positions.

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS.** . . Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas.

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by the District “shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic.” Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by the District are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State.

With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “RATING” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

**FINANCIAL ADVISOR** . . Tijerina Financial Consulting LLC is retained as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in 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 District 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 fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale 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, and as part of, its responsibilities to the District

and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

**FINANCIAL STATEMENTS . . .** The District’s audited Financial Statements for the year ended December 31, 2023, are included as APPENDIX B to this Official Statement. The accountants who audited such statements have not participated in the preparation of this Official Statement and have not been requested to and have not performed any post-audit procedures in connection with the offering of the Bonds. The audit of the Financial Statements for the fiscal year ended December 31, 2024 has not yet been completed but is expected to be completed by mid-April 2025; upon completion, such audited financial statements will be filed with the Municipal Securities Rulemaking Board via its Electronic Municipal Market Access System. See “CONTINUING DISCLOSURE OF INFORMATION” above. If the audit is subsequent to the delivery of this Official Statement and prior to initial delivery of the Bonds, an Addendum to this Official Statement will be provided to the Owners.

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

**SALE OF THE BONDS . . .** After requesting competitive bids for the Bonds, the Issuer has accepted a bid tendered by SAMCO Capital Markets (the “Initial Purchaser”) to purchase the Bonds at the rates shown on page i of this Official Statement at a price of 101.22508% of par, resulting in a net effective interest rate of 4.61814%. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the Issuer. The Issuer has no control over the process at which the Bonds will initially be reoffered to the public.

**FORWARD-LOOKING STATEMENTS DISCLAIMER . . .** The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The District's actual results could differ materially from those discussed in such forward-looking statements.

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

**CERTIFICATION OF THE OFFICIAL STATEMENT . . .** At the time of payment for and delivery of the Bonds, the District will furnish to the Initial Purchaser a certificate, executed by a proper District officer, acting in such officer’s official capacity, to the effect that to the best of such officer’s knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in the Official Statement, and any addenda, supplement, or amendment thereto, on the date of the Official Statement, on the date of sale of the Bonds, and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, the Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in 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 City, and their activities contained in the Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has 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.

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

In the Bonds Order, the District's Board of Directors will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the re-offering of the Bonds by the Initial Purchaser.

EL PASO COUNTY WATER CONTROL  
AND IMPROVEMENT DISTRICT NO. 4

By: /s/ Jenny Gutierrez  
President, Board of Directors

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**APPENDIX A - FORM OF BOND COUNSEL OPINION**

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

**\$8,785,000**

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4  
UNLIMITED TAX AND REVENUE BONDS,  
SERIES 2025**

---

**AS BOND COUNSEL FOR THE EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4** (the "District") in connection with the issuance of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on March 25, 2025, authorizing the issuance of the Bonds (the "Order").

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the District, and other pertinent instruments relating to the authorization of the Bonds and the issuance and delivery of the Bonds, including one of the executed Bonds (Bond No. T-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been authorized, issued and delivered in accordance with law; that the District has the legal authority to issue and deliver the Bonds and to repay the Bonds; and that the Bonds constitute valid and legally binding obligations of the District, except as the enforceability thereof may be limited by laws applicable to the District relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by a general principle of equity which permits the exercise of judicial discretion; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, and that, together with other outstanding obligations of the District, the Bonds are additionally payable from and secured by a first lien on and pledge of Net Revenues of the District's System, as defined and provided in the Order. The District has reserved the right, subject to the covenants and conditions stated in the Order, to issue additional revenue obligations payable from and secured by a lien on and pledge of the Net Revenues of the District's System on a parity with the Bonds.

**IT IS FURTHER OUR OPINION** that, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as



an individual alternative minimum tax preference item under section 57(a)(S) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the sufficiency certificate of the holders of the obligations being refunded by the Bonds and certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District



for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. 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 District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE ISSUER HAS RESERVED THE RIGHT** to amend the Order as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the Registered Owners of a majority in aggregate principal amount of the outstanding Bonds.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Very truly yours,

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**APPENDIX B – FINANCIAL STATEMENTS**

For Fiscal Year Ended December 31, 2023\*

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*\* The financial statements and footnotes included in this appendix are the District's most recently audited financial statements. The complete report has also been filed with, and may be obtained from, the Municipal Advisory Council of Texas. See also "CONTINUING DISCLOSURE OF INFORMATION."*

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**EL PASO COUNTY WATER CONTROL**  
**AND IMPROVEMENT DISTRICT NO. 4**  
**FABENS, TEXAS**

**FINANCIAL REPORT**  
**WITH SUPPLEMENTARY INFORMATION**

**FOR YEARS ENDED DECEMBER 31, 2023 AND 2022**

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

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**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The management of the El Paso County Water Control and Improvement District No. 4 (the District), provides this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2023.

**District Overview**

The District is a political subdivision of the State of Texas, which was established under Article XVI, Section 59 of the Texas State Constitution. The District provides sanitary sewer facilities and drinking water for the community of Fabens, Texas.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) the basic financial statements, (2) notes to the financial statements, and (3) supplementary schedules.

**The basic financial statements** - The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and 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 Revenues, Expenses, and Changes in Net Position shows the revenue sources, expenses classifications, and reflects the change in net position for the fiscal year.

The Statement of Cash Flows reconciles the beginning and ending cash and cash equivalents, as well as demonstrates the sources and uses of funds received and expended.

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

**Supplementary schedules** - The supplementary schedules have been included to comply with the Texas Commission on Environmental Quality (TCEQ) requirements.

**Financial Highlights**

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$11,827,562. Of this amount, \$5,087,536 (unrestricted net assets) may be used to meet the District's ongoing obligations.
- The District's total net position increased by \$197,907 at the close of the fiscal year.
- The District's ending total assets equaled \$19,241,979 which represents an increase from the prior year of \$67,749.

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis

The majority of the District's net position is invested in capital assets, including land, wells and distribution system, vehicles and equipment, and buildings and improvements, less debt used to acquire those assets which are still outstanding. These assets are used to provide services to District customers. The capital assets investment is reported net of related debt, and it should be noted that the resources used to pay this debt must be provided by the general fund, since the assets themselves cannot be used to liquidate these liabilities.

## Net Position

|   | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          |
|---|----------------------|----------------------|----------------------|
| Current assets                                  | \$ 5,710,953         | \$ 4,925,964         | \$ 4,371,362         |
| Restricted assets                               | 755,224              | 610,192              | 606,536              |
| Land  | 224,650              | 224,650              | 224,650              |
| Capital assets                                  | <u>12,551,152</u>    | <u>13,413,424</u>    | <u>14,126,974</u>    |
| <b>Total assets</b>                             | <u>\$ 19,241,979</u> | <u>\$ 19,174,230</u> | <u>\$ 19,329,522</u> |
| Other liabilities                               | \$ 780,417           | \$ 753,575           | \$ 879,536           |
| Long-term liabilities                           | <u>6,634,000</u>     | <u>6,791,000</u>     | <u>6,942,000</u>     |
| <b>Total liabilities</b>                        | <u>7,414,417</u>     | <u>7,544,575</u>     | <u>7,821,536</u>     |
| <b>Net position:</b>                            |                      |                      |                      |
| Invested in capital assets, net of related debt | 5,984,802            | 6,696,074            | 7,259,624            |
| Restricted                                      | 755,224              | 610,192              | 582,692              |
| Unrestricted                                    | <u>5,087,536</u>     | <u>4,323,289</u>     | <u>3,665,670</u>     |
| <b>Total net position</b>                       | <u>\$ 11,827,562</u> | <u>\$ 11,629,555</u> | <u>\$ 11,507,986</u> |

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Position

The following table provides a summary of the District's operations for the years ended December 31, 2023, 2022, and 2021.

|                                 | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          |
|---------------------------------|----------------------|----------------------|----------------------|
| <b>REVENUES</b>                 |                      |                      |                      |
| <b>Operating revenues:</b>      |                      |                      |                      |
| Water revenue                   | \$ 1,450,206         | \$ 1,354,097         | \$ 1,308,081         |
| Sewer revenue                   | 1,304,178            | 1,256,405            | 1,241,293            |
| Service charges - water         | 106,228              | 94,711               | 108,553              |
| Service charges - sewer         | 17,892               | 11,139               | 19,260               |
| Water tap and reconnect fees    | 24,563               | 19,938               | 32,270               |
| Sewer tap fees                  | 7,612                | 13,876               | 19,551               |
| Miscellaneous                   | 38,489               | 75,530               | 36,585               |
| I & S taxes                     | 299,161              | 305,526              | 305,767              |
| Interest income                 | <u>97,573</u>        | <u>17,895</u>        | <u>3,324</u>         |
| Total operating revenues        | <u>3,345,902</u>     | <u>3,149,117</u>     | <u>3,074,684</u>     |
| <b>Operating expenses</b>       |                      |                      |                      |
| Bad debt expense                | -                    | 701                  | 5,379                |
| Billing, office and computer    | 116,488              | 77,673               | 88,595               |
| Contracted services             | 750                  | 40,471               | 34,127               |
| Depreciation                    | 947,964              | 964,668              | 852,097              |
| Election expense                | (1,368)              | 12,756               | -                    |
| Health insurance and retirement | 217,231              | 201,683              | 179,074              |
| Insurance and bonds             | 53,986               | 52,576               | 50,485               |
| Interest expense                | 247,260              | 252,836              | 255,696              |
| Legal and professional          | 144,025              | 185,502              | 381,275              |
| Maintenance, repairs and rent   | 469,251              | 289,522              | 707,712              |
| Miscellaneous                   | 15,077               | 15,268               | 11,490               |
| Payroll and payroll taxes       | 721,083              | 683,405              | 662,988              |
| Taxes, permits and licenses     | 43,594               | 24,510               | 28,109               |
| Travel and fuel                 | 5,654                | 1,301                | -                    |
| Uniforms                        | 14,592               | 14,347               | 22,322               |
| Utilities and telephone         | <u>152,408</u>       | <u>210,229</u>       | <u>166,297</u>       |
| Total expenses                  | <u>3,147,995</u>     | <u>3,027,448</u>     | <u>3,445,646</u>     |
| Changes in net position         | <u>197,907</u>       | <u>121,669</u>       | <u>(370,962)</u>     |
| <b>Net position:</b>            |                      |                      |                      |
| Beginning of the year           | <u>11,629,655</u>    | <u>11,507,986</u>    | <u>11,878,948</u>    |
| End of the year                 | <u>\$ 11,827,562</u> | <u>\$ 11,629,655</u> | <u>\$ 11,507,986</u> |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

---

**Capital Assets**

The District’s capital assets as of December 31, 2023, amounts to \$12,551,152 (net of accumulated depreciation and amortization). This investment in capital assets includes wells and distribution systems, wastewater treatment systems, land, vehicles and equipment, and buildings and improvements. The total decrease in net capital assets during the year was \$862,272.

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

- Improvements to infrastructure-water system assets.
- Improvements to infrastructure-sewer system assets.

**Capital and Intangible Assets at Year-end Net of Accumulated Depreciation**

|                                   | <u>2023</u>          | <u>2022</u>          | <u>2021</u>          |
|-----------------------------------|----------------------|----------------------|----------------------|
| Capital assets at historical cost | \$ 28,514,339        | \$ 28,428,647        | \$ 28,402,179        |
| Less: Accumulated depreciation    | <u>(15,963,187)</u>  | <u>(15,015,223)</u>  | <u>(14,050,555)</u>  |
| Total capital assets, net         | <u>\$ 12,551,152</u> | <u>\$ 13,413,424</u> | <u>\$ 14,351,624</u> |

**Debt Administration**

During the current fiscal year, the District did not issue additional commercial paper or take out any loans. Actually, the District’s long-term debt decreased by \$151,000, which is the effect of principal payments made during the fiscal year.



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

---

**Economic Outlook for the Future**

The District's Board of Directors have been very proactive in seeking grants and low interest loan funding to make improvements to the District's water and wastewater systems to better serve the community of Fabens, Texas.

The District started the meter replacement program. Approximately 696 meters have been replaced with digital meters. The District anticipates placing an additional 600 meters in 2024.

The Project to equip the Cypress Well should take place in (2025-2026). The District is currently looking for funding for the project.

The CC Camp non-potable well is in the process of being repaired and put back in operation for the 2024 fiscal year.

The District applied for funds to replace the Ikard lift station and replace the 10th St raw water tank have started to take place. An application has been submitted to TCEQ for approval to use bonds. The engineers are currently working on the design for both projects and general counsel is helping with the purchase of land for the Ikard lift station. These projects are projected to be completed by the end of 2024 or start of 2025.

The rerouting and replacement of a 2-inch water line and upgrading to a 6-inch water line which includes the addition of new fire hydrants from 3rd St to 1st St has been postponed. The District must select a different route due to railroad crossing permit and rental fee.

The rehabilitation of the Hampton lift station, distribution system on Elam Subdivision to include a 6-inch looping line, the replacement of the thirty-five year old 10-inch sewer force main and refurbishing of all manholes District wide will commence in early 2024.

**Request for Information**

The financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances. If you have questions about this report or need any additional information, contact El Paso County Water Control and Improvement District No 4, P.O. Box 3880, Fabens, Texas 79838.

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
El Paso County Water Control and Improvement District No. 4  
Fabens, Texas**

### Report on the Audit of the Financial Statements

#### Opinions

We have audited the accompanying financial statements of the business-type activities of the El Paso County Water Control and Improvement District No. 4 (the District) as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the 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 the 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 and budgetary comparison information on pages i-v and 22 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

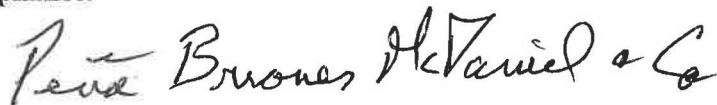
We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining schedules and the Texas Supplementary Information (TSI) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and Texas Supplementary Information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control over financial reporting and compliance.



El Paso, Texas  
February 27, 2024

**BASIC FINANCIAL STATEMENTS**

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4STATEMENTS OF NET POSITION  
DECEMBER 31, 2023 AND 2022

|   | <u>2023</u>          | <u>2022</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>Current assets:</b>                                  |                      |                      |
| Cash  | \$ 4,949,902         | \$ 4,194,698         |
| Cash, restricted  | 249,573              | 224,804              |
| Accounts receivable, net of allowance for uncollectable | 201,589              | 187,439              |
| Taxes receivable, net of allowance for uncollectable    | 247,250              | 249,312              |
| Prepaid expense   | 17,282               | 17,282               |
| Inventory   | 294,930              | 277,233              |
| <b>Total current assets</b>                             | <u>5,960,526</u>     | <u>5,150,768</u>     |
| <b>Noncurrent assets:</b>                               |                      |                      |
| Investments, restricted                                 | <u>505,651</u>       | <u>385,388</u>       |
| <b>Property and equipment</b>                           |                      |                      |
| Land  | 224,650              | 224,650              |
| Capital assets, net of accumulated depreciation         | <u>12,551,152</u>    | <u>13,413,424</u>    |
| <b>Total property and equipment</b>                     | <u>12,775,802</u>    | <u>13,638,074</u>    |
| <b>Total assets</b>                                     | <u>\$ 19,241,979</u> | <u>\$ 19,174,230</u> |
| <b>LIABILITIES</b>                                      |                      |                      |
| <b>Current Liabilities:</b>                             |                      |                      |
| Accounts payable  | \$ 94,658            | \$ 82,321            |
| Accrued expenses  | 184,011              | 185,725              |
| Customer deposits                                       | 344,748              | 334,529              |
| Bonds payable, due within one year                      | <u>157,000</u>       | <u>151,000</u>       |
| <b>Total current liabilities</b>                        | <u>780,417</u>       | <u>753,575</u>       |
| <b>Long term liabilities</b>                            |                      |                      |
| Bond payable due after one year                         | <u>6,634,000</u>     | <u>6,791,000</u>     |
| <b>Total long term liabilities</b>                      | <u>6,634,000</u>     | <u>6,791,000</u>     |
| <b>Total liabilities</b>                                | <u>7,414,417</u>     | <u>7,544,575</u>     |
| <b>NET POSITION</b>                                     |                      |                      |
| Invested in capital assets, net of related debt         | 5,984,802            | 6,696,074            |
| <b>Restricted:</b>                                      |                      |                      |
| Sewer construction fund                                 | 688,709              | 560,387              |
| Water construction fund                                 | 66,515               | 49,805               |
| <b>Unrestricted</b>                                     | <u>5,087,536</u>     | <u>4,323,389</u>     |
| <b>Total net position</b>                               | <u>11,827,562</u>    | <u>11,629,655</u>    |
| <b>Total liability and net position</b>                 | <u>\$ 19,241,979</u> | <u>\$ 19,174,230</u> |

See independent auditor's report and notes to the financial statements.

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2023 AND 2022**

|  | <u>2023</u>                 | <u>2022</u>                 |
|--|-----------------------------|-----------------------------|
| <b>REVENUES</b>                            |                             |                             |
| <b>Operating revenues:</b>                 |                             |                             |
| Water revenue                              | \$ 1,450,206                | \$ 1,354,097                |
| Sewer revenue                              | 1,304,178                   | 1,256,405                   |
| Service charges - water                    | 106,228                     | 94,711                      |
| Service charges - sewer                    | 17,892                      | 11,139                      |
| Water tap and reconnect fees               | 24,563                      | 19,938                      |
| Sewer tap fees                             | 7,612                       | 13,876                      |
| Miscellaneous                              | <u>38,489</u>               | <u>75,530</u>               |
| <b>Total operating revenues</b>            | <u><b>2,949,168</b></u>     | <u><b>2,825,696</b></u>     |
| <b>Operating expenses</b>                  |                             |                             |
| Bad debt expense                           | -                           | 701                         |
| Billing, office and computer               | 116,488                     | 77,673                      |
| Contracted services                        | 750                         | 40,471                      |
| Depreciation                               | 947,964                     | 964,668                     |
| Election expense                           | (1,368)                     | 12,756                      |
| Health insurance and retirement            | 217,231                     | 201,683                     |
| Insurance and bonds                        | 53,986                      | 52,576                      |
| Legal and professional                     | 144,025                     | 185,502                     |
| Maintenance, repairs and rent              | 469,251                     | 289,522                     |
| Miscellaneous                              | 15,077                      | 15,268                      |
| Payroll and payroll taxes                  | 721,083                     | 683,405                     |
| Taxes, permits and licenses                | 43,594                      | 24,510                      |
| Travel and fuel                            | 5,654                       | 1,301                       |
| Uniforms                                   | 14,592                      | 14,347                      |
| Utilities and telephone                    | <u>152,408</u>              | <u>210,229</u>              |
| <b>Total operating expenses</b>            | <u><b>2,900,735</b></u>     | <u><b>2,774,612</b></u>     |
| <b>Operating income (loss)</b>             | <u><b>48,433</b></u>        | <u><b>51,084</b></u>        |
| <b>Nonoperating revenues (expenses):</b>   |                             |                             |
| I & S taxes                                | 299,161                     | 305,526                     |
| Interest income                            | 97,573                      | 17,895                      |
| Interest expense                           | <u>(247,260)</u>            | <u>(252,836)</u>            |
| <b>Net non-operating income (expenses)</b> | <u><b>149,474</b></u>       | <u><b>70,585</b></u>        |
| <b>Changes in net position</b>             | <u><b>197,907</b></u>       | <u><b>121,669</b></u>       |
| <b>Net position:</b>                       |                             |                             |
| Beginning of the year                      | <u><b>11,629,655</b></u>    | <u><b>11,507,986</b></u>    |
| End of the year                            | <u><b>\$ 11,827,562</b></u> | <u><b>\$ 11,629,655</b></u> |

See independent auditor's report and notes to the financial statements.

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2023 AND 2022

|   | <u>2023</u>         | <u>2022</u>         |
|---|---------------------|---------------------|
| <b>Cash flows from operating activities:</b>  |                     |                     |
| Cash receipts from customers  | \$ 2,947,299        | \$ 2,832,898        |
| Cash payments to suppliers  | (1,238,762)         | (1,248,180)         |
| Cash payments to employees  | (721,083)           | (683,405)           |
| Net cash provided by operating activities   | <u>987,454</u>      | <u>901,313</u>      |
| <b>Cash flows from non-capital financing activities:</b>                                |                     |                     |
| Receipts from taxpayers   | <u>299,161</u>      | <u>305,767</u>      |
| Net cash used in noncapital financing activities  | <u>299,161</u>      | <u>305,767</u>      |
| <b>Cash flows from capital and related financing activities:</b>                        |                     |                     |
| Principal paid on capital debt  | (151,000)           | (150,000)           |
| Interest paid on capital debt   | (247,260)           | (252,836)           |
| Purchase of capital assets  | (85,692)            | (251,118)           |
| Net cash (used) by capital and related financing activities                             | <u>(483,952)</u>    | <u>(653,954)</u>    |
| <b>Cash flows from investing activities:</b>  |                     |                     |
| Increase (decrease) in restricted cash  | (24,769)            | (2,479)             |
| Interest received (paid)  | (22,690)            | 16,718              |
| Net cash provided by (used in) investing activities                                     | <u>(47,459)</u>     | <u>14,239</u>       |
| Net increase in cash and cash equivalents   | 755,204             | 567,124             |
| Balances - beginning of the year  | <u>4,194,698</u>    | <u>3,627,574</u>    |
| Balances - end of the year  | <u>\$ 4,949,902</u> | <u>\$ 4,194,698</u> |
| <b>Reconciliation of operating income to net cash provided by operating activities:</b> |                     |                     |
| Operating income (loss)   | \$ 48,433           | \$ 51,084           |
| Adjustments to reconcile operating income to net cash provided by operating activities: |                     |                     |
| Depreciation and amortization expense   | 947,964             | 964,668             |
| Changes in assets and liabilities:  |                     |                     |
| Decrease in accounts receivable   | (12,088)            | 5,131               |
| Decrease in inventories   | (17,697)            | 7,391               |
| Increase (decrease) in other payables   | 12,337              | (138,786)           |
| Increase (decreases) in accrued expenses  | (1,714)             | 9,053               |
| Increase in customer deposits   | <u>10,219</u>       | <u>2,772</u>        |
| Net cash provided by operating activities   | <u>\$ 987,454</u>   | <u>\$ 901,313</u>   |

See independent auditor's report and notes to the financial statements.



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**1. REPORTING ENTITY**

The El Paso County Water Control and Improvement District No. 4 (the District) was established under Article XVI, Section 59 of the Texas State Constitution. The District provides drinking water and sanitary sewer facilities for the community of Fabens, Texas.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the El Paso County Water Control and Improvement District No. 4 conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant policies.

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

**Nature of Activities**

The District provides water and wastewater services for the residents of Fabens. In addition to the water and wastewater system revenues, the District receives funding from local, state and federal government sources and must comply with the requirements of these funding entities.

**Fund Accounting**

The District operates as a governmental proprietary activity accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Enterprise funds are accounted for on a cost of services or “economic resources” measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position.

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budget

The District formally adopted a budget on December 20, 2022, for the fiscal year ended December 31, 2023. In accordance with state statutes the District prepares, and the Board of Directors approves, an annual budget for its operations. All budget amendments must be approved by the Board of Directors. No formal budgetary integration for management control purposes was employed during the year except for monthly reviews comparing budgetary and actual data.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenue is recognized as it is earned, and expenses are recognized as goods or services are delivered.

Restricted Assets

Based upon certain bond covenants and other requirements, the District is required to establish and maintain prescribed amounts of resources consisting of cash, cash equivalents and investments that can be used only to service certain outstanding debt and other activities specifically restricted such as construction, improvements, and customer deposits.

Operating and Nonoperating Revenues and Expenses

Enterprise funds distinguish *operating* revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Net Position on the Statements of Net Position

*Net investment in capital assets* - this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

*Restricted for Water and Wastewater requirements* - this component of net position consists of restricted assets which arise from bond issuances which have constraints placed on them by the bond covenants.

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Net Position on the Statements of Net Position (Continued)**

*Unrestricted net position* - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted components of net position.

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

**Deposits and Investments**

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. As of December 31, 2023 and 2022, the District had cash equivalents of \$2,034,489 and \$0, respectively. The District utilizes the direct method to present cash flows from operating activities.

**Custodial Credit Risk**

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

**Receivables**

*Taxes receivable* - pertains to property taxes. A provision for uncollectible amounts is made for these receivables based on historical collection rates although delinquent taxes attach to the property as an enforceable lien for a limited period of time.

*Accounts receivable* - pertains to amounts due from customers for water, wastewater, and related services. These receivables are reduced by an allowance for estimated uncollectible accounts which is based on historical collection rates.

**Restricted Assets**

Based upon certain bond covenants and other requirements, the District is required to establish and maintain prescribed amounts of resources consisting of cash, cash equivalents and investments that can be used only to service certain outstanding debt and other activities specifically restricted such as construction, improvements, and customer deposits.

**Prepaid Expense**

Prepaid expenses are comprised of various land lease easements with 10 year terms.

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventory

Inventory consists of pipes, supplies, and other items used in the District's construction projects and system maintenance. These inventories are valued at cost and are reported under the consumption method whereby inventory is expensed or capitalized (as a construction cost) when utilized.

Property and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the Statement of Net Position. All capital assets are valued at historical cost or estimated in historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Intangible assets and easements, are capitalized at cost or historical cost. Organizational costs are not capitalized.

Assets capitalized have an original cost of \$500 or more and two years or more of useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The following estimated useful lives are used in providing for depreciation of property and equipment:

|                                    |                |
|------------------------------------|----------------|
| Building and improvements          | 30 to 40 years |
| Water and distribution system      | 20 to 25 years |
| Vehicles and maintenance equipment | 5 to 7 years   |
| Office equipment                   | 5 to 7 years   |
| Treatment facilities and equipment | 25 years       |

Use of estimates

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

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Customer Deposits

Under the Texas Water Code (TWC) 49.212, the District is allowed to charge a deposit for any services that it provides. The District refunds the deposit after the service is no longer required by the customer. Any balance remaining on the account is deducted from the deposit amount. The customer deposit liability was \$344,748 and \$334,529 at December 31, 2023 and 2022, respectively.

Compensated Absences

Employees are allowed five sick leave days each year. Sick leave can accumulate up to five days. Days not taken at year end are paid or carried to the following year. Employees are also allowed two weeks of vacation after their first year of service, three weeks after seven years, and four weeks after fifteen years of service. Vacation time not taken by year end can accumulate up to two weeks to carry to the following year. As of December 31, 2023 and 2022, accrued vacation and sick payable is \$8,882, and is reflected as a short-term liability since it must be used within the following fiscal year.

Property tax

The District levies real and personal property taxes for debt service expenses. The tax levy rates per \$100 valuation for debt service were \$0.140707, for fiscal year 2023 for the 2022 tax levy and \$0.157857, for fiscal year 2022 for the 2021 tax levy.

The District recognizes revenues from property taxes in the period for which they were levied. Property taxes are levied on October 1 on the assessed value listed as of the prior January 1 for all real and business property located within the District. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. All unpaid taxes attach as a lien on the property as of January 1 and become enforceable February 1. The El Paso City/County Consolidated Tax Office bills and collects taxes for the District based upon assessed valuations provided by the El Paso County Central Appraisal District (contracted under a separate agreement) at a rate determined by the District's Board of Directors. The assessed valuations were \$212,613,148 and \$193,545,798 for tax year 2023 and 2022, respectively.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

In June 2017, The Governmental Accounting Standards Board (GASB) released Statement No. 87 (GASB 87) to account for leases. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract, thereby enhancing the relevance and consistency of information about governments' leasing activities. During the reporting periods, the District did not have any leases that met recognition requirements.

New Pronouncements

Effective 2023, the District implemented the following pronouncements:

GASB 96, Subscription-Based Information Technology Arrangements

In May 2020, The Governmental Accounting Standards Board (GASB) released Statement No. 96, (GASB 96) to accounts for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. During the reporting periods, the District did not have SBITAs that met recognition requirements.

GAB 99, Omnibus 2022

GASB 99, Omnibus 2022, The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting for financial guarantees. The statement addresses a variety of topics and includes the following: Statement NO. 34, 53, 63, 87, 96 and other topics.

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Deposits:**

At December 31, 2023 and 2022, the carrying amount of the District's cash deposits (cash, money market accounts and certificates of deposit included in investments) was \$5,705,126 and \$4,804,890, respectively. The District also had \$510 in petty cash. The District's cash deposits at December 31, 2023 and 2022 and during the years then ended were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name. The pledged collateral market value was \$5,888,816 and \$5,159,645 at December 31, 2023 and 2022, respectively.

Cash, cash equivalents, and investments consisted of the following at December 31, 2023:

|                               | <u>Cash</u>                | <u>Investments</u>       | <u>Total</u>               |
|-------------------------------|----------------------------|--------------------------|----------------------------|
| Unrestricted                  | \$ 4,949,902               | \$ -                     | \$ 4,949,902               |
| Restricted assets:            |                            |                          |                            |
| Sewer construction fund       | 11,025                     | -                        | 11,025                     |
| Bonds payment fund            | 172,033                    | -                        | 172,033                    |
| Water improvements            | 25,717                     | -                        | 25,717                     |
| Short-lived assets            | 40,298                     | -                        | 40,298                     |
| Veteran's Park Outdoor Museum | 500                        | -                        | 500                        |
| Certificates of deposit       | -                          | <u>505,651</u>           | <u>505,651</u>             |
| Total restricted assets       | <u>249,573</u>             | <u>505,651</u>           | <u>755,224</u>             |
| <b>Total</b>                  | <b><u>\$ 5,199,475</u></b> | <b><u>\$ 505,651</u></b> | <b><u>\$ 5,705,126</u></b> |

Cash, cash equivalents, and investments consisted of the following at December 31, 2022:

|                               | <u>Cash</u>                | <u>Investments</u>       | <u>Total</u>               |
|-------------------------------|----------------------------|--------------------------|----------------------------|
| Unrestricted                  | \$ 4,194,698               | \$ -                     | \$ 4,194,698               |
| Restricted assets:            |                            |                          |                            |
| Sewer construction fund       | 10,875                     | -                        | 10,875                     |
| Bonds payment fund            | 164,124                    | -                        | 164,124                    |
| Water improvements            | 25,368                     | -                        | 25,368                     |
| Short-lived assets            | 23,937                     | -                        | 23,937                     |
| Veteran's Park Outdoor Museum | 500                        | -                        | 500                        |
| Certificates of deposit       | -                          | <u>385,388</u>           | <u>385,388</u>             |
| Total restricted assets       | <u>224,804</u>             | <u>385,388</u>           | <u>610,192</u>             |
| <b>Total</b>                  | <b><u>\$ 4,419,502</u></b> | <b><u>\$ 385,388</u></b> | <b><u>\$ 4,804,890</u></b> |

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

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3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The fair value of the certificates of deposit of December 31, 2023 are considered level 1.

The District is allowed to invest in (1) obligations of the United States or its agencies and instrumentalities; and (2) direct obligations of the State of Texas or its agencies; and (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States; and (4) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "AA" or its equivalent; and (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor; or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date.

For fiscal year 2023, the District opened a money market account with an initial deposit of \$2,000,000 at an interest rate of 5.3% and increased the certificates of deposits to \$500,000 and renewed for one year with an interest rate of 4%. For fiscal year 2022, the District held no investments other than the certificates of deposits.

Custodial Credit Risk

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Financial instruments which potentially subject the District to custodial credit risk consist principally of cash and temporary investments. The District uses only one depository institution that is fully covered up to \$250,000 by the Federal Deposit Insurance Corporation. Cash deposits and investments in excess of this amount are collateralized by FHLMC notes and other securities held by the depository institution in the District's name when applicable.



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4****NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022****4. ACCOUNTS RECEIVABLE**

Accounts receivable include amounts due from customers primarily for water and sewer services. These receivables are reduced by an allowance for estimated uncollectible accounts which is based on historical collection rates.

Receivables reported net of allowance for uncollectible accounts as of December 31, 2023, are presented below:

|  | <u>December 31, 2023</u>    |                                |                             |
|--|-----------------------------|--------------------------------|-----------------------------|
|  | <u>Taxes<br/>Receivable</u> | <u>Accounts<br/>Receivable</u> | <u>Total<br/>Receivable</u> |
| Gross receivable                           | \$ 247,250                  | \$ 203,569                     | \$ 450,819                  |
| Less: Allowance for uncollectible accounts | <u>-</u>                    | <u>\$ 1,980</u>                | <u>\$ 1,980</u>             |
| Net receivable                             | <u>\$ 247,250</u>           | <u>\$ 201,589</u>              | <u>\$ 448,839</u>           |

Receivables reported net of allowance for uncollectible accounts as of December 31, 2022, are presented below:

|  | <u>December 31, 2022</u>    |                                |                             |
|--|-----------------------------|--------------------------------|-----------------------------|
|  | <u>Taxes<br/>Receivable</u> | <u>Accounts<br/>Receivable</u> | <u>Total<br/>Receivable</u> |
| Gross receivable                           | \$ 249,312                  | \$ 189,419                     | \$ 438,731                  |
| Less: Allowance for uncollectible accounts | <u>-</u>                    | <u>1,980</u>                   | <u>1,980</u>                |
| Net receivable                             | <u>\$ 249,312</u>           | <u>\$ 187,439</u>              | <u>\$ 436,751</u>           |

Uncollectible amounts related to accounts receivable and property taxes receivable are reported as an expense. Total uncollectible amounts written off were \$0 and \$701 for the years ended December 31, 2023 and 2022, respectively.

**5. PENSION PLAN**

The District provides pension benefits for its employees through a Simplified Employee Pension (SEP) plan, facilitated by Mainstay. Under a SEP plan, the employer is permitted to contribute a certain amount to an employee's Individual Retirement Account (IRA). The employer agrees to make discretionary contributions to the IRAs of all eligible employees who are at least 21 years old and worked in at least 1 year of the immediately preceding 5 years.

The District adopted the SEP plan May 12, 1994, effective March 4, 1994. The amount of employer contribution is a percentage of wages not to exceed 15% annually. The percentage amount is determined every March and was 5% of compensation for 2023 and 2022. The employer contribution for 2023 and 2022 was \$31,089 and \$24,743, respectively.

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; and natural disasters. With the exception of insurance coverage for workers compensation claims, the District has provided for commercial insurance for potential risks. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage for each of the past three fiscal years.

The District has joined the Texas Municipal League Intergovernmental Risk Pool Workers' Compensation Joint Insurance Fund. The interlocal agreement with the pool provides that the pool will be self-sustaining through member premiums. The Texas Municipal League Intergovernmental Risk Pool publishes its own financial report for the years ended December 31, 2023 and 2022 which can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The District is not aware of any contingent losses as of December 31, 2023.

7. PREPAID EXPENSE

Prepaid expense activity for the year ended December 31, 2023 and 2022, was as follows:

|                          | <u>2023</u>        | <u>2022</u>        |
|--------------------------|--------------------|--------------------|
|                          | Prepaid<br>Expense | Prepaid<br>Expense |
| UT Lease easement #12089 | \$ 4,417           | \$ 875             |
| UT Lease easement #12088 | 5,088              | 560                |
| UT Lease easement #14405 | 5,117              | 10,427             |
| UT Lease easement #14406 | 2,660              | 5,420              |
|                          | <u>\$ 17,282</u>   | <u>\$ 17,282</u>   |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**8. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2023, was as follows:

|   | <u>December 31,</u><br><u>2022</u> | <u>Increases</u>    | <u>Decreases/<br/>Adjustments</u> | <u>December 31,</u><br><u>2023</u> |
|---|------------------------------------|---------------------|-----------------------------------|------------------------------------|
| <b>Capital assets, not being depreciated:</b>   |                                    |                     |                                   |                                    |
| Land  | \$ 224,650                         | \$ -                | \$ -                              | \$ 224,650                         |
| Engineering Fees                                | <u>40,175</u>                      | <u>-</u>            | <u>-</u>                          | <u>40,175</u>                      |
| Total capital assets,<br>not being depreciated  | <u>264,825</u>                     | <u>-</u>            | <u>-</u>                          | <u>264,825</u>                     |
| <b>Capital assets, being depreciated:</b>       |                                    |                     |                                   |                                    |
| Water distribution system                       | 15,499,282                         | 77,339              | -                                 | 15,576,621                         |
| Vehicles and maintenance equipment              | 638,375                            | 8,353               | -                                 | 646,728                            |
| Buildings and improvements                      | 435,328                            | -                   | -                                 | 435,328                            |
| Office equipment                                | 186,260                            | -                   | -                                 | 186,260                            |
| Treatment facilities and equipment              | <u>11,629,227</u>                  | <u>-</u>            | <u>-</u>                          | <u>11,629,227</u>                  |
| Total capital assets,<br>being depreciated      | <u>28,388,472</u>                  | <u>85,692</u>       | <u>-</u>                          | <u>28,474,164</u>                  |
| <b>Less accumulated depreciation:</b>           |                                    |                     |                                   |                                    |
| Water distribution system                       | 6,643,485                          | 471,076             | -                                 | 7,114,561                          |
| Vehicles and maintenance equipment              | 495,976                            | 39,964              | -                                 | 535,940                            |
| Buildings and improvements                      | 239,012                            | 40,766              | -                                 | 279,778                            |
| Office equipment                                | 177,151                            | 5,440               | -                                 | 182,591                            |
| Treatment facilities and equipment              | <u>7,459,599</u>                   | <u>390,718</u>      | <u>-</u>                          | <u>7,850,317</u>                   |
| Total accumulated depreciation                  | <u>15,015,223</u>                  | <u>947,964</u>      | <u>-</u>                          | <u>15,963,187</u>                  |
| Total capital assets,<br>being depreciated, net | <u>13,373,249</u>                  | <u>(862,272)</u>    | <u>-</u>                          | <u>12,510,977</u>                  |
| Total capital assets, net                       | <u>\$ 13,638,074</u>               | <u>\$ (862,272)</u> | <u>\$ -</u>                       | <u>\$ 12,775,802</u>               |

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022

## 8. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended December 31, 2022, was as follows:

|   | December 31,<br>2021 | Increases           | Decreases/<br>Adjustments | December 31,<br>2022 |
|---|----------------------|---------------------|---------------------------|----------------------|
| <b>Capital assets, not being depreciated:</b>               |                      |                     |                           |                      |
| Land  | \$ 224,650           | \$ -                | \$ -                      | \$ 224,650           |
| Engineering Fees  | 40,175               | -                   | -                         | 40,175               |
| <b>Total capital assets,<br/>    not being depreciated</b>  | <u>264,825</u>       | <u>-</u>            | <u>-</u>                  | <u>264,825</u>       |
| <b>Capital assets, being depreciated:</b>                   |                      |                     |                           |                      |
| Water distribution system                                   | 15,249,295           | 249,987             | -                         | 15,499,282           |
| Vehicles and maintenance equipment                          | 638,375              | -                   | -                         | 638,375              |
| Buildings and improvements                                  | 434,197              | 1,131               | -                         | 435,328              |
| Office equipment  | 186,260              | -                   | -                         | 186,260              |
| Treatment facilities and equipment                          | 11,629,227           | -                   | -                         | 11,629,227           |
| <b>Total capital assets,<br/>    being depreciated</b>      | <u>28,137,354</u>    | <u>251,118</u>      | <u>-</u>                  | <u>28,388,472</u>    |
| <b>Less accumulated depreciation:</b>                       |                      |                     |                           |                      |
| Water distribution system                                   | 6,173,336            | 470,149             | -                         | 6,643,485            |
| Vehicles and maintenance equipment                          | 449,049              | 46,927              | -                         | 495,976              |
| Buildings and improvements                                  | 197,500              | 41,512              | -                         | 239,012              |
| Office equipment  | 171,107              | 6,044               | -                         | 177,151              |
| Treatment facilities and equipment                          | 7,059,563            | 400,036             | -                         | 7,459,599            |
| <b>Total accumulated depreciation</b>                       | <u>14,050,555</u>    | <u>964,668</u>      | <u>-</u>                  | <u>15,015,223</u>    |
| <b>Total capital assets,<br/>    being depreciated, net</b> | <u>14,086,799</u>    | <u>(713,550)</u>    | <u>-</u>                  | <u>13,373,249</u>    |
| <b>Total capital assets, net</b>                            | <u>\$ 14,351,624</u> | <u>\$ (713,550)</u> | <u>\$ -</u>               | <u>\$ 13,638,074</u> |

Total depreciation expense charged at December 31, 2023 and 2022 was \$947,964 and \$964,668, respectively.

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**9. REVENUE BONDS PAYABLE**

The District issues revenue bonds to provide funds for construction, repair, and maintenance of existing facilities, acquire new systems, and to pay the issuance costs. These bonds constitute special obligations of the District and are secured by revenues from the District's operation.

Tax and Revenue Bonds payable at December 31, 2022 and 2021 include the following individual issues:

|  | <b>Beginning<br/>Balance<br/>12/31/2022</b> | <b>Additions</b> | <b>Reductions</b>   | <b>Ending<br/>Balance<br/>12/31/2023</b> | <b>Due Within<br/>One Year</b> |
|--|---|------------------|---------------------|--|--------------------------------|
| <p><b>Combination Tax and Water and Sewer System Revenue Bonds, Series 2017, \$2,261,000 due in annual amounts of \$93,500 to \$ 94,300 with interest at 2.75%. Final payment due August 15, 2057.</b></p> | \$ 2,112,000                                | \$ -             | \$ (36,000)         | \$ 2,076,000                             | \$ 37,000                      |
| <p><b>Unlimited Tax and Revenue Refunding Bonds, Series 2020, \$5,110,000 due in annual amounts of \$255,000 to \$310,000 with interest at 3.75%. Final payment due August 15, 2048.</b></p>               | <u>4,830,000</u>                            | <u>-</u>         | <u>(115,000)</u>    | <u>4,715,000</u>                         | <u>120,000</u>                 |
| <p><b>Total long-term liabilities</b></p>  | <u>\$ 6,942,000</u>                         | <u>\$ -</u>      | <u>\$ (151,000)</u> | <u>\$ 6,791,000</u>                      | <u>\$ 157,000</u>              |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

**9. REVENUE BONDS PAYABLE (Continued)**

Debt Service Requirements are as follows:

| <u>Year ending<br/>September 30,</u> | <u>Principal</u>           | <u>Interest</u>            | <u>Total</u>                |
|--------------------------------------|----------------------------|----------------------------|-----------------------------|
| 2024                                 | \$ 157,000                 | \$ 241,816                 | \$ 398,816                  |
| 2025                                 | 163,000                    | 235,830                    | 398,830                     |
| 2026                                 | 170,000                    | 229,758                    | 399,758                     |
| 2027                                 | 176,000                    | 223,444                    | 399,444                     |
| 2028                                 | 182,000                    | 217,044                    | 399,044                     |
| 2029 - 2033                          | 1,032,000                  | 976,508                    | 2,008,508                   |
| 2034 - 2038                          | 1,240,000                  | 768,644                    | 2,008,644                   |
| 2039 - 2043                          | 1,439,000                  | 526,602                    | 1,965,602                   |
| 2044 - 2048                          | 1,483,000                  | 267,408                    | 1,750,408                   |
| 2049 - 2053                          | 393,000                    | 76,678                     | 469,678                     |
| 2054 - 2057                          | <u>356,000</u>             | <u>19,983</u>              | <u>375,983</u>              |
| <b>Total</b>                         | <b><u>\$ 6,791,000</u></b> | <b><u>\$ 3,783,715</u></b> | <b><u>\$ 10,574,715</u></b> |

Management has indicated that the District is in compliance with all significant limitations and restrictions at December 31, 2023 and 2022, including the reserve fund requirements. At December 31, 2023 and 2022, balances in reserve fund were \$172,033 and \$164,124, respectively, and are reported within the restricted assets-bond requirements category on the Statements of Net Position.

The District's outstanding notes from direct borrowings and direct placements related to governmental activities of \$6,791,000 contain a provision that in an event of default, outstanding amounts become immediately due.

The District has no unused lines of credit as of December 31, 2023 and 2022.

**10. CONTINGENCIES AND COMMITMENTS**

**Grants**

The District participates in federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grant; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2023 AND 2022**

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**10. CONTINGENCIES AND COMMITMENTS (Continued)**

**Effluent Fees Contract**

The District signed a contract with El Paso County Water Improvement District No. 1 in 2001 which permits the discharge of sewer effluent into drainage ditches maintained by El Paso County Water Improvement District No. 1. The District has no financial interest in any shared facilities. Based on the contract, the District will pay an annual drain maintenance fee of \$2,505 and an annual fee of \$68 per acre foot of effluent discharged into the drainage system.

**11. RELATED PARTY TRANSACTIONS**

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed, and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2022 fiscal year.

**12. SUBSEQUENT EVENTS**

Subsequent events were evaluated through February 27, 2024, which is the date the financial statements were able to be issued, and the following items were noted:

In 2024, the District is seeking to secure funding for the future capital improvement water and wastewater projects.

**13. NEW ACCOUNTING PRONOUNCEMENTS**

The following are the new Governmental Accounting Standards Board (GASB) Statements that have future implementation dates. The District has not early implemented, nor has it completed the process of evaluating the impact on its financial position that will result from adopting the listed Governmental Accounting Board Statements listed below:

**GASB Statement No. 101**

GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023 and reporting periods thereafter.

**GASB Statement No. 100**

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, effective for fiscal years beginning after June 15, 2023.

**REQUIRED SUPPLEMENTARY INFORMATION**



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**RSI-1 BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2023**

|   | Budget            |                   | Actual            | Variance                   |
|---|-------------------|-------------------|-------------------|----------------------------|
|   | Original          | As Amended        |                   | Favorable<br>(Unfavorable) |
| <b>Revenues</b>   |                   |                   |                   |                            |
| Water revenue   | \$ 1,350,000      | \$ 1,350,000      | \$ 1,450,206      | \$ 100,206                 |
| Sewer revenue   | 1,250,000         | 1,250,000         | 1,304,178         | 54,178                     |
| Service charges - water   | 95,000            | 95,000            | 106,228           | 11,228                     |
| Service charges - sewer   | 12,000            | 12,000            | 17,892            | 5,892                      |
| Water tap and reconnect fees                                    | 20,000            | 20,000            | 24,563            | 4,563                      |
| Sewer tap fees  | 10,000            | 10,000            | 7,612             | (2,388)                    |
| Miscellaneous   | 36,200            | 36,200            | 38,489            | 2,289                      |
| <b>Total revenues</b>   | <b>2,773,200</b>  | <b>2,773,200</b>  | <b>2,949,168</b>  | <b>175,968</b>             |
| <b>Expenses</b>   |                   |                   |                   |                            |
| Service operations:   |                   |                   |                   |                            |
| Bad debt expense  | 1,300             | 1,300             | -                 | 1,300                      |
| Billing, office and computer                                    | 120,000           | 120,000           | 116,488           | 3,512                      |
| Contracted services   | 5,000             | 5,000             | 750               | 4,250                      |
| Depreciation  | -                 | -                 | 947,964           | (947,964)                  |
| Election expense  | -                 | -                 | (1,368)           | 1,368                      |
| Health insurance and retirement                                 | 220,000           | 220,000           | 217,231           | 2,769                      |
| Insurance and bonds   | 64,000            | 64,000            | 53,986            | 10,014                     |
| Legal and professional  | 345,000           | 345,000           | 144,025           | 200,975                    |
| Maintenance, repairs and rent                                   | 408,500           | 408,500           | 469,251           | (60,751)                   |
| Miscellaneous   | 20,000            | 20,000            | 15,077            | 4,923                      |
| Payroll and payroll taxes                                       | 819,000           | 819,000           | 721,083           | 97,917                     |
| Taxes, permits and licenses                                     | 38,000            | 38,000            | 43,594            | (5,594)                    |
| Travel and fuel   | 5,000             | 5,000             | 5,654             | (654)                      |
| Uniforms  | 17,000            | 17,000            | 14,592            | 2,408                      |
| Utilities and telephone   | 221,000           | 221,000           | 152,408           | 68,592                     |
| <b>Total expenses</b>   | <b>2,283,800</b>  | <b>2,283,800</b>  | <b>2,900,735</b>  | <b>(616,935)</b>           |
| <b>Operating income before nonoperating revenues (expenses)</b> | <b>489,400</b>    | <b>489,400</b>    | <b>48,433</b>     | <b>(440,967)</b>           |
| <b>Nonoperating revenues (expenses):</b>                        |                   |                   |                   |                            |
| I&S Taxes   | -                 | -                 | 299,161           | 299,161                    |
| Interest revenue  | 8,000             | 8,000             | 97,573            | 89,573                     |
| Interest expense  | (247,265)         | (247,265)         | (247,260)         | 5                          |
| <b>Total nonoperating revenues (expenses)</b>                   | <b>(239,265)</b>  | <b>(239,265)</b>  | <b>149,474</b>    | <b>(89,791)</b>            |
| <b>Net (income) loss</b>  | <b>\$ 250,135</b> | <b>\$ 250,135</b> | <b>\$ 197,907</b> | <b>\$ (52,228)</b>         |

**TEXAS SUPPLEMENTARY INFORMATION**



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-1. SERVICES AND RATES (Continued)  
YEAR ENDED DECEMBER 31, 2023**

**2. Retail Service Providers**

**b. Water and Wastewater Retail Connections:**

| <u>Meter Size</u>       | <u>Total Connections</u> | <u>Active Connections</u> | <u>ESFC Factor</u> | <u>Active ESFCS</u>   |
|-------------------------|--------------------------|---------------------------|--------------------|-----------------------|
| Unmetered               |                          |                           | x 1                |                       |
| 3/4"                    | 2,975                    | 2,328                     | 1.0                | 2,328                 |
| 1"                      | 76                       | 61                        | 2.5                | 152.5                 |
| 1 1/2"                  | 9                        | 8                         | 2.5                | 20                    |
| 2"                      | 50                       | 45                        | 5.0                | 225                   |
| 3"                      | 9                        | 8                         | 8.0                | 64                    |
| 4"                      | 10                       | 5                         | 15.0               | 75                    |
| 6"                      | 18                       | 6                         | 25.0               | 150                   |
| 8"                      | 1                        | 1                         | 80.0               | 80                    |
| 10"                     | -                        | -                         | 115.0              | -                     |
| <b>Total Water</b>      | <b><u>3,148</u></b>      | <b><u>2,462</u></b>       |                    | <b><u>3,094.5</u></b> |
| <b>Total Wastewater</b> | <b><u>2,328</u></b>      | <b><u>2,319</u></b>       | <b>1.0</b>         | <b><u>2,319</u></b>   |

**3. Total water consumption during the fiscal year (rounded to the nearest thousand):**

|                              |                    |
|------------------------------|--------------------|
| Gallons pumped into system:  | <u>251,805,587</u> |
| Gallons billed to customers: | <u>229,436,310</u> |
| Water accountability ratio:  | <u>91%</u>         |

**4. Standby fees:**

The District does not levy standby fees.

**5. Location of district:**

|   |                   |
|---|-------------------|
| County in which district is located   | <u>El Paso</u>    |
| Is the district located entirely within one county?                           | <u>Yes</u>        |
| Is the district located within a city?  | <u>Not at all</u> |
| City in which district is located.  | <u>N/A</u>        |
| Is the district located within a city's extra territorial jurisdiction (ETJ)? | <u>Not at all</u> |
| ETJ's in which district is located.   | <u>N/A</u>        |
| Are board members appointed by an office outside the District?                | <u>No</u>         |

EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4

**TSI-2. ENTERPRISE FUND EXPENSES  
YEAR ENDED DECEMBER 31, 2023**

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|   |    |                     |
|---|----|---------------------|
| <b>Personnel:</b>                                 |    |                     |
| <b>Payroll and payroll taxes</b>                  | \$ | 721,083             |
| <b>Health insurance and retirement</b>            |    | 217,231             |
| <b>Professional fees:</b>                         |    |                     |
| <b>Legal and professional</b>                     |    | 144,025             |
| <b>Utilities and Telephone</b>                    |    | 152,408             |
| <b>Maintenance, repairs and rent</b>              |    | 469,251             |
| <b>Administrative expenses:</b>                   |    |                     |
| <b>Bad debt expense</b>                           |    | -                   |
| <b>Billing, office and computer</b>               |    | 116,488             |
| <b>Insurance</b>                                  |    | 53,986              |
| <b>Depreciation</b>                               |    | 947,964             |
| <b>Taxes, permits and licenses</b>                |    | 43,594              |
| <b>Other expenses</b>                             |    | <u>34,705</u>       |
| <b>Total expenses</b>                             | \$ | <u>2,900,735</u>    |
| <b>Number of persons employed by the District</b> |    | <b>14 Full-time</b> |

**EL PASO WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-3. TEMPORARY INVESTMENTS  
YEAR ENDED DECEMBER 31, 2023**

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| <b><u>Funds</u></b>                  | <b><u>C.D. #</u></b> | <b><u>Interest<br/>Rate</u></b> | <b><u>Maturity<br/>Date</u></b> | <b><u>Balance<br/>12/31/2023</u></b> | <b><u>Accrued Interest<br/>Receivable at<br/>End of Year</u></b> |
|--------------------------------------|----------------------|---------------------------------|---------------------------------|--------------------------------------|--|
| <b><u>Certificate of Deposit</u></b> | 300012640            | 4.00%                           | 8/31/2024                       | \$ 505,651                           | \$ -   |



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
YEAR ENDED DECEMBER 31, 2023**

| Year | Series 2017         |                        | Total               |
|------|---------------------|------------------------|---------------------|
|      | Principal<br>8/15   | Interest<br>2/15; 8/15 |                     |
| 2024 | \$ 37,000           | \$ 56,740              | \$ 93,740           |
| 2025 | 38,000              | 55,554                 | 93,554              |
| 2026 | 40,000              | 54,482                 | 94,482              |
| 2027 | 41,000              | 53,368                 | 94,368              |
| 2028 | 42,000              | 52,368                 | 94,368              |
| 2029 | 43,000              | 51,058                 | 94,058              |
| 2030 | 44,000              | 49,862                 | 93,862              |
| 2031 | 45,000              | 48,638                 | 93,638              |
| 2032 | 47,000              | 47,502                 | 94,502              |
| 2033 | 48,000              | 46,068                 | 94,068              |
| 2034 | 49,000              | 44,734                 | 93,734              |
| 2035 | 51,000              | 43,360                 | 94,360              |
| 2036 | 52,000              | 42,056                 | 94,056              |
| 2037 | 53,000              | 40,500                 | 93,500              |
| 2038 | 55,000              | 39,014                 | 94,014              |
| 2039 | 57,000              | 37,476                 | 94,476              |
| 2040 | 58,000              | 35,990                 | 93,990              |
| 2041 | 60,000              | 34,272                 | 94,272              |
| 2042 | 61,000              | 32,608                 | 93,608              |
| 2043 | 63,000              | 30,904                 | 93,904              |
| 2044 | 65,000              | 29,220                 | 94,220              |
| 2045 | 67,000              | 27,328                 | 94,328              |
| 2046 | 69,000              | 25,460                 | 94,460              |
| 2047 | 70,000              | 23,548                 | 93,548              |
| 2048 | 72,000              | 21,652                 | 93,652              |
| 2049 | 74,000              | 19,588                 | 93,588              |
| 2050 | 76,000              | 17,526                 | 93,526              |
| 2051 | 79,000              | 15,396                 | 94,396              |
| 2052 | 81,000              | 13,228                 | 94,228              |
| 2053 | 83,000              | 10,940                 | 93,940              |
| 2054 | 85,000              | 8,630                  | 93,630              |
| 2055 | 88,000              | 6,252                  | 94,252              |
| 2056 | 90,000              | 3,812                  | 93,812              |
| 2057 | 93,000              | 1,289                  | 94,289              |
|      | <u>\$ 2,076,000</u> | <u>\$ 1,120,423</u>    | <u>\$ 3,196,423</u> |



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (Continued)  
YEAR ENDED DECEMBER 31, 2023**

| <u>Year</u> | Series 2020               |                                | <u>Total</u>        |
|-------------|---------------------------|--------------------------------|---------------------|
|             | <u>Principal<br/>8/15</u> | <u>Interest<br/>2/15; 8/15</u> |                     |
| 2024        | \$ 120,000                | \$ 185,076                     | \$ 305,076          |
| 2025        | 125,000                   | 180,276                        | 305,276             |
| 2026        | 130,000                   | 175,276                        | 305,276             |
| 2027        | 135,000                   | 170,076                        | 305,076             |
| 2028        | 140,000                   | 164,676                        | 304,676             |
| 2029        | 150,000                   | 159,076                        | 309,076             |
| 2030        | 155,000                   | 153,076                        | 308,076             |
| 2031        | 160,000                   | 146,876                        | 306,876             |
| 2032        | 165,000                   | 140,476                        | 305,476             |
| 2033        | 175,000                   | 133,876                        | 308,876             |
| 2034        | 180,000                   | 126,876                        | 306,876             |
| 2035        | 190,000                   | 119,676                        | 309,676             |
| 2036        | 195,000                   | 112,076                        | 307,076             |
| 2037        | 205,000                   | 104,276                        | 309,276             |
| 2038        | 210,000                   | 96,076                         | 306,076             |
| 2039        | 220,000                   | 87,676                         | 307,676             |
| 2040        | 230,000                   | 78,876                         | 308,876             |
| 2041        | 240,000                   | 71,400                         | 311,400             |
| 2042        | 245,000                   | 63,600                         | 308,600             |
| 2043        | 205,000                   | 53,800                         | 258,800             |
| 2044        | 210,000                   | 45,600                         | 255,600             |
| 2045        | 220,000                   | 37,200                         | 257,200             |
| 2046        | 230,000                   | 28,400                         | 258,400             |
| 2047        | 235,000                   | 19,200                         | 254,200             |
| 2048        | 245,000                   | 9,800                          | 254,800             |
|             | <u>\$ 4,715,000</u>       | <u>\$ 2,663,292</u>            | <u>\$ 7,378,292</u> |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (Continued)  
YEAR ENDED DECEMBER 31, 2023**

| Annual Requirements for All Series |                     |                        |                      |
|------------------------------------|---------------------|------------------------|----------------------|
| Year                               | Principal<br>8/15   | Interest<br>2/15; 8/15 | Total                |
| 2024                               | \$ 157,000          | \$ 241,816             | \$ 398,816           |
| 2025                               | 163,000             | 235,830                | 398,830              |
| 2026                               | 170,000             | 229,758                | 399,758              |
| 2027                               | 176,000             | 223,444                | 399,444              |
| 2028                               | 182,000             | 217,044                | 399,044              |
| 2029                               | 193,000             | 210,134                | 403,134              |
| 2030                               | 199,000             | 202,938                | 401,938              |
| 2031                               | 205,000             | 195,514                | 400,514              |
| 2032                               | 212,000             | 187,978                | 399,978              |
| 2033                               | 223,000             | 179,944                | 402,944              |
| 2034                               | 229,000             | 171,610                | 400,610              |
| 2035                               | 241,000             | 163,036                | 404,036              |
| 2036                               | 247,000             | 154,132                | 401,132              |
| 2037                               | 258,000             | 144,776                | 402,776              |
| 2038                               | 265,000             | 135,090                | 400,090              |
| 2039                               | 277,000             | 125,152                | 402,152              |
| 2040                               | 288,000             | 114,866                | 402,866              |
| 2041                               | 300,000             | 105,672                | 405,672              |
| 2042                               | 306,000             | 96,208                 | 402,208              |
| 2043                               | 268,000             | 84,704                 | 352,704              |
| 2044                               | 275,000             | 74,820                 | 349,820              |
| 2045                               | 287,000             | 64,528                 | 351,528              |
| 2046                               | 299,000             | 53,860                 | 352,860              |
| 2047                               | 305,000             | 42,748                 | 347,748              |
| 2048                               | 317,000             | 31,452                 | 348,452              |
| 2049                               | 74,000              | 19,588                 | 93,588               |
| 2050                               | 76,000              | 17,526                 | 93,526               |
| 2051                               | 79,000              | 15,396                 | 94,396               |
| 2052                               | 81,000              | 13,228                 | 94,228               |
| 2053                               | 83,000              | 10,940                 | 93,940               |
| 2054                               | 85,000              | 8,630                  | 93,630               |
| 2055                               | 88,000              | 6,252                  | 94,252               |
| 2056                               | 90,000              | 3,812                  | 93,812               |
| 2057                               | 93,000              | 1,289                  | 94,289               |
|                                    | <u>\$ 6,791,000</u> | <u>\$ 3,783,715</u>    | <u>\$ 10,574,715</u> |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-6. CHANGE IN LONG TERM DEBT  
YEAR ENDED DECEMBER 31, 2023**

|   | <b>Bond Issues</b>  |                     |                     |
|---|---------------------|---------------------|---------------------|
|   | <u>Series 2017</u>  | <u>Series 2020</u>  | <u>Total</u>        |
| <b>Original bond</b>                        | \$ 2,261,000        | \$ 5,110,000        | \$ 7,371,000        |
| <b>Interest rate</b>                        | 2.75%               | 4% - 3.25%          |                     |
| <b>Dates interest payable</b>               | 2/15; 8/15          | 2/15; 8/15          |                     |
| <b>Maturity dates</b>                       | 8/15/2057           | 8/15/2048           |                     |
| <b>Beginning bonds outstanding</b>          | 2,112,000           | 4,830,000           | 6,942,000           |
| <b>Bonds sold during the fiscal year</b>    | -                   | -                   | -                   |
| <b>Bonds retired during the fiscal year</b> | <u>(36,000)</u>     | <u>(115,000)</u>    | <u>(151,000)</u>    |
| <b>Ending bonds outstanding</b>             | <u>\$ 2,076,000</u> | <u>\$ 4,715,000</u> | <u>\$ 6,791,000</u> |
| <b>Interest paid during the fiscal year</b> | <u>\$ 57,590</u>    | <u>\$ 189,670</u>   | <u>\$ 247,260</u>   |

**Paying agents name and city**  
**Series 2017** US Bank, Dallas, Texas  
**Series 2020** US Bank, Dallas, Texas

| <b>Bond Authority:</b>             | <u>Tax bonds*</u> | <u>Other bonds</u> | <u>Refunding bonds</u> |
|------------------------------------|-------------------|--------------------|------------------------|
| <b>Amount authorized by voters</b> | N/A               | \$ 17,540,000      | N/A                    |
| <b>Amount issued</b>               | N/A               | \$ 8,513,000       | N/A                    |
| <b>Remaining to be issued</b>      | N/A               | \$ 9,027,000       | N/A                    |

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

**Debt service fund cash and temporary investments balances as of 12/31/2023:** \$ 172,033

**Average annual debt service payment (principal and interest) for remaining term of all debt:** \$ 199,735

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - Enterprise Fund - FIVE YEARS ENDED  
YEAR ENDED DECEMBER 31, 2023**

|  | Amounts           |                   |                     |                   |                     | Percent of Total Operating Revenue |              |               |              |               |
|--|-------------------|-------------------|---------------------|-------------------|---------------------|------------------------------------|--------------|---------------|--------------|---------------|
|  | 2023              | 2022              | 2021                | 2020              | 2019                | 2023                               | 2022         | 2021          | 2020         | 2019          |
| <b>Operating Revenues:</b>               |                   |                   |                     |                   |                     |                                    |              |               |              |               |
| Water revenue                            | \$ 1,450,206      | \$ 1,354,097      | \$ 1,308,081        | \$ 1,318,069      | \$ 1,395,653        | 49.2                               | 47.9         | 47.3          | 46.1         | 48.6          |
| Sewer revenue                            | 1,304,178         | 1,256,405         | 1,241,293           | 1,317,036         | 1,325,260           | 44.2                               | 44.5         | 44.9          | 46.1         | 46.2          |
| Service charges - water                  | 106,228           | 94,711            | 108,553             | 118,672           | 94,221              | 3.6                                | 3.4          | 3.9           | 4.2          | 3.3           |
| Service charges - sewer                  | 17,892            | 11,139            | 19,260              | 18,925            | 14,254              | 0.6                                | 0.4          | 0.7           | 0.7          | 0.5           |
| Water tap and reconnect fees             | 24,563            | 19,938            | 32,270              | 31,840            | 11,381              | 0.8                                | 0.7          | 1.2           | 1.1          | 0.4           |
| Sewer tap fees                           | 7,612             | 13,876            | 19,551              | 28,339            | 8,530               | 0.3                                | 0.5          | 0.7           | 1.0          | 0.3           |
| Miscellaneous                            | 38,489            | 75,530            | 36,585              | 24,089            | 22,124              | 1.3                                | 2.7          | 1.3           | 0.8          | 0.8           |
| <b>Total</b>                             | <b>2,949,168</b>  | <b>2,825,696</b>  | <b>2,765,593</b>    | <b>2,856,970</b>  | <b>2,871,423</b>    | <b>100.0</b>                       | <b>100.0</b> | <b>100.0</b>  | <b>100.0</b> | <b>100.0</b>  |
| <b>Operating Expenses:</b>               |                   |                   |                     |                   |                     |                                    |              |               |              |               |
| Bad debt expense                         | -                 | 701               | 5,379               | 1,058             | -                   | -                                  | -            | 0.19          | 0.04         | -             |
| Billing, office and computer             | 116,488           | 77,673            | 88,595              | 94,118            | 72,332              | 3.95                               | 2.70         | 3.20          | 3.29         | 2.52          |
| Depreciation                             | 947,964           | 964,668           | 852,097             | 878,370           | 1,748,982           | 32.14                              | 34.14        | 30.81         | 30.74        | 60.91         |
| Election expense                         | (1,368)           | 12,756            | -                   | -                 | -                   | (0.05)                             | 0.45         | -             | -            | -             |
| Health insurance and retirement          | 217,231           | 201,683           | 179,074             | 189,065           | 181,375             | 7.37                               | 7.14         | 6.48          | 6.62         | 6.32          |
| Insurance and bonds                      | 53,986            | 52,576            | 50,485              | 48,859            | 43,275              | 1.83                               | 1.90         | 1.83          | 1.71         | 1.51          |
| Legal and professional                   | 144,025           | 185,502           | 381,275             | 235,074           | 565,335             | 4.88                               | 6.60         | 13.79         | 8.23         | 19.69         |
| Maintenance, repairs and rent            | 469,251           | 289,522           | 707,712             | 47,600            | 243,243             | 15.91                              | 10.20        | 25.59         | 1.67         | 8.47          |
| Miscellaneous                            | 15,077            | 15,268            | 11,490              | 9,813             | 52,640              | 0.51                               | 0.50         | 0.42          | 0.34         | 1.83          |
| Payroll and payroll taxes                | 721,083           | 683,405           | 662,988             | 675,612           | 681,072             | 24.45                              | 24.20        | 23.97         | 23.65        | 23.72         |
| Settlement payment                       | -                 | -                 | -                   | -                 | 41,280              | -                                  | -            | -             | -            | 1.44          |
| Taxes, permits and licenses              | 43,594            | 24,510            | 28,109              | 73,712            | 72,583              | 1.48                               | 0.87         | 1.02          | 2.58         | 2.53          |
| Travel and fuel                          | 5,654             | 1,301             | -                   | -                 | -                   | 0.19                               | 0.05         | -             | -            | -             |
| Uniforms                                 | 14,592            | 14,347            | 22,322              | 15,376            | 11,400              | 0.49                               | 0.50         | 0.81          | 0.54         | 0.40          |
| Utilities and telephone                  | 152,408           | 210,229           | 166,297             | 142,248           | 140,761             | 5.17                               | 7.40         | 6.01          | 4.98         | 4.90          |
| Contract labor                           | 750               | 40,471            | 34,127              | -                 | -                   | 0.03                               | 1.40         | 1.23          | -            | -             |
| <b>Total</b>                             | <b>2,900,735</b>  | <b>2,774,612</b>  | <b>3,189,950</b>    | <b>2,410,905</b>  | <b>3,854,278</b>    | <b>98.4</b>                        | <b>98.0</b>  | <b>115.3</b>  | <b>84.4</b>  | <b>134.2</b>  |
| <b>Operating income:</b>                 | <b>48,433</b>     | <b>51,084</b>     | <b>(424,357)</b>    | <b>446,065</b>    | <b>(982,855)</b>    | <b>1.6</b>                         | <b>2.5</b>   | <b>(15.3)</b> | <b>15.6</b>  | <b>(34.2)</b> |
| <b>Nonoperating revenues (expenses):</b> |                   |                   |                     |                   |                     |                                    |              |               |              |               |
| Gain on retirement of bonds              | -                 | -                 | -                   | 278,000           | -                   | -                                  | -            | -             | 9.7          | -             |
| I & S Taxes                              | 299,161           | 305,526           | 305,767             | 303,478           | 327,790             | 10.1                               | 10.8         | 11.1          | 10.6         | 11.4          |
| Interest income                          | 97,573            | 17,895            | 3,324               | 6,947             | 7,142               | 3.3                                | 0.6          | 0.1           | 0.2          | 0.2           |
| Interest expense                         | (247,260)         | (252,836)         | (255,696)           | (206,577)         | (296,381)           | (8.4)                              | (8.9)        | (9.2)         | (7.2)        | (10.3)        |
| Grant income                             | -                 | -                 | -                   | -                 | 462,415             | -                                  | -            | -             | -            | 16.1          |
| <b>Total</b>                             | <b>149,474</b>    | <b>70,585</b>     | <b>53,395</b>       | <b>381,848</b>    | <b>500,966</b>      | <b>5.1</b>                         | <b>2.5</b>   | <b>1.9</b>    | <b>13.4</b>  | <b>17.4</b>   |
| <b>Change in net assets</b>              | <b>\$ 197,907</b> | <b>\$ 121,669</b> | <b>\$ (370,962)</b> | <b>\$ 827,913</b> | <b>\$ (481,889)</b> | <b>5.0</b>                         | <b>4.3</b>   | <b>(13.4)</b> | <b>29.0</b>  | <b>(16.8)</b> |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
YEAR ENDED DECEMBER 31, 2023**

Complete District Mailing address: P.O. Box 3880, Fabens, Texas 79838-3880

District Business Telephone Number: (915) 764-2212

Submission Date of the most recent District Registration Form  
(TWC Sections 36.054 and 49.054): 11/17/2022

Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200  
(Set by Board Resolution - TWC Section 49.060)

| Name and Address   | Term of Office<br>(Elected or<br>Appointed) or Date<br>Hired | Fees of Office<br>Paid*<br>12/31/2023 | Expense<br>Reimbursements<br>12/31/2023 | Title at Year End |
|--|--|---------------------------------------|---|-------------------|
| <b><u>Board Members</u></b>  |  |                                       |   |                   |
| Jenny Gutierrez<br>El Paso County Water Control<br>and Improvement District<br>P.O. Box 3880<br>Fabens, Texas 79838-3880 | (Elected)<br>11/2020 -<br>11/2024                            | \$ -                                  | \$ -                                    | President         |
| Samuel Madrid<br>El Paso County Water Control<br>and Improvement District<br>P.O. Box 3880<br>Fabens, Texas 79838-3880   | (Elected)<br>11/8/2022 -<br>11/2026                          | \$ -                                  | \$ -                                    | Vice President    |
| Jorge Carrasco<br>El Paso County Water Control<br>and Improvement District<br>P.O. Box 3880<br>Fabens, Texas 79838-3880  | (Elected)<br>11/8/2022 -<br>11/2026                          | \$ -                                  | \$ -                                    | Secretary         |
| Thelma Quinonez<br>El Paso County Water Control<br>and Improvement District<br>P.O. Box 3880<br>Fabens, Texas 79838-3880 | (Elected)<br>11/2020 -<br>11/2024                            | \$ -                                  | \$ -                                    | Director          |
| Martin Madrid<br>El Paso County Water Control<br>and Improvement District<br>P.O. Box 3880<br>Fabens, Texas 79838-3880   | (Elected)<br>11/8/2022 -<br>11/2026                          | \$ -                                  | \$ -                                    | Director          |

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2023**

| <b>Name and Address</b>              | <b>Term of Office<br/>(Elected or<br/>Appointed) or<br/>Date Hired</b> | <b>Fees of Office<br/>Paid*<br/>12/31/2023</b> | <b>Expense<br/>Reimbursements<br/>12/31/2023</b> | <b>Title at Year End</b> |
|--------------------------------------|--|--|--|--------------------------|
| <b>Key Administrative Personnel:</b> |  |  |  |                          |
| Jose Ramirez                         | 8/6/2019   | \$ 16,573                                      | \$ 90.00   | General Manager          |
| Israel Martinez, Jr.                 | 10/11/2021   | \$ 55,387                                      | \$ 360.00  | Field Manager            |
| Patricia Cruz                        | 12/2/2013  | \$ 49,930                                      | \$ -   | Office Manager           |
| Romelia Martinez                     | 5/2/2016   | \$ 53,871                                      | \$ 360.00  | Inventory Manager        |
| <b>Consultants:</b>                  |  |  |  |                          |
| Kemp Smith L.L.P.                    |  | \$ 43,880                                      | \$ -   | Attorney                 |
| CDM Smith                            |  | \$ 68,977                                      | \$ -   | Engineer                 |
| Peña Briones McDaniel and Co.        |  | \$ 16,686                                      | \$ -   | Auditor                  |

\*Fees of Office are the amounts actually paid to a board member during the Districts fiscal year.

**OTHER SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**COMBINING SCHEDULE OF NET POSITION  
DECEMBER 31, 2023**

|   | <u>Wastewater</u>   | <u>Water</u>         | <u>Total</u>         |
|---|---------------------|----------------------|----------------------|
| <b>ASSETS</b>                                   |                     |                      |                      |
| <b>Current assets:</b>                          |                     |                      |                      |
| Cash  | \$ 1,484,818        | \$ 3,465,084         | \$ 4,949,902         |
| Restricted cash                                 | 165,855             | 83,718               | 249,573              |
| Accounts receivable                             | 110,874             | 90,715               | 201,589              |
| Taxes receivable                                | 222,525             | 24,725               | 247,250              |
| Prepaid expense                                 | 3,630               | 13,652               | 17,282               |
| Inventory                                       | 28,677              | 266,253              | 294,930              |
| <b>Total Current Assets</b>                     | <u>2,016,378</u>    | <u>3,944,148</u>     | <u>5,960,526</u>     |
| <b>Noncurrent assets:</b>                       |                     |                      |                      |
| Investments, restricted                         | 455,086             | 50,565               | 505,651              |
| <b>Property and equipment</b>                   |                     |                      |                      |
| Land  | 101,093             | 123,558              | 224,650              |
| Capital assets, net of accumulated depreciation | 3,021,832           | 9,529,321            | 12,551,152           |
| <b>Total property and equipment</b>             | <u>3,122,924</u>    | <u>9,652,878</u>     | <u>12,775,802</u>    |
| <b>Total assets</b>                             | <u>\$ 5,594,388</u> | <u>\$ 13,647,591</u> | <u>\$ 19,241,979</u> |
| <b>LIABILITIES</b>                              |                     |                      |                      |
| <b>Current Liabilities:</b>                     |                     |                      |                      |
| Accounts payable                                | \$ 58,652           | \$ 36,006            | \$ 94,658            |
| Accrued expenses                                | 155,119             | 28,892               | 184,011              |
| Customer deposits                               | -                   | 344,748              | 344,748              |
| Bonds payable due within one year               | 18,000              | 133,000              | 157,000              |
| <b>Total current liabilities</b>                | <u>231,770</u>      | <u>542,647</u>       | <u>780,417</u>       |
| <b>Long term liabilities</b>                    |                     |                      |                      |
| Bond payable due after one year                 | 1,020,000           | 5,620,000            | 6,634,000            |
| <b>Total long term liabilities</b>              | <u>1,020,000</u>    | <u>5,620,000</u>     | <u>6,634,000</u>     |
| <b>Total liabilities</b>                        | <u>1,251,770</u>    | <u>6,162,647</u>     | <u>7,414,417</u>     |
| <b>NET POSITION</b>                             |                     |                      |                      |
| Invested in capital assets, net of related debt | 4,019,168           | 1,965,634            | 5,984,802            |
| <b>Restricted:</b>                              |                     |                      |                      |
| Sewer construction fund                         | 688,709             | -                    | 688,709              |
| Water construction fund                         | -                   | 66,515               | 66,515               |
| Unrestricted                                    | (365,260)           | 5,452,796            | 5,087,536            |
| <b>Total net position</b>                       | <u>4,342,617</u>    | <u>7,484,945</u>     | <u>11,827,562</u>    |
| <b>Total liability and net position</b>         | <u>\$ 5,594,388</u> | <u>\$ 13,647,591</u> | <u>\$ 19,241,979</u> |

See independent auditor's report and notes to the financial statements.



**EL PASO COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 4**

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED DECEMBER 31, 2023**

|  | <u>Wastewater</u>   | <u>Water</u>        | <u>Total</u>         |
|--|---------------------|---------------------|----------------------|
| <b>REVENUES</b>                          |                     |                     |                      |
| <b>Operating revenues:</b>               |                     |                     |                      |
| Water revenue                            | \$ -                | \$ 1,450,206        | \$ 1,450,206         |
| Sewer revenue                            | 1,304,178           | -                   | 1,304,178            |
| Service charges - water                  | -                   | 106,228             | 106,228              |
| Service charges - sewer                  | 17,892              | -                   | 17,892               |
| Water tap and reconnect fees             | -                   | 24,563              | 24,563               |
| Sewer tap fees                           | 7,612               | -                   | 7,612                |
| Miscellaneous                            | 15,157              | 23,333              | 38,489               |
| Total operating revenues                 | <u>1,344,839</u>    | <u>1,604,330</u>    | <u>2,949,168</u>     |
| <b>Operating expenses</b>                |                     |                     |                      |
| Billing, office and computer             | 60,417              | 56,071              | 116,488              |
| Contracted services                      | 375                 | 375                 | 750                  |
| Depreciation                             | 473,982             | 473,982             | 947,964              |
| Election expense                         | (684)               | (684)               | (1,368)              |
| Health insurance and retirement          | 108,626             | 108,606             | 217,231              |
| Insurance and bonds                      | 27,043              | 26,943              | 53,986               |
| Legal and professional                   | 71,070              | 72,955              | 144,025              |
| Maintenance, repairs and rent            | 243,732             | 225,519             | 469,251              |
| Miscellaneous                            | 7,539               | 7,539               | 15,077               |
| Payroll and payroll taxes                | 360,542             | 360,542             | 721,083              |
| Taxes, permits and licenses              | 37,109              | 6,485               | 43,594               |
| Travel and fuel                          | 2,827               | 2,827               | 5,654                |
| Uniforms                                 | 7,296               | 7,296               | 14,592               |
| Utilities and telephone                  | 69,999              | 82,409              | 152,408              |
| Total operating expenses                 | <u>1,469,871</u>    | <u>1,430,864</u>    | <u>2,900,735</u>     |
| Operating income (loss)                  | <u>(125,033)</u>    | <u>173,466</u>      | <u>48,433</u>        |
| <b>Nonoperating revenues (expenses):</b> |                     |                     |                      |
| I & S taxes                              | 269,245             | 29,916              | 299,161              |
| Interest income                          | 35,895              | 61,679              | 97,573               |
| Interest expense                         | <u>(225,007)</u>    | <u>(22,253)</u>     | <u>(247,260)</u>     |
| Net non-operating income (expenses)      | <u>80,133</u>       | <u>69,341</u>       | <u>149,474</u>       |
| Changes in net position                  | <u>(44,900)</u>     | <u>242,807</u>      | <u>197,907</u>       |
| <b>Net position:</b>                     |                     |                     |                      |
| Beginning of the year                    | <u>4,387,517</u>    | <u>7,242,138</u>    | <u>11,629,655</u>    |
| End of the year                          | <u>\$ 4,342,617</u> | <u>\$ 7,484,945</u> | <u>\$ 11,827,562</u> |

See independent auditor's report and notes to the financial statements.

Rene D. Peña, CPA  
Melisa Cota Guevara, CPA  
April R. Samaniego, CPA  
Jesus Enriquez, CPA

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**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 of  
El Paso County Water Control and Improvement District #4

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 business-type activities of El Paso County Water Control and Improvement District #4 (the District), as of and for the year ended December 31, 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 February 27, 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) as a basis for designing 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.

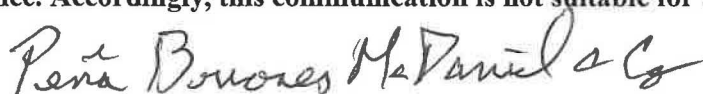
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies 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 cursive script that reads "Pena Boueres McDaniel & Co".

El Paso, Texas  
February 27, 2024

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## APPENDIX C – SELECTED PROVISIONS OF THE BOND ORDER

THE FOLLOWING ARE SELECTED PROVISIONS OF THE BOND ORDER, WHICH ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO THE FULL AND COMPLETE DOCUMENT.

References to “Sections” and “this Order” in the below provisions refer to the document from which such selected provision was taken unless the context requires otherwise.

**Section 6. DEFINITIONS.** Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Order the following terms shall have the meanings specified below:

"Additional Parity Obligations" means those obligations the District reserves the right to issue and which are secured by a lien on and pledge of the Net Revenues on a parity and of equal dignity with outstanding Parity Obligations in accordance with the terms and conditions prescribed in Section 8.

"Escrow Agent" means U.S. Bank National Association in Dallas, Texas.

"Escrow Agreement" means the escrow agreement between the District and the Escrow Agent.

"Gross Revenues" means, with respect to the System, all income, receipts, revenues and fees of every nature derived or received from the operation and ownership of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established by the District for the payment and security of obligations payable solely from and secured only by a lien on and pledge of the Net Revenues of the System or maintained by the District in connection with the System, but shall not mean the income and increment derived from a contract or contracts with persons, corporations, political subdivisions, or other entities which under the terms of the authorizing resolutions 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.

"Interest and Sinking Fund" means the interest and sinking fund established by Section 7(f).

"Maintenance and Operating Expenses" means, with respect to the System, all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the Board of Directors, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair obligations payable solely from and secured only by a lien on and pledge of the Net Revenues of the System, shall be deducted in determining "Net Revenues." Depreciation shall never be considered as an expense of Maintenance and Operation. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply or treatment of sewage or other materials, goods or services for the System to the extent authorized by law and the provisions of such contract.

"Net Revenues" means, with respect to the System, the Gross Revenues of the System after deducting the System's Maintenance and Operating Expenses; provided, however, that the term "Net Revenues" shall not include any revenues, now or hereafter pledged or contracted to be pledged by the District to be paid to any person pursuant to a contract authorized by Section 402.014, Local Government Code, or any other contract permitted by law under which contract such revenues are to be pledged to the payment of bonds issued by the District for any special project.

"Parity Obligations" means the Series 2017 Bonds, the Series 2020 Bonds, the Bonds and Additional Parity Obligations, if any, authorized pursuant to Section 8.

"Series 2017 Bonds" means the El Paso County Water Control and Improvement District No. 4 Combination Tax and Water and Sewer System Revenue Bonds, Series 2017, dated as of March 1, 2017, initially issued in the aggregate principal amount of \$2,261,000.

"Series 2020 Bonds" means the El Paso County Water Control and Improvement District No. 4 Unlimited Tax and Revenue Refunding Bonds, Series 2020, dated as of May 1, 2020, initially issued in the aggregate principal amount of \$5,110,000.

"Special Project Bonds" means those bonds the District reserves the right to issue in Section 8 of this Order.

"System" means the District's combined waterworks and sewer system as each component of said System is acquired or constructed, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof; except 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.

"System Fund" means the revenue fund described in Section 7(e).

#### **Section 7. PLEDGE, FUNDS AND ACCOUNTS AND APPLICATION OF MONEY.**

(a) Revenue Pledge; Rates and Charges.

(i) In combination with the ad valorem taxes herein levied and ordered to be levied, the Bonds and interest thereon are and shall be payable from and, together with any Additional Parity Obligations, secured by a first lien on and pledge of the Net Revenues.

(ii) The District covenants and agrees with the holders of the Bonds that it will at all times charge and collect rates and charges in connection with its ownership and operation of the System as will be at least sufficient, together with the funds to be derived from taxation, as hereinafter provided, to pay timely all of the principal of and interest on the Parity Obligations, and to make all deposits now or hereafter required to be made into the Interest and Sinking Fund created and established by this Order.

(b) Tax Levy.

(i) All ad valorem taxes levied and collected on account of the Bonds shall be deposited, as collected, to the credit of the Interest and Sinking Fund. During each year while any of the Bonds or interest thereon are outstanding and unpaid, the Board of Directors of the District shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Bonds as such principal matures; and said tax shall be based on the latest approved tax rolls of said District, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in said District for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, are hereby pledged irrevocably for such payment, without limit as to rate or amount.

(ii) To the extent necessary, the payments into the Interest and Sinking Fund as hereinabove required shall be made from funds derived from taxation. The amount of taxes to be provided annually for the payment of principal of and interest on the Bonds shall be determined and accomplished as follows: the District's annual budget shall reflect (i) the amount of the debt service requirements to become due on the Bonds in the next succeeding fiscal year of the District, (ii) the amount on deposit in the Interest and Sinking Fund, as of the date such budget is prepared (after giving effect to any payments required to be made during the remainder of the then current fiscal year of the District), and (iii) the amount of Net Revenues budgeted to be available for the payment of such debt service requirements on the Bonds during the next succeeding fiscal year of the District. The amount required to be provided in the succeeding fiscal year of the District from ad valorem taxes shall be the amount, if any, the debt service requirements on the Bonds in such fiscal year exceed the sum of (i) the amount shown to be on deposit in the Interest and Sinking Fund at the time the annual budget is prepared, and (ii) the Net Revenues shown to be budgeted and available for payment of such debt service requirements. Following final approval of the District's annual budget, the Board of Directors shall levy an ad valorem tax at a rate sufficient to produce taxes in the amount so determined, to be used for the purpose of paying the principal of and interest on the Bonds in the next succeeding fiscal year of the District.

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

(d) Creation of Funds. The following special funds or accounts were previously created and established in prior orders authorizing the issuance of the District's bonds and are hereby confirmed by the District:

(i) the El Paso County Water Control and Improvement District No. 4 Waterworks and Sewer System Fund (the "System Fund");

(ii) the El Paso County Water Control and Improvement District No. 4 Parity Obligations Interest and Sinking Fund (the "Interest and Sinking Fund");

(iii) The District may create and establish a debt service reserve fund pursuant to the provisions of any order or resolution authorizing the issuance of Parity Obligations for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Net Revenues and shall be held solely for the benefit of the owners of the particular Parity Obligations for which such debt service reserve fund was established. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Parity Obligations; and

(iv) The funds established by this Order shall be maintained at an official depository of the District.

(e) System Fund. All Gross Revenues shall be deposited from day to day as collected into the System Fund, to be kept separate and apart from all other District funds and accounts. Moneys deposited in the System Fund shall be pledged and appropriated to the following uses and in the order of precedence shown:

(i) To the necessary and reasonable payment of the Maintenance and Operating Expenses of the System;

(ii) To the payment, without priority, of all amounts required to be deposited in the Interest and Sinking Fund herein established for the payment of the Parity Obligations;

(iii) On a pro rata basis, to each debt service reserve fund created by any order or resolution authorizing the issuance of Parity Obligations, which contains less than the amount to be accumulated and/or maintained therein, as provided in such order or resolution; and

(iv) To any other District purpose now or hereafter permitted by law.

(f) Deposit of Revenues into Interest and Sinking Fund.

(i) The District hereby covenants and agrees to make monthly deposits to the Interest and Sinking Fund from moneys in the System Fund to pay the principal of and interest on the Parity Obligations as follows:

(A) Such amounts, deposited in substantially equal monthly installments, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and become due with respect to the Parity Obligations on the next succeeding Interest Payment Date; and

(B) Such amounts, deposited in substantially equal monthly installments, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the principal scheduled to mature and come due on the Parity Obligations on the next succeeding Interest Payment Date on which principal of the Parity Obligations is to be payable.

(ii) The taxes levied under Section 7(b) of this Order shall be deposited, as collected, to the credit of a special account to be established in the Interest and Sinking Fund for the payment of the Bonds.

(iii) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Parity Obligations as such become due and payable; provided, that taxes levied for the payment of the Bonds shall be used to pay the Bonds.

(g) Deficiencies in Funds. If in any month the District shall, for any reason, fail to pay into the Interest and Sinking Fund the full amounts above stipulated, amounts equivalent to such deficiencies shall be set apart and paid into said Fund from the first available and unallocated revenues of the System for the following month or months and such payments shall be in addition to the amounts hereinabove provided to be otherwise paid into said Fund during such month or months. To the extent necessary, the District shall increase the rates and charges for services of the System to make up for any such deficiencies.

#### **Section 8. ADDITIONAL OBLIGATIONS.**

(a) The District reserves the right to issue Additional Parity Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be equally secured by the Net Revenues on a parity with the outstanding Parity Obligations and the Bonds herein authorized, payable from and equally and ratably secured by a 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, and the conditions set forth in subsection (b) of this Section, have been met:

(i) A certificate is executed by an authorized official of the District to the effect that no default exists in connection with any of the covenants or requirements of the orders authorizing the issuance of all then outstanding Parity Obligations.

(ii) A certificate is executed by an authorized official of the District to the effect that the Interest and Sinking Fund contains the amount of money then required to be on deposit therein.



(iii) A certificate or report is executed by a registered professional engineer to the effect that the Net Earnings of the System for the next Fiscal Year of the District (based on (A) rates and charges for the System that have been approved by the Board as of the date of such certificate or report and (B) the number of customers to be served by the System after the completion of the improvements to be funded with the proceeds of such Additional Parity Obligations, or the number of customers of the System at the time of such certificate or report if the proceeds of the Additional Obligations are not projected to increase the number of customers) are projected to be at least 1.20 times the average annual principal and interest requirements for all then outstanding Parity Obligations and the installment or series of Additional Parity Obligations then proposed to be issued.

(iv) The Additional Parity Obligations are scheduled to mature on February 15 and/or August 15, and the interest thereon is scheduled to be paid on February 15 and August 15.

Provided, that, for the purposes of this Section the term "Net Earnings of the System" shall mean all: (i) of the Net Revenues of the System, except that in calculating Net Revenues there shall not be deducted as an expense of operation and maintenance depreciation or any charge or disbursement for repairs or extensions which, under standard accounting practice, should be charged to capital expenditures; plus (ii) the amount of ad valorem taxes levied, for the fiscal year in which the order or resolution authorizing the Additional Obligations is adopted, for the payment of debt service on Parity Obligations.

(b) The District's authority to issue Additional Parity Obligations is, to the extent permitted by State law and if such law is not otherwise preempted by federal statute, subject to the following additional condition that so long as the United States of America is the owner of any of the Parity Obligations, the District obtains the written consent of RUS (as defined herein) or an authorized representative thereof.

(c) The requirements of subsections (a) and (b) of this Section shall not be applicable to bonds issued pursuant to the voter authorized bonds and sold to RUS or its successor agency.

(d) The District reserves the right to issue bonds or other obligations which are secured by a lien on and pledge of the Net Revenues that is subordinate to the lien on and pledge of the Net Revenues securing payment of the Parity Obligations, provided, to the extent permitted by State law and if such law is not otherwise preempted by federal statute, that so long as the United States of America is the owner of any of the Parity Obligations, the District obtains the written consent of RUS (as defined herein) or an authorized representative thereof with respect to the issuance of such subordinate lien bonds or obligations.

(e) The District further reserves the right to issue refunding bonds, notes or other obligations in any manner permitted by law to refund any Bonds, Additional Parity Obligations, bonds, notes or other obligations at or prior to their respective dates of maturity or redemption. Parity Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the governing body of the District may deem to be in the best interest of the District and its inhabitants; provided that, if less than all outstanding Parity Obligations are refunded, the provisions of Subsections (a) and (b) shall apply unless: (i) each of the annual debt service requirements of all outstanding Parity Obligations, after giving effect to the issuance of the refunding obligations, does not exceed each of the corresponding annual debt service requirements prior to the issuance of such refunding obligations (except with respect to any annual debt service requirements of the refunding obligations that are due after the year in which the last annual debt service requirement of the Parity Obligations, prior to such refunding, are due to be paid); and (ii) the refunding obligations are secured by the Net Revenues on a parity with the Parity Obligations that are not refunded by such refunding obligations.

(f) Notwithstanding the foregoing, the District further reserves the right to issue bonds in one or more series for the purchase, construction, improvement, extension, replacement, enlargement or repair of water, sewer and/or drainage facilities necessary under 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.

**Section 9. PARTICULAR REPRESENTATIONS AND COVENANTS.**

(a) The District covenants and agrees with the Owners of the Bonds that, until such time that the Bonds and all interest thereon are no longer outstanding, and so long as any Parity Obligations, or any interest thereon, remain outstanding and unpaid, it will charge and collect for services rendered by the System amounts sufficient at all times to:

(i) Pay all operating, maintenance, depreciation, replacement and betterment expenses, and other costs deductible in determining Net Revenues;

(ii) Establish and fully maintain all special funds provided for the benefit of the outstanding Parity Obligations in accordance with the terms and provisions of the proceedings authorizing the issuance thereof;

(iii) Establish and maintain the Interest and Sinking Fund created for the payment and security of the Parity Obligations; and

(iv) Pay the requirements of all other outstanding lawful indebtedness of the System as and when the same becomes due.

(b) Maintenance and Operation; Insurance. The District shall maintain the System in good condition and operate the same in an efficient manner and at reasonable expense. So long as any Parity Obligations are outstanding, the District agrees to maintain insurance on the System, for the benefit of the holder or holders of the obligations, of a kind and in an amount which usually would be carried by municipal corporations and political subdivision in Texas operating like properties in similar locations under the same circumstances engaged in a similar type of business. 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.

(c) Accounts; Fiscal Year. The District shall keep proper books of records and accounts, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and shall have said books audited once each fiscal year by a Certified Public Accountant. The District agrees to operate the System and keep its books of record and accounts pertaining thereto on the basis of its current fiscal year; provided, however, that the governing body of the District may change such fiscal year by order or resolution duly passed, if such change is deemed necessary by the Board.

(d) The District will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Order and in each Bond; the District will promptly pay or cause to be paid the principal of, interest on, and premium, if any, with respect to, each Bond on the dates and at the places and manner prescribed in such Bond; and the District will, at the times and in the manner prescribed by this Order, deposit or cause to be deposited the amounts of money specified by this Order.

(e) [Reserved]

(f) The District is duly authorized under the laws of the State of Texas to issue the Bonds; all action on its part for the creation and issuance of the Bonds has been duly and effectively taken; and the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the District in accordance with their terms.

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**Section 14. DEFAULT PROVISIONS.**

(a) Each of the following occurrences or events for the purpose of this Order is hereby declared to be an "Event of Default," to-wit:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(ii) default to the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Holders, including but not limited to their prospect or ability to be repaid in accordance with this Order, and the continuation thereof for a period of 60 days after notice of such default is given by any Holder to the District.

(b) Upon the happening of any Event of Default, then and in every case any Holder or an authorized representative thereof, including but not limited to, a trustee or trustees therefor, may proceed against the District for the purpose of protecting and enforcing the rights of the Holders under this Order, by mandamus or other suit, action or special proceeding in equity or at law, in any specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing may be unlawful or in violation of any right of the Holders hereunder or any combination of such remedies.

(c) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Holders of Bonds then outstanding.

(d) No remedy herein conferred or reserved in intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Order, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Order.

(e) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

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**Section 21. METHOD OF AMENDMENT.** The District hereby reserves the right to amend this Order subject to the following terms and conditions, to-wit:

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

(b) In addition, the District may, with the written consent of the registered owners of at least a majority in aggregate principal amount of the remaining Parity Obligations then outstanding and affected thereby, amend, change, modify, or rescind any provisions of this Resolution; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Parity Obligations, reduce the principal amount thereof or the rate of interest thereof, (ii) give any preference to any Parity Obligation over any other Parity Obligation, (iii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Parity Obligations required for consent to any such amendment, change, modification, or rescission.

(c) Notice of Amendment. Whenever the District shall desire to make any amendment or addition to or rescission of this Resolution requiring consent of the registered owners of the Parity Obligations, the District shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the registered owners at the respective addresses shown on the Registration Books. Whenever at any time within one year after the date of the giving of such notice, the District shall receive an instrument or instruments in writing executed by the registered owners of all or a majority (as the case may be) in aggregate principal amount of the remaining Parity Obligations then outstanding and affected by any such amendment, addition, or rescission requiring the consent of the registered owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the District may adopt such amendment, addition, or rescission in substantially such form, except as herein provided.

(d) Effect of Amendment on Registered Owners. No registered owner may thereafter object to the adoption of any amendment, addition, or rescission which is accomplished pursuant to and in accordance with the provisions of this Section, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

**APPENDIX D – 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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