

OFFICIAL STATEMENT

June 16, 2025

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

\$24,000,000**COUNTY LINE SPECIAL UTILITY DISTRICT****(A political subdivision of the State of Texas located in Hays and Caldwell Counties, Texas)****UTILITY SYSTEM REVENUE BONDS, SERIES 2025****Dated Date: July 1, 2025****Due: February 1, as shown on inside cover**

The \$24,000,000 County Line Special Utility District Utility System Revenue Bonds, Series 2025 (the "Bonds"), are being issued pursuant to the laws of the State of Texas (the "State"), including Article XVI, Section 59 Texas Constitution, Chapters 49 and 65 of the Texas Water Code, Chapter 1201, Texas Government Code, and an order (the "Order") adopted by the Board of Directors of the County Line Special Utility District (the "District" or the "Issuer") on June 16, 2025. (See "THE BONDS – Authority for Issuance" herein.)

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

Interest on the Bonds will accrue from July 1, 2025 (the "Dated Date") and is payable initially February 1, 2026 and each August 1 and February 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial Paying Agent/Registrar for the Bonds shall be BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar").

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



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

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

The Bonds are offered for delivery when, as and if issued and received by the initial purchaser thereof (the "Purchaser") and subject to the approving opinion of the Attorney General of the State and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. It is expected that the Bonds will be available for initial delivery through DTC on or about July 16, 2025.

\$24,000,000
COUNTY LINE SPECIAL UTILITY DISTRICT
(A political subdivision of the State of Texas located in Hays and Caldwell Counties, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2025

Cusip No. Prefix ⁽¹⁾ 222482

MATURITY SCHEDULE

\$17,115,000 Serial Bonds

Stated Maturity February 1	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix ⁽¹⁾
2026	\$ 275,000	6.000%	3.050%	AA9
2027	340,000	6.000%	3.050%	AB7
2028	360,000	6.000%	3.050%	AC5
2029	385,000	6.000%	3.050%	AD3
2030	405,000	6.000%	3.130%	AE1
2031	430,000	6.000%	3.200%	AF8
2032	460,000	6.000%	3.300%	AG6
2033	490,000	6.000%	3.400%	AH4
2034	520,000	6.000%	3.500%	AJ0
2035	550,000	6.000%	3.670% ⁽²⁾	AK7
2036	585,000	6.000%	3.800% ⁽²⁾	AL5
2037	620,000	6.000%	3.930% ⁽²⁾	AM3
2038	655,000	5.000%	4.050% ⁽²⁾	AN1
2039	690,000	5.000%	4.160% ⁽²⁾	AP6
2040	725,000	5.000%	4.270% ⁽²⁾	AQ4
2041	760,000	5.000%	4.380% ⁽²⁾	AR2
2042	800,000	5.000%	4.490% ⁽²⁾	AS0
2043	840,000	5.000%	4.600% ⁽²⁾	AT8
2044	885,000	5.000%	4.660% ⁽²⁾	AU5
2045	930,000	5.000%	4.710% ⁽²⁾	AV3
2046	975,000	5.000%	4.760% ⁽²⁾	AW1
2047	1,025,000	5.000%	4.800% ⁽²⁾	AX9
2048	1,080,000	5.000%	4.830% ⁽²⁾	AY7
2049	1,135,000	5.000%	4.870% ⁽²⁾	AZ4
2050	1,195,000	5.000%	4.900% ⁽²⁾	BA8

\$6,885,000 Term Bonds

\$2,575,000	5.000%	Term Bonds due February 1, 2052, and priced to yield 5.000%	CUSIP Suffix ⁽¹⁾ BC4
\$4,310,000	4.000%	Term Bonds due February 1, 2055, and priced to yield 5.100%	CUSIP Suffix ⁽¹⁾ BF7

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034 or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Bonds maturing February 1, 2052 and February 1, 2055 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

- ⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc., on behalf of the American Bankers Association and are solely for the convenience of the owners and potential owners of the Bonds. No assurance can be given that the CUSIP number for a particular maturity of the Bonds will remain the same after the date of initial delivery of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- ⁽²⁾ Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 1, 2034, the earliest date of redemption for the Bonds, at a price of par plus accrued interest to the date of redemption.

ELECTED AND APPOINTED OFFICIALS

**COUNTY LINE SPECIAL UTILITY DISTRICT
8870 CAMINO REAL
UHLAND, TEXAS 78640**

BOARD OF DIRECTORS:

Name	Position	Current Term Expires (May)
Toni Brewer	President, Place 1	2027
Tracy Scheel	Vice President, Place 7	2028
Rebecca Moore	Director, Place 3	2028
Hunter Schuler	Director, Place 4	2028
William Ilse	Assistant Secretary, Place 5	2026
Earl Sparks	Director, Place 6	2027
Robert Diaz	Director, Place 2	2026

ADMINISTRATIVE OFFICIALS

Name	Position	Length of Service
Humberto Ramos	General Manager	2 years
Doug Schnautz	Assistant Manager	27 years
France Alston	Accountant	2 years

CONSULTANTS AND ADVISORS

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

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

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

For Additional Information Please Contact

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County Line Special Utility District
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Uhlend, Texas 78640
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Mr. Andrew Friedman
SAMCO Capital Markets, Inc.
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San Antonio, Texas 78209
Telephone: (210) 832-9760
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afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

THE 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.

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 F - Specimen Municipal Bond Insurance Policy".

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

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

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

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

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SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The County Line Water Supply Corporation was formed on August 12, 1965 to provide water supply to its members. The Texas Commission on Environmental Quality approved an order dated October 21, 2008 granting the request for conversion to and creation of the County Line Special Utility District (the “District”) and an election was held in the District on May 9, 2009 to authorize the conversion. The District was created pursuant to the provisions of Article XVI, Section 59, of the Texas Constitution and Chapter 65 of the Texas Water Code and operates pursuant to Texas Water Code chapters 49 and 65. The District is managed by a Board of Directors consisting of seven members elected by voters residing in the District’s boundaries. The District serves customers in Hays and Caldwell Counties.
The Bonds	The Bonds are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Chapter 49 and 65 of the Texas Water Code, and an order (the “Order”) adopted by the District’s Board of Directors (the “Board”) on June 16, 2025. (See “THE BONDS – Authority for Issuance” herein.)
Redemption	The District reserves the right to redeem the Bonds maturing on and after February 1, 2035, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2034 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, the Bonds maturing on February 1, 2052 and February 1, 2055 (the Term Bonds”) are subject to mandatory sinking fund redemption. (See “THE BONDS - Redemption Provisions of the Bonds” herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar will be BOKF, NA, Dallas, Texas.
Security for Payment	The Bonds are special obligations of the Issuer payable from and equally and ratably secured solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer’s utility system (the “System”). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate Lien Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the District may not be enforced by levy and execution against any property owned by the District. The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. As additional security, there has been established a Reserve Fund which shall be funded in an amount at least equal to the Average Annual Debt Service Requirements of the Bonds Similarly Secured and any Additional Parity Obligations (all as defined in the Order) hereinafter issued by the District. (See “THE BONDS – Source of and Security for Payment” herein.)
Book-Entry-Only System	The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under “TAX MATTERS”. (See “TAX MATTERS” and “Appendix C - Form of Opinion of Bond Counsel” herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (1) acquiring, purchasing, constructing, improving, extending, renovating, enlarging, equipping, and repairing the System, and (2) paying the costs and expenses incurred in connection with issuance the Bonds. (See “THE BONDS – Use of Bond Proceeds” herein.)
Ratings	S&P Global Ratings, a division of S&P Global Inc. (“S&P”) has assigned a rating of “AA” to the Bonds with the understanding that concurrently with the delivery of the Bonds, the policy will be issued by Build America Mutual Assurance Company. The District has received an underlying, unenhanced rating of “AA-” from S&P. An explanation of the significance of such a rating may be obtained from S&P. (See “OTHER PERTINENT INFORMATION - Ratings” herein.)

Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM" or the "Insurer"). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Future Bond issues	The District has no plans to issue any other debt issues in the next 12 months.
Delivery	When issued, anticipated to occur on or about July 16, 2025.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin, Texas.

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OFFICIAL STATEMENT
relating to
\$24,000,000
COUNTY LINE SPECIAL UTILITY DISTRICT
(A political subdivision of the State of Texas located in Hays and Caldwell Counties, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2025

INTRODUCTORY STATEMENT

This Official Statement, including the appendices hereto, provides certain information in connection with the issuance by the County Line Special Utility District (the “District” or “Issuer”) of its \$24,000,000 Utility System Revenue Bonds, Series 2025 (the “Bonds”) identified on page 2 hereof.

The District is a political subdivision of the State of Texas and the Bonds are being issued pursuant to the laws of the State of Texas (the “State”), including Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 65 of the Texas Water Code, and an order (the “Order”) adopted by the Board of Directors (the “Board”) of the District on June 16, 2025, being the date of sale of the Bonds (see “THE BONDS –Authority for Issuance” herein).

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

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

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

THE BONDS

General Description

Interest on the Bonds will accrue from July 1, 2025 (the “Dated Date”) and is payable initially February 1, 2026 and each August 1 and February 1 thereafter until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof within a stated maturity, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. Purchasers of the Bonds (“Beneficial Owners”) will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as Cede & Co., as the paying agent to DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the Beneficial Owners of the Bonds. The initial Paying Agent/Registrar for the Bonds shall be BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

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

Use of Bond Proceeds

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

Sources and Uses of Funds

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

Sources	
Par Amount of the Bonds	\$ 24,000,000.00
Accrued Interest on the Bonds	50,462.50
Net Reoffering Premiums	<u>313,373.50</u>
Total Sources of Funds	\$ <u>24,363,836.00</u>
Uses	
Project Fund Deposit	\$ 23,136,031.05
Purchaser's Discount (includes bond insurance premiums)	489,161.45
Bond Fund Deposit	50,462.50
Costs of Issuance	<u>688,181.00</u>
Total Uses	\$ <u>24,363,836.00</u>

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, including Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 65 of the Texas Water Code, and an order (the "Order") adopted by the Board of Directors of the County Line Special Utility District (the "District" or the "Issuer") on June 16, 2025, being the date of sale of the Bonds.

Source of and Security for Payment

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

Perfection of Security for the Bonds

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

Flow of Funds

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

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

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

Reserve Fund

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

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$1,526,394.17 (of which \$0 is already on deposit in the Reserve Fund), which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$25,439.90 being the Required Reserve Fund Deposits.

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

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

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

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

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

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Net Revenues for each Fiscal Year are equal to at least 120% of the Average Annual Debt Service Requirements on all

Bonds Similarly Secured outstanding. In the event that the Net Revenues for any Fiscal Year are less than 120% of the Average Annual Debt Service Requirements, the District will be required to commence making the deposits to the Reserve Fund as of the next Fiscal Year, as provided above, and to continue making such deposits until the earlier of (a) such time as the Reserve Fund contains the Required Reserve Amount or (b) the Net Revenues in each of two consecutive Fiscal Years have been equal to not less than 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured then outstanding. (See APPENDIX E – Selected Provisions of the Order.)

Rate Covenant

Pursuant to the Order, the District has agreed that it will maintain rates and charges for water service furnished, provided and supplied by the System to customers which shall be reasonable and non-discriminatory and which will produce income and revenues sufficient to pay (i) all necessary and reasonable Maintenance and Operating Expenses, depreciation, replacement and betterment expenses and other costs of the System; (ii) the interest on and principal of the Bonds Similarly Secured as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Bonds Similarly Secured; (iii) the interest on and principal of the Inferior Lien Obligations as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Inferior Lien Obligations; and (iv) any legal debt or obligation of the System as and when the same shall become due. The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.10 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured. (See “APPENDIX E - Selected Provisions of the Order” herein).

Additional Parity Obligations and Subordinate Lien Obligations

The District reserves the right to issue “Additional Parity Obligations” on a parity with the Parity Obligations in that (i) the District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured, (ii) each of the funds created solely for the payment of principal of and interest on the Bonds Similarly Secured contains the amounts of money then required to be on deposit therein and (iii) the District obtains a certificate from the General Manager to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. (See “APPENDIX E - Selected Provisions of the Order” herein).

Redemption Provisions of the Bonds

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature, on or after February 1, 2035, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2034, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on February 1, 2052 and February 1, 2055 (the “Term Bonds”) will also be subject to mandatory sinking fund redemption. The Term Bonds are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the Issuer at the redemption prices equal to the principal amount thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

Term Bonds to Mature on February 1, 2052		Term Bonds to Mature on February 1, 2055	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
February 1, 2051	\$1,255,000	February 1, 2053	\$1,380,000
February 1, 2052*	1,320,000	February 1, 2054	1,435,000
		February 1, 2055*	1,495,000

*Payable at Stated Maturity.

Selection of Bonds to be Redeemed

The Bonds of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Bonds to be partially redeemed must be surrendered in exchange for one or more new Bonds for the unredeemed portion of the principal. If less than all of the Bonds are to be redeemed, the District will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select, at random and by lot, the particular Bonds, or portion thereof, to be redeemed. If a Bond (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Bond (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption of the Bonds

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

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption of any Bond, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC (defined herein). Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised 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 Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. (See "THE BONDS - Book-Entry-Only System" herein).

Legality

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

Defeasance

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested money on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for United States Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be

purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the 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 District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the 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.

Default and Remedies

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission (the "SEC"). Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive the interest payable on a Bond on any interest payment date means the fifteenth day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar.

Special Record Date for Interest Payment

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

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

Future Registration

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("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, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, 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 a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

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

Redemption proceeds, principal, premium, if any, 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 payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates representing each Bond stated maturity are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates representing each Bond stated maturity will be printed and delivered.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

THE DISTRICT AND THE SYSTEM

Authority

The County Line Water Supply Corporation was formed on August 12, 1965 to provide water supply to its members. The Texas Commission on Environmental Quality approved an order dated October 21, 2008 granting the request for conversion to and creation of the County Line Special Utility District (the "District") and an election was held in the District on May 9, 2009 to authorize the conversion. The District was created pursuant to the provisions of Article XVI, Section 59, of the Texas Constitution and Chapter 65 of the Texas Water Code and operates pursuant to Texas Water Code chapters 49 and 65. The District is managed by a Board of Directors consisting of seven members elected by voters residing in the District's boundaries. The District serves customers in Hays and Caldwell Counties.

County Line Special Utility District (CLSUD) Water Infrastructure

CLSUD service area covers approximately 30.7 square miles, with around 3,140 acres located within the FEMA 100-year floodplain. The service area is experiencing significant growth, particularly with residential subdivisions, commercial developments, and schools. As the population grows, the infrastructure is being upgraded and expanded to accommodate these changes. The district has planned for increasing demand, with a focus on water and wastewater services to meet both current and future needs.

CLSUD operates an extensive water infrastructure system to serve its growing community. The system includes a range of water production facilities and storage assets. The existing infrastructure consists of six plant sites, including wells and elevated storage tanks. These facilities ensure the reliable supply and distribution of water to customers. Currently, (CLSUD) has a diversified water resource portfolio comprising of groundwater and surface water sources to meet current demand to 2035. CLSUD obtains treated water from regional wholesalers like Canyon Regional Water Authority (CRWA), the City of San Marcos (COSM), the Alliance Regional Water Authority (ARWA), and the Guadalupe Blanco River Authority (GBRA).

CLSUD groundwater is derived from two different aquifers in Central Texas, the Edward's, and the Carrizo aquifers. Surface water is derived from two sources, the San Marcos River and the Guadalupe River. CLSUD is currently designing and constructing a booster site to receive water from GBRA.

Water Resources

Wholesaler/Source	Water Supply (AF)
CRWA (surface water)	1,058
Edwards (groundwater)	174
COSM (groundwater)	300
COSM (surface water)	1,680
ARWA (groundwater)	478
GBRA (groundwater)	2,419

As a water utility in the State of Texas, CLSUD is required to participate in regional and state water planning and ensure it has water supplies for current and future demands to 2080.

The system will be developing a Water Resource Plan before fall of 2025 that will be looking at bringing on new water supplies from various projects to meet future demand after 2035-2060. These projects include groundwater from brackish water from the Wilcox aquifer, water from the Carrizo aquifer, surface water from the Guadalupe River basin, brackish water from the Trinity aquifer and brackish water from the Edwards aquifer.

CLSUD has currently three main delivery points of its water into its distribution system they include groundwater located at the Brooks Plant Site, surface water at the SH 21 Booster Site, and the High Road Booster Site. Water received is pushed into various elevated tanks located at sites such as Woodlands Park, Hemphill, and High Road. Connecting the delivery points to water mains and elevated storage tanks ensures consistent delivery to the service area.

The water system has a total of approximately 1,750,000 gallons of elevated storage capacity, which serves a substantial portion of the service area. CLSUD also has 480,000 gallons of ground storage at the SH 21 Booster Station, and 125,387 gallons of ground storage at High Road booster station as well as smaller tanks located at other sites.

In terms of water lines, CLSUD operates a total of over 109 miles of water mains, with several new proposed projects to expand this network, including a 24-inch water main along FM 2720 and a proposed water line along Gristmill Road. These lines are designed to increase system capacity and provide redundancy in the event of emergencies or system failures.

Water Production Capacity:

The system currently operates with two water wells at the Brooks Site, with a combined production capacity of 760 gallons per minute (gpm). Additionally, the CRWA Hays Caldwell Water Treatment Plant provides a supply of 1,058 AF and COSM a supply of 1680 AF. The total production capacity required to serve 6,594 customers is approximately 3,745 gallons per minute (gpm).

The capital planning process for CLSUD involves assessing the current infrastructure, projected growth, and necessary improvements to meet future demands. The process begins with evaluating the existing system's capacity and identifying areas that require upgrades or expansion to accommodate future growth. The plan outlines improvements to supply, treatment, and distribution facilities, with a focus on increasing capacity as the community grows. This plan includes a comprehensive analysis of land use assumptions and growth projections within the service area. As part of the process, the projected number of connections and land use conversions are also factored into the planning, ensuring that infrastructure development aligns with community needs.

The capital improvement plan (CIP) is updated regularly to reflect new growth projections, cost estimates, and required infrastructure updates. Currently, CLSUD is in the process of amending its approved 2022 Water CIP and 2023 Wastewater CIP to incorporate the projected growth and demand within the CLSUD service area.

CLSUD Wastewater Infrastructure Overview

Existing Infrastructure:

Regarding wastewater, CLSUD operates under a public-private partnership (3-P) model.

Under this model CLSUD is the public and BVRT Plum Creek Utility (PCU) is the private partner. PCU acts as a wholesale provider and private infrastructure partner, responsible for operating and maintenance the wastewater infrastructure, while CLSUD is responsible for building and financing the infrastructure. PCU owns and operates the wastewater treatment facility that serves developments within CLSUD's service area. CLSUD collects wastewater from its customers and conveys it to PCU's facilities for treatment. PCU handles facility operations, regulatory compliance, and permit responsibilities for the treatment plant. CLSUD manages customer service, billing, collection system maintenance, and coordination with developers and cities (e.g., Kyle, Uhland). Both parties coordinate on long-term planning, such as expanding sewer lines, increasing treatment capacity, or transferring ownership of collection infrastructure as areas are built out.

CLSUD operates an extensive wastewater collection infrastructure approximately 36 miles, consisting primarily of gravity mains, lift stations, and force mains. The collected wastewater is currently conveyed to the PCU Water Resource Recovery Facility WRRF 1. WRRF's are owned and operated by PCU:

- WRRF 1 (existing): Operated by Plum Creek Utility Company (PCU), it currently treats wastewater from CLSUD's existing infrastructure, with capacity of 2MGD.
- WRRF 2: under construction facility, with capacity of 150,000 gpd to 300,000 gpd for future.

Planned Waste Water Infrastructure Expansions:

The capital planning process for CLSUD wastewater system is a dynamic and ongoing process, regularly updated to reflect changing community needs and infrastructure requirements. Wastewater Capital CIP was initially established to accommodate early customer growth and has since been amended to reflect additional service commitments and expanded infrastructure needs. As the population and service areas grow, the CIP is updated to revise project lists, cost projections, and service areas. These updates ensure that the planning aligns with both immediate and long-term community needs.

The capital plan is updated frequently, with amendments made as new customer commitments are signed and as growth projections evolve. Regular reviews allow the district to adjust its plans in response to market conditions and emerging requirements. The funding for the CIP primarily comes from wastewater impact fees, which are charged to new customers or developers. These impact fee structure helps secure financial resources for ongoing projects, ensuring that growth and infrastructure improvements are funded appropriately.

- Porter Creek Gravity Main and Lift Station: To serve northern developments.

- Commercial Area Gravity Main and Grinder Lift Station: Near SH 21/FM 2720 intersection.
- FM 150 Gravity Main: To service developments along FM 150 corridor.
- Clear Fork Creek Gravity Main: For properties north of SH 21.
- Misty Lane Wastewater Infrastructure: Oversized facilities to serve planned subdivisions and surrounding areas.
- FM 2720 Gravity Main: Extensive system to serve the northern service area.

ENVIRONMENTAL REGULATION

Wastewater treatment and water supply facilities, such as the System, are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

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

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

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

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

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

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

BOND INSURANCE

BOND INSURANCE POLICY

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products 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.

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 March 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$482.1 million, \$246.4 million and \$235.7 million, respectively.

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

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

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <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 or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

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

BOND INSURANCE GENERAL RISKS

In the event of default of the scheduled payment of principal 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 Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

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

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

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS

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

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) Bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better

rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of Bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

Investment Policies

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

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

Current Investments ⁽¹⁾

TABLE 1

As of April 30, 2025

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Money Markets	\$ 51,773.83	.20%
Operating	1,043,946.13	4.30%
LOGICS	23,242,135.17	95.50%
Total	<u>\$ 24,337,855.13</u>	<u>100.00%</u>

⁽¹⁾ Unaudited.

TAX MATTERS

Tax Exemption

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

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

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

Tax Changes

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

Ancillary Tax Consequences

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

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

Tax Accounting Treatment of Discount Bonds

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with "subchapter C" earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

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

Tax Accounting Treatment of Premium Bonds

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

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in Appendix A to this Official Statement and in Appendix D. The District will update and provide this information within six (6) months after the end of each fiscal year ending in and after 2025. The District will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

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

The District's current fiscal year end is December 31. Accordingly, audited financial statements must be provided by June 30 of each year (or unaudited financial statements if audited financial statements are not available), unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

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

District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Order make provision for liquidity enhancement.

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

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

During the past 5 years, the District has materially complied with its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

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

delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

Litigation

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriters' written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the

District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Ratings

S&P Global Ratings, a division of S&P Global Inc. ("S&P") has assigned a rating of "AA" to the Bonds with the understanding that concurrently with the delivery of the Bonds, the policy will be issued by Build America Mutual Assurance Company. The District has received an underlying, unenhanced rating of "AA-" from S&P. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The municipal bond rating is not a recommendation to buy, sell, or hold the Bonds. The rating fees of S&P will be paid by the District.

Authenticity of Financial Information

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

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Bonds, the District accepted the bid of Robert W. Baird & Co., Incorporated (the "Purchaser" or the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net original reoffering premium of \$313,373.50, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

Information from External Sources

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

Concluding Statement

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

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

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

The Order authorizing the issuance of the Bonds approves the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorizes its further use in the re-offering of the Bonds by the Underwriters.

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

COUNTY LINE SPECIAL UTILITY DISTRICT

/s/ Toni Brewer

President, Board of Directors

ATTEST:

/s/ William Ilse

Secretary, Board of Directors

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
COUNTY LINE SPECIAL UTILITY DISTRICT**

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FINANCIAL INFORMATION OF THE ISSUER

UTILITY SYSTEM DEBT DATA

TABLE 1

Utility System Revenue Bonds, Series 2025 (The "Bonds")	\$ 24,000,000
	\$ 24,000,000

OTHER OBLIGATIONS

TABLE 2

(As of September 30, 2024)

None

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT

TABLE 3

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

	Fiscal Year Ended			
	<u>12/31/2024</u>	<u>12/31/2023</u>	<u>12/31/2022</u>	<u>12/31/2021</u>
Total Revenue	\$ 25,699,645	\$ 21,403,868	\$ 12,346,157	\$ 6,762,649
Operating Expenses (less:				
Depreciation and CRWA Payment)	\$ 4,606,853	\$ 4,113,235	\$ 1,901,003	\$ 1,580,631
CRWA Payment	3,097,016	1,895,891	2,025,969	1,821,399
Total Operating Expenses (Loss)	<u>\$ 7,703,869</u>	<u>\$ 6,009,126</u>	<u>\$ 3,926,972</u>	<u>\$ 3,402,030</u>
Available for Debt Service	\$ 17,995,776	\$ 15,394,742	\$ 8,419,185	\$ 3,360,619
Annual Debt Service Coverage ⁽¹⁾	N/A	N/A	N/A	N/A
Water Connections	6,533	5,761	5,597	4,498
Gallons Billed to Customers	446,715,000	454,036,000	430,360,000	327,768,000

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

⁽¹⁾ Debt service only includes obligations payable by the District. It does not include payments to the Authority which are captured in the District's operating expenses.

RESERVE FUND-IMPACT FEES*(As of February 28, 2025)*

Operating Fund	\$	954,649
Reserve Fund		24,452,304
Other		51,717
Total	\$	25,458,671

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

UTILITY SYSTEM REVENUE DEBT**TABLE 4**

Fiscal Year 31-Dec	The Bonds		
	Principal	Interest	Total Debt Service
2026	\$ 275,000	\$ 1,303,775	\$ 1,578,775
2027	340,000	1,184,400	1,524,400
2028	360,000	1,163,400	1,523,400
2029	385,000	1,141,050	1,526,050
2030	405,000	1,117,350	1,522,350
2031	430,000	1,092,300	1,522,300
2032	460,000	1,065,600	1,525,600
2033	490,000	1,037,100	1,527,100
2034	520,000	1,006,800	1,526,800
2035	550,000	974,700	1,524,700
2036	585,000	940,650	1,525,650
2037	620,000	904,500	1,524,500
2038	655,000	869,525	1,524,525
2039	690,000	835,900	1,525,900
2040	725,000	800,525	1,525,525
2041	760,000	763,400	1,523,400
2042	800,000	724,400	1,524,400
2043	840,000	683,400	1,523,400
2044	885,000	640,275	1,525,275
2045	930,000	594,900	1,524,900
2046	975,000	547,275	1,522,275
2047	1,025,000	497,275	1,522,275
2048	1,080,000	444,650	1,524,650
2049	1,135,000	389,275	1,524,275
2050	1,195,000	331,025	1,526,025
2051	1,255,000	269,775	1,524,775
2052	1,320,000	205,400	1,525,400
2053	1,380,000	144,800	1,524,800
2054	1,435,000	88,500	1,523,500
2055	1,495,000	29,900	1,524,900
	<u>\$ 24,000,000</u>	<u>\$ 21,791,825</u>	<u>\$ 45,791,825</u>

PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 31 Decmeber	The Bonds	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2026	\$ 275,000	\$ 23,725,000	1.15%
2027	340,000	23,385,000	2.56%
2028	360,000	23,025,000	4.06%
2029	385,000	22,640,000	5.67%
2030	405,000	22,235,000	7.35%
2031	430,000	21,805,000	9.15%
2032	460,000	21,345,000	11.06%
2033	490,000	20,855,000	13.10%
2034	520,000	20,335,000	15.27%
2035	550,000	19,785,000	17.56%
2036	585,000	19,200,000	20.00%
2037	620,000	18,580,000	22.58%
2038	655,000	17,925,000	25.31%
2039	690,000	17,235,000	28.19%
2040	725,000	16,510,000	31.21%
2041	760,000	15,750,000	34.38%
2042	800,000	14,950,000	37.71%
2043	840,000	14,110,000	41.21%
2044	885,000	13,225,000	44.90%
2045	930,000	12,295,000	48.77%
2046	975,000	11,320,000	52.83%
2047	1,025,000	10,295,000	57.10%
2048	1,080,000	9,215,000	61.60%
2049	1,135,000	8,080,000	66.33%
2050	1,195,000	6,885,000	71.31%
2051	1,255,000	5,630,000	76.54%
2052	1,320,000	4,310,000	82.04%
2053	1,380,000	2,930,000	87.79%
2054	1,435,000	1,495,000	93.77%
2055	1,495,000	-	100.00%
	<u>\$ 24,000,000</u>		

CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Beginning Balance 1/1/2024	Additions	Transfers/ Disposals
Land	\$ 582,176	\$ -	\$ -
Water Rights	708,950	-	-
Building and Improvements	400,116	-	-
Plant and Distribution System	20,720,584	3,590,647	3,110,014
Machinery and Equipment	384,285	123,043	-
Construction in Progress	1,990,960	9,350,582	(3,110,014)
Totals	<u>\$ 24,787,071</u>	<u>\$ 13,064,272</u>	<u>\$ -</u>
Less: Accumulated Depreciation	<u>\$ (4,396,285)</u>	<u>\$ (638,151)</u>	<u>\$ -</u>
Capital Assets, Net	<u>\$ 20,390,786</u>	<u>\$ 12,426,121</u>	<u>\$ -</u>

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

HISTORICAL PRODUCTION AND CONSUMPTION DATA**TABLE 6**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Production:					
Gallons pumped into System	460,826,000	473,189,000	435,891,000	382,933,000	324,822,900
Usage:					
Total Water/Wastewater	<u>7,009</u>	<u>6,281</u>	<u>6,265</u>	<u>5,123</u>	<u>3,659</u>
Total Gallons Billed	446,715,000	454,036,000	430,360,000	327,768,000	305,057,700
Average Monthly Usage Per User (Gallons)	5,311	6,024	5,724	5,332	7,398
Percentage Water Loss in System	3.06%	4.05%	1.27%	14.41%	6.08%

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

WATER & WASTEWATER RATES**TABLE 7**

[Based on Monthly Billing]

*(Effective February 1, 2025)***WATER USAGE RATES**

(Rate per 1,000 Gallons)

0 TO 5,000	\$	9.15
5,001 to 10,000		11.44
10,001 to 15,000		14.30
15,001 to 20,000		17.88
20,001 to 25,000		22.35
Over 25,000		22.35

WATER BASE RATES

(Meter Size)

5/8" x 3/4" (Standard)	\$	60.00
3/4" x 3/4"		90.01
1"		150.01
1 1/2"		300.01
2" Ultrasonic		660.00
3"		1,050.01

COMMERCIAL/INDUSTRIAL VOLUMETRIC USAGE CHARGE

(Rate per 1,000 Gallons)

0 TO 15,000	\$	9.15
15,001 to 30,000		13.73
30,001 + gallons		20.60

COMMERCIAL/INDUSTRIAL WATER BASE RATES

(Meter Size)

5/8" x 3/4" (Standard)	\$	60.00
3/4" x 3/4"		90.01
1"		150.01
1 1/2"		300.01
2" Ultrasonic		660.00
3"		1,050.01

*Source: The District's website.***TOP 10 USERS - 2024****TABLE 8**

<u>Account Name</u>	<u>Gallons</u>	<u>% of Total</u>
Sun Communities Inc	16,980,100	3.80%
Creek Crossing/Cotton Gin Mobile Home Park	12,335,000	2.76%
Plum Creek Pcu	6,733,000	1.51%
Goforth* Sud	6,696,400	1.50%
Five Star Concrete Inc	4,683,900	1.05%
Bartlett Cocke General	3,693,000	0.83%
JL Gray Construction	3,129,400	0.70%
CRM TX 18 LLC El Camino RV Park	5,275,400	1.18%
Bunton Creek Hoa	1,669,100	0.37%
Landart America	1,403,900	0.31%
	62,599,200	14.01%

*Source: Information provided by the District.***EMPLOYEE'S PENSION PLAN****TABLE 9**

The District participates in the Texas County and District Retirement System.

Information regarding the District's pension plan can be found within their audit "NOTE E - PENSION PLAN, page 17.

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APPENDIX B

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

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COUNTY LINE SPECIAL UTILITY DISTRICT

County Line SUD was created pursuant to the provision of Texas Water Code, Chapters 49 and 65 and 30 Tex. Admin. Code 293.11 and 293.12 to purchase, own, hold, lease and otherwise acquire sources of water supply; to build, operate and maintain facilities for the transportation of water; and to sell water and wastewater services to town, cities, and other political subdivisions of this state, to private business entities and to individuals. District operating policies, rates, District Service Policy, and regulations are formulated and effected by a Board of Directors elected by the Customers of the District at a general election held yearly.

The District has adopted bylaws which establish the makeup of the Board of Directors, establish the Customer voting rights, provide for annual and regular meetings, provide for reserve accounts and establish the rights of the Customers and other important regulations of the water system. These bylaws are amended from time to time, and are on file for inspection in the District's office.

County Line SUD produces its water from wells located in the Edwards Aquifer.

HAYS COUNTY, TEXAS

Hays County is a county located on the Edwards Plateau in the U.S. state of Texas. Hays County was organized from the southwestern portion of Travis County in 1848 and named for Captain John Coffee "Jack" Hays, a legendary Texas Ranger and one of the best known and respected Texans of his day. Hays County is a public corporation and political subdivision of the State of Texas. The general governing body of the County is an elected five-member Commissioners Court (Court) in accordance with Article 5, Section 18 of the Texas Constitution. The Court is comprised of the County Judge, who is the presiding officer, and four Commissioners. The County Judge is elected at large to serve a four-year term. Commissioners serve four-year staggered terms, two members elected every two years.

HISTORICAL POPULATIONS

2015	194,662
2016	204,546
2017	214,726
2018	222,706
2019	230,191
2020	241,067
2021	256,002
2022	269,476
2023	281,697
2024	292,029
2025	303,252

Source: Municipal Advisory Council of Texas website.

LABOR FORCE AVERAGE ANNUAL STATISTICS

	<u>2025</u>	<u>2024</u>	<u>2023</u>
	<u>April</u>	<u>Annual</u>	<u>Annual</u>
Civilian Labor Force	164,480	161,312	156,236
Total Employed	159,495	155,866	151,080
Total Unemployed	4,985	5,446	5,156
Unemployment Rate	3.0%	3.4%	3.3%
% U.S. Unemployment	4.2%	4.0%	3.6%
Texas Unemployment	4.1%	4.1%	4.0%

Source: Texas Workforce Commission.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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July 16, 2025

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

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

FINAL

IN REGARD to the authorization and issuance of the “County Line Special Utility District Utility System Revenue Bonds, Series 2025” (the *Bonds*), dated July 1, 2025, in the aggregate principal amount of \$24,000,000, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the County Line Special Utility District (the *District*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple in excess thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2026 through 2050, February 1, 2052, and February 1, 2055, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

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

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of "COUNTY LINE SPECIAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, SERIES 2025"

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

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

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

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “COUNTY LINE SPECIAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, SERIES 2025”

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

Norton Rose Fulbright US LLP

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2024

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

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COUNTY LINE SPECIAL UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

**YEAR ENDED
DECEMBER 31, 2024**

COUNTY LINE SPECIAL UTILITY DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2024

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :

COUNTY OF HAYS :

I, _____, of County Line Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Directors on the _____ day of _____, _____, its annual audit report of the fiscal period ended December 31, 2024, and that copies of the annual audit report have been filed in the District's office located at 8870 Camino Real, Uhland, TX 78640.

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

Date: _____, _____ By: _____
(Signature of District Official)

(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(Signature of Notary)

Commission expires on _____, _____
Notary Public in the State of Texas



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
County Line Special Utility District
Uhland, TX

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the County Line Special Utility District, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise County Line Special Utility District's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of County Line Special Utility District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

County Line Special Utility District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 County Line Special Utility District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

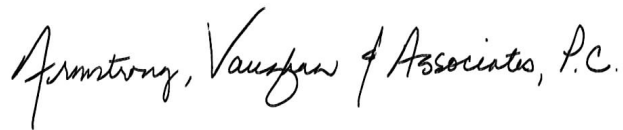
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise County Line Special Utility District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2025 on our consideration of County Line Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County Line Special Utility District's internal control over financial reporting and compliance.

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

Armstrong, Vaughan & Associates, P.C.
April 21, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of County Line Special Utility District’s annual financial report presents our discussion and analysis of the District’s financial performance during the fiscal year ended December 31, 2024. Please read it in conjunction with the District’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District’s total net position was \$59.0 million at December 31, 2024, an increase of \$17.4 million. The increase is attributable to an increase in impact fees collected on new development and contributed utility improvements from developers.
- During the year, the District’s operating revenues were \$0.6 million less than the \$8.3 million in operating expenses.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT

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

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

The District's net position was \$59.0 million at December 31, 2024. Of this amount, \$32.5 million was invested in capital assets, and \$24.7 million was restricted from impact fees, leaving an unrestricted net position of \$1.8 million. (See Table A-1).

Table A-1
District's Net Position

	2024	2023	Percentage Change
<i>Assets:</i>			
Cash and Investments	\$ 27,302,299	\$ 21,071,527	30%
Other Current Assets	3,208,887	2,811,646	14%
Capital Assets (Net)	32,816,907	20,390,786	61%
<i>Total Assets</i>	<u>63,328,093</u>	<u>44,273,959</u>	43%
 <i>Deferred Pension Outflows</i>	 134,707	 47,033	 186%
 <i>Liabilities:</i>			
Current	4,387,400	2,721,633	61%
Long-term	118,416	-	100%
<i>Total Liabilities</i>	<u>4,505,816</u>	<u>2,721,633</u>	66%
 <i>Net Position:</i>			
Net Investment in Capital Assets	32,512,325	20,390,786	59%
Restricted	24,680,646	17,303,192	43%
Unrestricted	1,764,013	3,905,381	-55%
<i>Total Net Position</i>	<u>\$ 58,956,984</u>	<u>\$ 41,599,359</u>	42%

The District's total operating revenues were \$7.8 million, an increase of 18% over the prior year. The operating expenses were \$8.3 million, an increase of 29% over the prior year. Operations are growing with the customer base. Non-operating revenues increased from impact fees and utility improvement contributions. (See Table A-2)

Table A-2
Changes in District Net Position

	2024	2023	Percentage Change
Operating Revenues	\$ 7,774,089	\$ 6,612,218	18%
Operating Expenses	<u>(8,342,020)</u>	<u>(6,459,465)</u>	29%
 Operating Income (Loss)	 (567,931)	 152,753	 472%
 Non-operating Income (Expense)	 <u>17,925,556</u>	 <u>14,791,650</u>	 21%
 Change in Net Position	 17,357,625	 14,944,403	 16%
 Net Position at Beginning of Year	 41,599,359	 26,654,956	
Net Position at End of Year	<u>\$ 58,956,984</u>	<u>\$ 41,599,359</u>	

BUDGETARY HIGHLIGHTS

District operating revenues fell short of the expectations in the budget by \$1.5 million as water consumption and new customer connections did not meet budget projects. District non-operating revenues (net of non-operating expenses) exceeded the expectations in the budget by \$14.2 million as capital projects did not move as quickly as expected. Operating expenses were \$355 thousand less than expected. .

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2024, the District had invested \$37.9 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. Significant additions in 2024 include ongoing water and sewer line projects to extend the system. (See Table A-3.) More detailed information about the District's capital assets is presented in the notes to the financial statements.

Table A-3
District's Capital Assets

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
Land	\$ 582,176	\$ 582,176	0%
Water Rights	708,950	708,950	0%
Building and Improvements	400,116	400,116	0%
Plant and Distribution System	27,421,245	20,720,584	32%
Machinery and Equipment	507,328	384,285	32%
Construction in Progress	<u>8,231,528</u>	<u>1,990,960</u>	<u>313%</u>
Totals at Historical Cost	<u>37,851,343</u>	<u>24,787,071</u>	<u>53%</u>
 Total Accumulated Depreciation	 <u>(5,034,436)</u>	 <u>(4,396,285)</u>	 <u>15%</u>
Net Capital Assets	<u>\$ 32,816,907</u>	<u>\$ 20,390,786</u>	<u>61%</u>

Long-Term Debt

The District currently has no long-term debt. However, the District is committed to buy water from Canyon Regional Water Authority (CRWA) at rates sufficient to cover the outstanding debts of CRWA. Similarly, the District has entered into an agreement with Guadalupe Blanco River Authority (GBRA) on a project to develop water. More information about the relationship with CRWA and GBRA can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2025 budget contemplates continued growth, both in water and wastewater connections. The District has joined Guadalupe Blanco River Authority's TX 130 project and will continue to look for more sources of water to serve the growing demand.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District at 8870 Camino Real, Uhland, TX 78640.

BASIC FINANCIAL STATEMENTS

The basic financial statements include:

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
STATEMENT OF NET POSITION
DECEMBER 31, 2024

ASSETS

Current Assets:

Cash and Cash Equivalents	\$ 27,302,299
Accounts Receivable	1,101,047
Impact Fee and Other Receivables	1,710,675
Inventory	353,156
Prepaid Expense	44,009
<i>Total Current Assets</i>	<u>30,511,186</u>

<i>Capital Assets (net)</i>	<u>32,816,907</u>
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TOTAL ASSETS	<u>63,328,093</u>
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DEFERRED OUTFLOWS

Deferred Pension Outflows	<u>134,707</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	2,509,098
Payroll Liabilities	7,679
Accrued Payroll	8,064
Accrued Compensated Absences	73,680
Customer Deposits	1,788,879
<i>Total Current Liabilities</i>	<u>4,387,400</u>

Long-term Liabilities:

Net Pension Liability	<u>118,416</u>
TOTAL LIABILITIES	<u>4,505,816</u>

NET POSITION

Net Investment in Capital Assets	32,512,325
Restricted:	
Water Impact Fees	23,817,363
Wastewater Impact Fees	863,283
Unrestricted	1,764,013
TOTAL NET POSITION	<u><u>\$ 58,956,984</u></u>

COUNTY LINE SPECIAL UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024

OPERATING REVENUES

Water Sales	\$ 6,964,767
Wastewater Administrative Fees	72,200
Other Charges	737,122
TOTAL OPERATING REVENUES	<u>7,774,089</u>

OPERATING EXPENSES

Water Purchase	3,919,232
Personnel	1,811,005
Professional Fees	956,622
Depreciation	638,151
Operations and Maintenance	556,026
Admin Expenses	263,903
Utilities	78,617
Vehicles and Equipment	76,474
Insurance	41,990
TOTAL OPERATING EXPENSES	<u>8,342,020</u>

OPERATING INCOME (LOSS)	<u>(567,931)</u>
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NON-OPERATING REVENUES (EXPENSES)

Interest Income	1,081,388
Impact, Installation and Water Acquisition Fees	13,891,270
Contributed Utility Improvements	3,517,670
Other Income	344,380
Guadalupe Blanco River Authority Funding	(323,264)
Alliance Regional Water Authority Funding	(585,888)
TOTAL NON-OPERATING REVENUES	<u>17,925,556</u>

CHANGE IN NET POSITION	17,357,625
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Net Position at Beginning of Year	<u>41,599,359</u>
Net Position at End of Year	<u><u>\$ 58,956,984</u></u>

COUNTY LINE SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2024

Cash Flows from Operating Activities

Cash Received from Customers	\$ 7,902,202
Cash Payments to Suppliers for Goods and Services	(4,469,688)
Cash Payments to Employees for Services	(1,821,549)
Net Cash Provided (Used) by Operating Activities	<u>1,610,965</u>

Cash Flows from Capital and Related Financing Activities

Impact, Installation and Water Acquisition Fees	13,839,620
Alliance Regional Water Authority Funding	(775,715)
Guadalupe Blanco River Authority Funding	(323,264)
Purchase of Property, Plant and Equipment	(9,546,602)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>3,194,039</u>

Cash Flows from Investing Activities

Other Cash Receipts	344,380
Interest and Investment Income	1,081,388
Net Cash Provided (Used) by Investing Activities	<u>1,425,768</u>

Net Increase (Decrease) in Cash and Cash Equivalents	6,230,772
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Beginning Cash and Cash Equivalents	<u>21,071,527</u>
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Ending Cash and Cash Equivalents	<u><u>\$ 27,302,299</u></u>
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COUNTY LINE SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2024

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

Operating Income (Loss)	\$ (567,931)
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:	
Depreciation	638,151
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(143,779)
(Increase) Decrease in Prepaid Expenses	823
(Increase) Decrease in Inventory	(202,635)
(Increase) Decrease in Deferred Pension Outflows	(87,674)
Increase (Decrease) in Accounts Payable	1,624,988
Increase (Decrease) in Payroll Liabilities	(4,362)
Increase (Decrease) in Manager Retirement Agreement	(63,692)
Increase (Decrease) in Accrued Compensated Absences	38,171
Increase (Decrease) in Accrued Payroll	(11,403)
Increase (Decrease) in Net Pension Liability	118,416
Increase (Decrease) in Customer Deposits	271,892
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,610,965</u>

Noncash Transactions:

Contribution of Utility Improvements	<u>\$ 3,517,670</u>
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COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

County Line Special Utility District (the “District”) was created pursuant to the provisions of Texas Water Code chapters 49 and 65 and Texas Administrative Code 293.11 and 293.12 to acquire sources of water supply, maintain infrastructure to treat and deliver that water, and sell water to customers. Originally, organized as a water supply corporation, the District was formed in 2010. The District is managed by a Board of Directors consisting of seven members elected by voters residing in the District’s boundaries. The District serves customers in Hays and Caldwell counties.

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

1. REPORTING ENTITY

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

2. ENTERPRISE FUND

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

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

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

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

4. CASH AND INVESTMENTS

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

The District reports money market, certificates of deposit, and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less at amortized cost. Local government investment pools are reported at net asset value which approximates fair value. All other investments are stated at fair value.

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

5. ACCOUNTS RECEIVABLE

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

Impact fees are billed at the time of plat approval. However, new customers are allowed to defer part of the payment, at the time of plat approval, until the meter is installed. The balance owed is recorded on the balance sheet as a receivable.

6. INVENTORY

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

7. PREPAID EXPENSES

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

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

8. CAPITAL ASSETS

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

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

Buildings and Improvements	10 to 40 years
Equipment	5 to 10 years
Water Plants and Distribution Systems	5 to 50 years

9. DEFERRED INFLOWS AND OUTFLOWS

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

10. CUSTOMER DEPOSITS

Upon the creation of a new account, customers make a deposit toward their final bill. The amount is recorded as customer deposits liability on the Statement of Net Position. In addition, developers make advance deposits towards feasibility studies. Any excess deposits are refunded after the District has paid all costs incurred.

11. LONG-TERM OBLIGATIONS

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

12. NET POSITION

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

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

13. BUDGET

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

14. USE OF ESTIMATES

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

NOTE B -- CASH AND INVESTMENTS

1. Cash and Cash Equivalents

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2024, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities. All of the District's deposits were fully collateralized.

2. Investments

As of December 31, 2024, the District's investments consisted of the Logic local government investment pool presented at net asset value. The pool maintains a AAAM rating and a stable net asset value of \$1.00 per share. The pool is a 2a7-like pool which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the pool is reported at \$1 per share, which approximates fair value and is included in cash and cash equivalents. The amount invested in Logic at December 31, 2024 is \$26,269,416.

NOTE C -- ACCOUNTS RECEIVABLE

District receivables as of December 31, 2024, consisted of the following:

Customer Balances	\$ 799,968
Unbilled Services Rendered	<u>301,079</u>
Total Accounts Receivable	<u><u>\$ 1,101,047</u></u>

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE D -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2024 was as follows:

	Balances at 1/1/2023	Additions	Transfers/ Disposals	Balances at 12/31/2024
Land	\$ 582,176	\$ -	\$ -	\$ 582,176
Water Rights	708,950	-	-	708,950
Building and Improvements	400,116	-	-	400,116
Plant and Distribution System	20,720,584	3,590,647	3,110,014	27,421,245
Machinery and Equipment	384,285	123,043	-	507,328
Construction in Progress	1,990,960	9,350,582	(3,110,014)	8,231,528
	<u>24,787,071</u>	<u>13,064,272</u>	<u>-</u>	<u>37,851,343</u>
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(124,320)	(12,461)	-	(136,781)
Plant and Distribution System	(4,041,996)	(573,458)	-	(4,615,454)
Machinery and Equipment	(229,969)	(52,232)	-	(282,201)
	<u>(4,396,285)</u>	<u>(638,151)</u>	<u>-</u>	<u>(5,034,436)</u>
Capital Assets, Net	<u>\$ 20,390,786</u>	<u>\$ 12,426,121</u>	<u>\$ -</u>	<u>\$ 32,816,907</u>

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

NOTE E -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM

Plan Description

The District participates as one of 870 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE E -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

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

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. For 2024, the District contributed \$138,736, which matched the required amount.

The contribution rate payable by the employee members is 7% and the District matches 2.5 to 1 as adopted by the governing body of the District. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

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

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

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

	<u>12/31/2024</u>
Inactive Employees Receiving Benefits	0
Inactive Employees	1
Active Employees	<u>14</u>
	<u><u>15</u></u>

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2023, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE E -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The Total Pension Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/23 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.50%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the RP-2010 Healthy Annuitant Mortality Table for males and 120% of the RP-2010 Health Annuitant Mortality Table for females, both projected with 100% of the MP-2021 Ultimate Scale after 2010.

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

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

Asset Class	Target Allocation	Expected Real Rate of Return (Geometric)
US Equities	11.50%	4.75%
Global Equities	2.50%	4.75%
International Equities - Developed	5.00%	4.75%
International Equities - Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	2.35%
Strategic Credit	9.00%	3.65%
Direct Lending	16.00%	7.25%
Distressed Debt	4.00%	6.90%
REIT Equities	2.00%	4.10%
Master Limited Partnerships (MLPs)	2.00%	5.20%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.75%
Hedge Funds	6.00%	3.25%
Cash Equivalents	2.00%	0.60%
	<u>100.00%</u>	

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE E -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Discount Rate

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

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

	Discount Rate 6.60%	Discount Rate 7.60%	Discount Rate 8.60%
Net Pension Liability (Asset)	\$ 146,944	\$ 118,416	\$ 95,147
<u>Changes in Net Pension Liability</u>			

The below schedule presents the changes in the Net Pension Liability (asset) as of December 31, 2023:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2022	\$ -	\$ -	\$ -
Changes for the year:			
Service Cost	(293,752)	-	(293,752)
Interest on total pension liability	(22,325)	-	(22,325)
Change of Benefit Terms	515,316	-	515,316
Economic/Demographic gains or losses	124	-	124
Changes of Assumptions	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expense	-	(42)	42
Member Contributions	-	36,516	(36,516)
Net Investment Income	-	756	(756)
Employer Contributions	-	39,893	(39,893)
Other	-	3,824	(3,824)
Net Changes	199,363	80,947	118,416
Balance at December 31, 2023	\$ 199,363	\$ 80,947	\$ 118,416

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE E -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)

Pension Plan Fiduciary Net Position

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

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

For the year ended December 31, 2024, the District recognized pension expense of \$156,412. Also as of December 31, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Outflows of of Resources	Deferred Inflows Inflows of of Resources
Differences between Expected and Actual Economic Experience	\$ 108	\$ -
Changes in Actuarial Assumptions	-	-
Differences Between Projected and Actual Investment Earnings	1,788	-
Contributions Subsequent to the Measurement Date	132,811	-
	<u>\$ 134,707</u>	<u>\$ -</u>

Deferred outflows of resources in the amount of \$132,811 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Plan Year ended December 31,	
2024	\$ 463
2025	463
2026	463
2027	463
2028	16
Thereafter	28
	<u>\$ 1,896</u>

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE F -- COMMITMENTS

As of December 31, 2024, the District had the following commitments:

	Total Commitment	Expended to Date	Estimated Remaining
Hays Caldwell Membrane	\$ 110,528	\$ -	\$ 110,528
Porter Creek Lift Station	2,073,187	1,697,050	376,137
Reuse Plant	1,550,652	1,455,485	95,167
Water Master Plan	108,440	65,689	42,751
Cotton Gin Water Line	253,250	129,885	123,365
Gristmill Road Water & Reuse Lines	117,500	100,700	16,800
Misty Lane	160,000	128,000	32,000
Bob White Road Water Line	3,728,508	38,871	3,689,637
FM 2720 Water Line	361,003	-	361,003
	<u>\$ 8,463,068</u>	<u>\$ 3,615,680</u>	<u>\$ 4,847,388</u>

NOTE G -- WASTEWATER SERVICES

The District applied for and received a wastewater CCN in 2022. In addition, the District has constructed wastewater lines to carry sewage from District water customers that are part of the Plum Creek Utility (PCU) wastewater CCN from their homes to the PCU treatment plant. The District bills these customers for water and sewer service. The District collects an impact fee for the wastewater line build out and a portion of the monthly wastewater charge to cover maintenance on those lines.

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

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional taxable water supply contract. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 13, are contractually obligated to fund a pro-rata portion of CRWA's operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 5%). For the fiscal year ended September 30, 2024, CRWA reported assets of \$183 million and liabilities of \$104 million, including bonds payable of \$97 million. Annual required funding payments are recorded as water purchases on the District's financial statements.

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2024

NOTE H -- JOINT VENTURE -- CANYON REGIONAL WATER AUTHORITY (CONTINUED)

In addition, CRWA is a member of Alliance Regional Water Authority (ARWA) under a similar arrangement. In 2014, the District agreed to reimburse CRWA for 10% of CRWA's share of ARWA (which is approximately 31% of ARWA) in exchange for a pro-rata share of the future water developed by ARWA. The agreement required the District to fund the annual requirements in addition to the past costs incurred by CRWA in relation to the ARWA project. The District makes monthly contributions for annual funding. For the fiscal year ended September 30, 2024 (the most recent year available), ARWA reported assets of \$515 million and liabilities of \$337 million, including bonds payable of \$305 million. ARWA is not yet producing water for District use, so annual required funding payments are recorded as a nonoperating expense on the District's financial statements.

NOTE I -- WATER SUPPLY CONTRACT -- GUADALUPE BLANCO RIVER AUTHORITY

In 2022, the District signed a water supply contract with Guadalupe Blanco River Authority (GBRA) to participate in GBRA's Gonzales Carrizo Water Supply Project. The participating entities, of which there are currently 4, are contractually obligated to fund a pro-rata portion of GBRA's operating, debt service and project costs. The District has pledged its system revenues to fund its share of GBRA's costs and debts (approximately 6%). The agreements run through December 31, 2062 with automatic ten year renewals. As of August 31, 2023, GBRA reported \$209 million in bonds for the project. GBRA is not yet producing water for District use, so annual required funding payments are recorded as a nonoperating expense on the District's financial statements.

NOTE J -- LITIGATION

The District may be subject to claims regarding easements, decertifications from the District's CCN, water rights and impact fees.

In addition, the District is aware of contract disputes between member entities of Canyon Regional Water Authority over how the operations are being conducted and billings are allocated. Negotiations are ongoing between the parties.

Management is not aware of any matters that, if decided adversely to the District, would have a significant impact on these financials.

REQUIRED SUPPLEMENTARY INFORMATION

COUNTY LINE SPECIAL UTILITY DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2024

	Budget Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget- Positive (Negative)
	Original	Final		
Operating Revenues:				
Water Sales	\$ 8,628,578	\$ 8,628,578	\$ 6,964,767	\$ (1,663,811)
Waterwater Admin Charges	61,219	61,219	72,200	10,981
Other Charges	608,007	608,007	737,122	129,115
Total Operating Revenues	<u>9,297,804</u>	<u>9,297,804</u>	<u>7,774,089</u>	<u>(1,523,715)</u>
Operating Expenses:				
Water Purchase	4,193,448	4,193,448	3,919,232	274,216
Personnel	1,630,579	1,630,579	1,811,005	(180,426)
Professional Fees	727,277	727,277	956,622	(229,345)
Depreciation	335,000	335,000	638,151	(303,151)
Operations and Maintenance	1,260,504	1,260,504	556,026	704,478
Admin Expenses	195,795	195,795	263,903	(68,108)
Utilities	95,003	95,003	78,617	16,386
Vehicles and Equipment	212,484	212,484	76,474	136,010
Insurance	47,397	47,397	41,990	5,407
Total Operating Expenses	<u>8,697,487</u>	<u>8,697,487</u>	<u>8,342,020</u>	<u>355,467</u>
Operating Income (Loss)	<u>600,317</u>	<u>600,317</u>	<u>(567,931)</u>	<u>(1,168,248)</u>
Non-Operating Revenues (Expenses):				
Interest Income	792,000	792,000	1,081,388	289,388
Impact, Installation & Water Acq Fees	11,505,375	11,505,375	13,891,270	2,385,895
Other Income	26,039	26,039	344,380	318,341
Grant and Line Relocation Income	1,671,556	1,671,556	-	(1,671,556)
Capital Expenditures	(22,354,573)	(22,354,573)	(9,546,602)	12,807,971
Guadalupe Blanco River Authority	(323,664)	(323,664)	(323,264)	400
Alliance Regional Water Authority	(631,805)	(631,805)	(585,888)	45,917
Non-Operating Revenues	<u>(9,315,072)</u>	<u>(9,315,072)</u>	<u>4,861,284</u>	<u>14,176,356</u>
Net Income Budgetary Basis	<u>\$ (8,714,755)</u>	<u>\$ (8,714,755)</u>	<u>\$ 4,293,353</u>	<u>\$ 13,008,108</u>

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL (BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2024

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

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

Net Income (Budgetary Basis)	\$ 4,293,353
Contribution of Utility Improvements	3,517,670
Capital Expenditures	<u>9,546,602</u>
Change in Net Position (GAAP Basis)	<u><u>\$ 17,357,625</u></u>

COUNTY LINE SPECIAL UTILITY DISTRICT
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS

Total Pension Liability	
	2023
Service Cost	\$ (293,752)
Interest (on the Total Pension Liability)	(22,325)
Changes of Benefit Terms	515,316
Difference between Expected and Actual Experience	124
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	-
Net Change in Total Pension Liability	199,363
Total Pension Liability - Beginning	-
Total Pension Liability - Ending	<u>\$ 199,363</u>
Plan Fiduciary Net Position	
	2023
Contributions - Employer	\$ 39,893
Contributions - Employee	36,516
Net Investment Income	756
Benefit Payments, Including Refunds of Employee Contributions	-
Administrative Expense	(42)
Other	3,824
Net Change in Plan Fiduciary Net Position	80,947
Plan Fiduciary Net Position - Beginning	-
Plan Fiduciary Net Position - Ending	<u>\$ 80,947</u>
Net Pension Liability (Asset) - Ending	\$ 118,416
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	40.60%
Covered Payroll	\$ 521,650
Net Pension Liability as a Percentage of Covered Payroll	22.70%

The District began participation in TCDRS in 2023. Information for this schedule is being accumulated prospectively until 10 years are presented.

COUNTY LINE SPECIAL UTILITY DISTRICT
SCHEDULE OF EMPLOYER PENSION PLAN CONTRIBUTIONS
LAST TEN YEARS

Year Ending December 31,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions As Percent of Payroll
2024	\$ 138,736	\$ 138,736	-	\$ 1,288,175	10.77%
2023	22,796	39,893	(17,097)	521,650	7.65%

The District began participation in TCDRS in 2023. Information for this schedule is being accumulated prospectively until 10 years are presented.

SUPPLEMENTARY INFORMATION

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

COUNTY LINE SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
FISCAL YEAR ENDING DECEMBER 31, 2024

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

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

2. Retail Service Providers

Retail Rates for a 5/8" Meter				Rate per 1,000	
	Minimum Charge	Minimum Usage	Flat Rate	Gallons Over Minimum	Usage Level
Water	\$ 48.15	N/A	No	\$ 4.36	0 to 5,000
				\$ 5.32	5,000 to 10,000
				\$ 6.38	10,000 to 15,000
				\$ 7.66	15,000 to 20,000
				\$ 9.19	20,000 to 25,000
				\$ 11.03	Over 25,000
Wastewater	\$ 80.00	N/A	Yes	\$ -	0 to 5,000
				\$ -	Over 5,000
Surcharge	\$ -			\$ -	

District employs winter averaging for wastewater usage? No

Total Charges per 10,000 gallons usage:

Water	\$ 96.55
Wastewater	\$ 80.00

Water and Wastewater Retail Connections

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
Unmetered	0	0	1.0	0
<=3/4"	5,641	5,641	1.0	5,641
1"	16	16	2.5	40
1 1/2"	3	3	5.0	15
2"	7	7	8.0	56
3"	1	1	15.0	15
4"	2	2	25.0	50
6"	1	1	50.0	50
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	5,671	5,671		5,867
Total Wastewater	1,142	1,142	1.0	1,142

COUNTY LINE SPECIAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES (CONTINUED)
FISCAL YEAR ENDING DECEMBER 31, 2024

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

Gallons pumped into system	460,826,000		Water Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	446,715,000		97%

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

Does the District have Debt Service standby Fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District:

Counties in which the District is located: Caldwell, Hays

Is the District located entirely within one county? Yes ☐ No ☒

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

Cities in which the District is located: Uhland, Kyle

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

ETJs in which the District is located: Uhland, Kyle, San Marcos

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

If Yes, by whom? _____

COUNTY LINE SPECIAL UTILITY DISTRICT
TSI-2. ENTERPRISE FUND EXPENSES
FISCAL YEAR ENDING DECEMBER 31, 2024

Personnel Expenditures (including benefits)	\$	1,811,005
Professional Fees:		
Legal		298,755
Engineering		456,933
Accounting and Audit		10,496
Other		190,438
Water and Transmission Costs		3,919,232
Utilities		78,617
Repairs and Maintenance		632,500
Administrative Expenses		305,893
Depreciation and Amortization		638,151
Total Expenses	<u>\$</u>	<u>8,342,020</u>
Total number of persons employed by the District	Full-Time	23
	Part-Time	0

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

- TSI-3. Temporary Investments
- TSI-4. Taxes Levied and Receivable
- TSI-5. Long-term Debt Service Requirements
- TSI-6. Changes in Long-term Bonded Debt

COUNTY LINE SPECIAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FISCAL YEAR ENDING DECEMBER 31, 2024

Complete Entity Mailing Address: 8870 Camino Real, Umland, TX 78640

Entity Business Telephone Number: 512-398-4748

Submission Date of the most recent Registration Form: May 2021

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

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid* 12/31/24	Expense Reimbursements 12/31/24	Title at Year End
Board of Trustees:				
Toni Brewer	5/21-5/27	\$ 1,577	---	President
Teresa Scheel	7/22-5/25	\$ 3,179	---	Vice President
Joe Howe	5/22-5/25	\$ 1,038	---	Secretary
William Ilse	5/20-5/26	\$ 600	---	Assistant Secretary
Rebecca Moore	2/24-5/25	\$ 750	---	Director
Earl Sparks	5/24-5/27	\$ 375	---	Director
Robert Diaz	5/20-5/26	\$ 850	---	Director
Administrative Personnel:				
Daniel Heideman	9/1/1981	\$ 89,477	---	Retiring General Manager
Humberto Ramos	8/1/2023	\$ 166,741	\$ 4,332	General Manager
Consultants:				
Lloyd Gosselink Attorneys at Law		\$ 366,320		Attorney
Southwest Engineers		\$ 297,167		Engineer
K. Friese & Associates, LLC		\$ 122,545		Engineer
New Gen Strategies & Solutions		\$ 47,733		Rate Consultant
Pape-Dawson Engineers		\$ 20,435		Engineer
Armstrong, Vaughan & Associates, P.C.		\$ 10,496		Auditor

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

COMPLIANCE SECTION



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
County Line Special Utility District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of County Line Special Utility District as of December 31, 2024 and for the year then ended, and the related notes to the financial statements, which collectively comprise County Line Special Utility District's basic financial statements, and have issued our report thereon dated April 21, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated April 21, 2025.

Purpose of this Report

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

A handwritten signature in black ink that reads "Armstrong, Vaughan & Associates, P.C." The signature is written in a cursive, flowing style.

Armstrong, Vaughan & Associates, P.C.

April 21, 2025

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APPENDIX E

SELECTED PROVISIONS OF THE ORDER

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APPENDIX E

SELECTED PROVISIONS OF THE ORDER

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

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 33 and 50 of this Order have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Order to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Order as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Order as a whole and not to any particular Section or other subdivision.

A. The term *Additional Parity Obligations* shall mean (i) bonds, notes, warrants, or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 19 of this Order and which are equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System, and (ii) obligations hereafter issued to refund any of the foregoing as determined by the Board, if issued in a manner so as to be payable from and equally ratably secured by a first and prior lien on and pledge of the Net Revenues.

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

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

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

E. The term *Bonds* shall mean the \$24,000,000 “COUNTY LINE SPECIAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, SERIES 2025” authorized by this Order.

F. The term *Bonds Similarly Secured* shall mean the Bonds and any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued

in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

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

H. The term *District* shall mean the County Line Special Utility District, located in the Counties of Caldwell and Hays, Texas and, where appropriate, the Board of Directors of the District.

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

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

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

L. The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive

month period established by the District, which period presently commences on January 1 of each year and ends on the following December 31.

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

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

O. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the District that are payable wholly or in part from and equally and ratably secured by a lien on and pledge of the Net Revenues of the System, such pledge being junior and inferior to the lien on and pledge of the Net Revenues of the System that are or will be pledged to the payment of the Bonds and any Additional Parity Obligations hereafter issued by the District and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board of Directors in accordance with any applicable law.

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

Q. The term *Insurer* shall mean Build America Mutual Assurance Company, or any successor thereto or assignee thereof.

R. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing February 1, 2026, while any of the Bonds remain Outstanding.

S. The term *Maintenance and Operating Expenses* shall mean costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies, costs incurred in providing water, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition, including any contract payments for the acquisition of water or other contract payments now or hereafter defined as operating expenses by the Texas Legislature. Depreciation shall never be considered as a Maintenance and Operating Expense.

T. The term *Net Revenues* shall mean all income and revenues from the operation of the System after the deduction of Maintenance and Operating Expenses.

U. The term *Order* shall mean this order adopted by the Board of Directors of the District on June 16, 2025.

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

(1) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation in connection with the exchange or transfer of such obligations;

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

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

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

(ii) any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

X. The term *Purchasers* shall mean the initial purchasers of the Bonds named in Section 32 of this Order.

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

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

AA. The term *Special Facilities Bonds* shall mean shall mean bonds which the District expressly reserves the right to issue in Section 21 of this Order.

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

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

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

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

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

A. All Maintenance and Operating Expenses, depreciation, replacement and betterment expenses and other costs of the System.

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

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

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

The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.10 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured.

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

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

SECTION 13: Bond Fund – Surplus Bond Funds. For the sole purpose of paying the principal of and interest on the Bonds, there is hereby created and established and there shall be maintained a separate fund entitled "County Line Special Utility District Utility System Revenue Bonds, Series 2025 Interest and Sinking Fund" (the *Bond Fund*).

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

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

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

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

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

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

SECTION 15: Reserve Fund. To accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the *Required Reserve Amount*) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District hereby confirms the creation and establishment, and agrees to continue to maintain a separate and special fund or account known as the "County Line Special Utility District Revenue Bond Reserve Fund (the *Reserve Fund*), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of this Order during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds Similarly Secured, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds Similarly Secured.

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$1,578,775.00 (of which \$0.00 is already on deposit in the Reserve Fund), which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$26,312.92 being the Required Reserve Fund Deposits.

As and when Additional Parity Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or

other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the District, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

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

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

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

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

provided by law; provided, however, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

Notwithstanding anything to the contrary contained in this Section, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve Amount shall be suspended for any Bonds Similarly Secured (including with respect to the Bonds) for such time as the Net Revenues for each Fiscal Year are equal to at least 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured outstanding. In the event that the Net Revenues for any Fiscal Year are less than 120% of the Average Annual Debt Service Requirements, the District will be required to commence making the deposits to the Reserve Fund as of the next Fiscal Year, as provided above, and to continue making such deposits until the earlier of (a) such time as the Reserve Fund contains the Required Reserve Amount or (b) the Net Revenues in each of two consecutive Fiscal Years have been equal to not less than 120% of the Average Annual Debt Service Requirements on all Bonds Similarly Secured then outstanding.

SECTION 16: Deficiencies - Excess Net Revenues.

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

B. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by any order authorizing the issuance of any Inferior Lien Obligations, the excess Net Revenues of the System may be used by the District for any lawful purpose.

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

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

represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of the Bonds Similarly Secured. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 15, be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 19: Issuance of Additional Parity Obligations. The District hereby expressly reserves the right, in addition to the right to issue obligations that are payable from and secured, in whole or in part, by a junior and inferior lien on and pledge of the Net Revenues, to issue Additional Parity Obligations payable from a first and prior lien on and pledge of the Net Revenues of the System. When duly authorized and issued in compliance with law and the terms and conditions hereafter stated, such Additional Parity Obligations shall be on a parity with the Bonds. The District covenants and agrees, however, it will not issue any Additional Parity Obligations unless:

A. except for a refunding to cure a default, the District is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Bonds Similarly Secured;

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

C. The District obtains a certificate from the General Manager to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) times the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Net Revenues, the General Manager may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective not more than ninety (90) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for the purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by the certification based on such change in rates and charges being in effect for the entire period covered by the General Manager's certificate;

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

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

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

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

SECTION 20: Issuance of Inferior Lien Obligations. The District hereby expressly reserves the right to hereafter issue bonds, notes, warrants, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System.

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

SECTION 22: Maintenance of System - Insurance. The District covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions

hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the District from doing so.

SECTION 23: Records and Accounts - Annual Audit. The District covenants, agrees, and affirms its covenants that so long as any of the Bonds Similarly Secured remain outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating to the System, and that the Holders of the Bonds Similarly Secured or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The District further agrees that following (and in no event later than 180 days) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Copies of each annual audit shall be furnished, without charge, to the (i) Executive Director of the Municipal Advisory Council of Texas at her office in Austin, Texas, or (ii) any subsequent Holder thereof. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses.

SECTION 24: Special Covenants. The District hereby further covenants that:

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

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

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

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

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

F. It will pay and discharge from time to time and before the same become delinquent all lawful debts and liabilities of the District and all lawful claims for rents, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon any part of the System the lien of which would be prior to or interfere with the liens hereof, so that the priority of

the liens granted hereunder shall be fully preserved in the manner provided herein; and the District will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such debts, liabilities or claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

SECTION 25: Limited Obligations of the District. The Bonds Similarly Secured are limited, special obligations of the District payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds Similarly Secured from any funds raised or to be raised through taxation by the District.

SECTION 26: Security of Funds. All money on deposit in the funds or accounts for which this Order makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such funds or accounts shall be used only for the purposes permitted by this Order.

SECTION 27: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the District covenants and agrees particularly that in the event the District (a) defaults in the payments to be made to the Bond Fund or the Reserve Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the Holders of any of the Bonds Similarly Secured shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in this Order.

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

SECTION 28: Notices to Holders; Waiver. Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Order provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but

such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 29: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a “security” and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 30: Cancellation. All Bonds Similarly Secured surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the District, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The District may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds Similarly Secured previously certified or registered and delivered which the District may have acquired in any manner whatsoever, and all Bonds Similarly Secured so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds Similarly Secured held by the Paying Agent/Registrar shall be destroyed as directed by the District.

SECTION 31: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond Similarly Secured is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond Similarly Secured, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond Similarly Secured of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond Similarly Secured has become or is about to become due and payable, the District in its discretion may, instead of issuing a new Bond, pay such Bond Similarly Secured.

Upon the issuance of any new Bond Similarly Secured or payment in lieu thereof, under this Section, the District may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney’s fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond Similarly Secured issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond Similarly Secured shall constitute a replacement of the prior obligation of the District, whether or not the mutilated, destroyed, lost, or stolen Bond Similarly Secured shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Order equally and ratably with all other Outstanding Bonds Similarly Secured.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds Similarly Secured.

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By:

