

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

THE BONDS HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$4,565,000
EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
(Henderson County)
UTILITY SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2020

Dated Date: October 1, 2020

Due: January 1, as shown on page 2

Interest accrues from Delivery Date

PAYMENT TERMS. . . Interest on the \$4,565,000 East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, New Series 2020 (the "Bonds") will accrue from October 14, 2020 (the "Delivery Date") and will be payable January 1 and July 1 of each year commencing July 1, 2021, until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "The Bonds - Book-Entry-Only System"). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "The Bonds - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, and by the resolution (the "Resolution") adopted by the Board of Directors of the East Cedar Creek Fresh Water Supply District (the "District") on September 16, 2020. The Bonds are special obligations of the District payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the District's Utility System (the "System") on a parity with the Previously Issued Bonds (as defined in the Resolution), such lien and pledge, however, being junior and subordinate to the lien on and pledge of such Net Revenues to the payment and security of the Prior Lien Bonds (as defined in the Resolution). In the Resolution, the District covenants not to issue any additional obligations on a parity with the Prior Lien Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured (as defined in the Resolution). **The District has not covenanted nor obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "The Bonds - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) to refund a portion of the District's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings and (ii) to pay the costs associated with the issuance of the Bonds.

CUSIP PREFIX: 271470

MATURITY SCHEDULE & 9 DIGIT CUSIP

See Schedule on Page 2

INSURANCE . . . The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM"). See "BOND INSURANCE" herein."



LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of Kelly Hart & Hallman LLP, Bond Counsel, Fort Worth, Texas (see Appendix B, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton, L.L.P., Houston, Texas, as Counsel to the Underwriter.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on October 14, 2020.

SAMCO CAPITAL

MATURITY SCHEDULE

CUSIP Prefix: 271470⁽¹⁾

Amount	Maturity 1-Jan	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 545,000	2022	3.000%	0.390%	MC7
795,000	2023	3.000%	0.490%	MD5
810,000	2024	3.000%	0.630%	ME3
465,000	2025	3.000%	0.840%	MF0
285,000	2026	3.000%	1.000%	MG8
300,000	2027	2.000%	1.140%	⁽²⁾ MH6
305,000	2028	2.000%	1.270%	⁽²⁾ MJ2
260,000	2029	2.000%	1.360%	⁽²⁾ MK9
270,000	2030	2.000%	1.510%	⁽²⁾ ML7
275,000	2031	2.000%	1.630%	⁽²⁾ MM5
***	***	***	***	***

\$255,000 2.000% Term Bonds due January 1, 2033 at a Price of 101.039% to Yield 1.790% ⁽²⁾ - CUSIP Suffix⁽¹⁾ MP8

(Interest to accrue from Delivery Date.)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data set forth herein is provided by CUSIP Global Services managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. Neither the District, the Financial Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Bonds maturing on and after January 1, 2027, are subject to redemption at the option of the District prior to their maturity dates in whole or from time to time in part, on January 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”

OPTIONAL REDEMPTION. . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after January 1, 2027, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on January 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Bonds - Optional Redemption”).

MANDATORY SINKING FUND REDEMPTION. . . The Bonds maturing on January 1 in the year 2033 (the “Term Bonds”) are subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under “The Bonds - Mandatory Sinking Fund Redemption.”

(THE REMAINDER OF THIS PAGE LEFT BLANK INTENTIONALLY)

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

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

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

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM 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 AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix C - Specimen Municipal Bond Insurance Policy".

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

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

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein. See "Continuing Disclosure of Information" for a description of the District's undertaking to provide certain information on a continuing basis.

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

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

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

- THE DISTRICT**..... The East Cedar Creek Fresh Water Supply District (the “District”) is located in Henderson County, Texas. The District covers approximately 20 square miles (see “Introduction - Description of the District”).
- THE BONDS**..... The Bonds are issued as \$4,565,000 Utility System Revenue Refunding Bonds, New Series 2020. The Bonds are issued as serial bonds maturing J January 1 in each of the years 2022 through 2031 and a term bond maturing January 1, 2033 (see “The Bonds - Description of the Bonds” and “The Bonds - Mandatory Sinking Fund Redemption”).
- PAYMENT OF INTEREST**..... Interest on the Bonds accrues from the Delivery Date, and is payable July 1, 2021, and each January 1 and July 1 thereafter until maturity or prior redemption (see “The Bonds - Description of the Bonds” and “The Bonds - Optional Redemption”).
- AUTHORITY FOR ISSUANCE**..... The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and by the resolution adopted by the Board of Directors of the District (the “Resolution”) (see “The Bonds - Authority for Issuance”).
- SECURITY FOR THE BONDS**..... The Bonds constitute special obligations of the District, payable, both as to principal and interest, solely from and, together with the Previously Issued Bonds, secured by a lien on and pledge of the Net Revenues of the District’s Utility System (the “System”), such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of Prior Lien Bonds now outstanding. In the Resolution, the District covenants not to issue any additional obligations on a parity with the Prior Lien Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured (as defined in the Resolution) (see “The Bonds - Security and Source of Payment”).
- QUALIFIED TAX-EXEMPT OBLIGATIONS**..... The District has designated the Bonds as “Qualified Tax-Exempt Obligations” for financial institutions (see “Tax Matters - Qualified Tax-Exempt Obligations for Financial Institutions”).
- REDEMPTION**..... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after January 1, 2027, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on January 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “The Bonds - Optional Redemption”).
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption “Tax Matters” herein.
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be used to (i) to refund a portion of the District’s outstanding debt described in Schedule I (the “Refunded Obligations”) for debt service savings and (ii) to pay the costs associated with the issuance of the Bonds.
- RATINGS**..... The Bonds are rated “AA” (stable outlook) by Standard and Poor’s Ratings Services, a Standard and Poor’s Financial Services LLC business (“S&P”) by virtue of a municipal bond insurance policy to be issued by AGM upon delivery of the Bonds to the Underwriter. In addition, the underlying rating on the Bonds is “A” (stable outlook) by S&P. (See “BOND INSURANCE” and “OTHER INFORMATION – Ratings”).
- BOND INSURANCE**..... The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. (“AGM”). (See “BOND INSURANCE”).
- BOOK-ENTRY-ONLY SYSTEM**..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “The Bonds - Book-Entry-Only System”).
- PAYMENT RECORD**..... The District has never defaulted in payment of its bonds.

SELECTED FINANCIAL INFORMATION

	Fiscal Year Ended March 31,				
	2020	2019	2018	2017	2016
Total Operating Revenue	\$6,427,865	\$6,103,204	\$5,952,828	\$5,704,337	\$5,536,592
Total Operating Expense	3,879,200	3,676,235	3,551,445	3,554,344	3,417,633
Net Income Available for Debt Service ⁽¹⁾	\$2,548,665	\$2,426,969	\$2,401,383	\$2,149,993	\$2,118,959
Annual Bond Payment	\$1,636,400	\$1,736,264	\$1,636,126	\$1,627,944	\$1,542,256
Coverage (Times)	1.56	1.40	1.47	1.32	1.37

(1) Depreciation, amortization and interest expenses not included in calculation of net income available for debt service.

For additional information regarding the District, please contact:

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Board Members</u>	<u>Term Expires</u>	<u>Total Length of Service</u>	<u>Occupation</u>
Harry McCune President	11/2020	13 Years	Retired Engineer
Jan Wynn Director	11/2022	1 Years	Retired
Joe Lomonaco Secretary	11/2022	10 Years	Retired
Jim Willi Director	11/2020	4 Years	Retired Media Consultant
Larry Bratton Director	11/2020	6 Years	Retired
Allen Brier Vice President	11/2022	5 Years	Retired
Ted H. Bayless Treasurer	11/2020	8 Years	Retired Banker

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to District</u>	<u>Total Governmental Service</u>
James Blodgett	General Manager	16 Years	20 Years
Angela Crowsey	Office Manager	20 Years	20 Years
Charles Ortolano	Field Service Supervisor	24 Years	24 Years
Anthony McLaughlin	Water Operator	7 Year	7 years
David Hollaway	Operations Manager	7 Years	18 Years

CONSULTANTS AND ADVISORS

Auditors Mike Ward Accounting & Financial Consulting PLLC
Point, Texas

Bond Counsel Kelly Hart & Hallman LLP
Fort Worth, Texas

Financial Advisor Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

\$4,565,000

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
UTILITY SYSTEM REVENUE REFUNDING BONDS, NEW SERIES 2020**

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,565,000 East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, New Series 2020 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution (defined herein), except as otherwise indicated herein (see “Selected Provisions of the Resolution”).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District’s Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

DESCRIPTION OF THE DISTRICT . . . The East Cedar Creek Fresh Water Supply District was created on June 25, 1977 by House Bill No. 2165 passed by the 65th Legislature, in 1977, as a conservation and reclamation district under Article XVI, Section 59, Texas Constitution, and has the powers of a municipal utility district under Chapter 54 of the Texas Water Code, as amended. As a municipal utility district, the District has the authority to levy ad valorem taxes to pay maintenance and operation expenses and payments under contracts, and to issue unlimited tax bonds, all subject to voter approval. The District does not have voted authority to levy ad valorem taxes or issue bonds payable from ad valorem taxes. The Board of Directors, a seven member body elected by the qualified voters of the District, is the governing body responsible for the activities of the District. The Directors serve four year staggered terms that expire in even number years. The District receives funding from various local, state and federal sources and must comply with the requirements of these funding entities. The District and its operations are subject to regulatory control by the Texas Commission on Environmental Quality (“TCEQ”) pursuant to various provisions of the Texas Water Code. The District covers approximately 20 square miles.

INFECTIOUS DISEASE OUTBREAK (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19.

On March 13, 2020, the President of the United States (the “President”) declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation.

Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders have focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District’s financial condition.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to (i) to refund a portion of the District’s outstanding debt described in Schedule I (the “Refunded Obligations”) for debt service savings and (ii) to pay the costs associated with the issuance of the Bonds.

REFUNDED OBLIGATIONS.. The Refunded Obligations are being redeemed on the dates set forth in Schedule I hereto (the “Redemption Date”). The principal and interest due on the Refunded Obligations are to be paid on the Redemption Date from funds to be deposited pursuant to a certain escrow agreement (the “Escrow Agreement”) with BOKF, NA, Dallas, Texas (the “Escrow Agent”). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter and other available funds of the District, if any, the District will deposit with the Escrow Agent the amount that will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their Redemption Date. Prior to the Redemption Date, such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and such funds may be either (i) held uninvested in the Escrow Fund, or (ii) used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (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 of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and/or (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent (the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

By the deposit of a portion of the Bond proceeds with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Obligations in accordance with the law. Hilltop Securities, in its capacity as financial advisor, will certify as to the sufficiency of the amount initially deposited with the Escrow Agent to pay the principal of and interest on the Refunded Obligations on the Redemption Date.

In the Escrow Agreement, the District covenants to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

USE OF PROCEEDS . . . The proceeds from the sale of the Bonds, along with funds from the District, will be applied approximately as follows:

Sources of Funds	
Par Amount of Bonds	\$ 4,565,000.00
Net Original Issue Discount	239,311.20
Prior Issues Debt Service Fund	132,750.00
Total Sources of Funds	\$4,937,061.20
Uses of Funds	
Escrow Fund	\$ 4,748,042.19
Costs of Issuance	128,888.22
Underwriter's Discount	39,037.84
Bond Insurance	10,217.66
Surety Policy	10,875.29
Total Uses of Funds	\$4,937,061.20

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated October 1, 2020, and mature on January 1 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from date of delivery and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on January 1 and July 1 of each year, commencing July 1, 2021, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, and by the resolution adopted by the Board of Directors of the District (the “Resolution”).

SECURITY AND SOURCE OF PAYMENT . . . The Bonds constitute special obligations of the District payable, both as to principal and interest, solely from and, together with the Previously Issued Bonds (defined below), secured by a lien on and pledge of the Net Revenues of the System (defined below), such lien and pledge being junior and subordinate to the lien on and pledge of the Net Revenues securing the payment of Prior Lien Bonds (defined below) now outstanding. In the Resolution, the District covenants not to issue any additional obligations on a parity with the Prior Lien Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured (defined below) (See “SELECTED PROVISIONS OF THE RESOLUTION” herein.)

PRIOR LIEN BONDS AND PREVIOUSLY ISSUED BONDS . . . The District has outstanding bonds secured by and payable from a lien on the Net Revenues of the System that is superior to the lien securing the Bonds (the “Prior Lien Bonds”), as follows:

<u>Dated Date</u>	<u>Principal Amount Outstanding</u>	<u>Issue Description</u>
11/15/2001	\$ 105,000	Utility System Revenue Refunding Bonds, Series 2001
6/15/2004	685,000	Utility System Revenue Refunding Bonds, Series 2004
10/15/2004	480,000	Utility System Revenue Bonds, Series 2004 ⁽¹⁾
1/1/2007	315,000	Utility System Revenue Bonds, Series 2007 ⁽¹⁾

(1) To be refunded by the Bonds.

In addition, the District, currently has outstanding bonds secured by and payable from a lien on the Net Revenues of the System that is on a parity with the lien securing the Bonds but subordinate to the lien securing the Prior Lien Bonds (the “Previously Issued Bonds” and, together with the Bonds and any Additional Bonds hereafter issued, the “Bonds Similarly Secured”), as follows:

<u>Dated Date</u>	<u>Principal Amount Outstanding</u>	<u>Issue Description</u>
1/15/2011	\$1,690,000	Utility System Revenue Refunding Bonds, New Series 2011A ⁽¹⁾
10/1/2011	1,385,000	Utility System Revenue Bonds, New Series 2011B ⁽¹⁾
2/15/2013	1,335,000	Utility System Revenue Bonds, New Series 2013 ⁽¹⁾
11/1/2015	2,950,000	Utility System Revenue Bonds, New Series 2015
2/1/2018	3,925,000	Utility System Revenue Bonds, New Series 2018

(1) A portion to be refunded by the Bonds.

Neither the Prior Lien Bonds, the Previously Issued Bonds nor the Bonds are a charge upon any other income or revenues of the District and shall never constitute an indebtedness or pledge of the general credit or taxing powers of the District. The Resolution does not create a lien or mortgage on the System, except the Net Revenues, and no judgment against the District may be enforced for payment of the Bonds by levy and execution against any property owned by the District.

As used in this Official Statement and the Resolution, the term “Net Revenues” means Revenues of the System for a stated period of time after deduction of Maintenance and Operating Expenses for such same stated period of time. The term “Revenues” means all revenues and income to result from the ownership or operation of the System (including investment income therefrom). Charges made for connection to the System, to the extent the same exceed actual cost, shall be considered as contributions in aid of construction (not Revenues); penalties for late payment shall be considered as Revenues. The term “Maintenance and Operating Expenses” means the expenses required to pay the normal expenses of operation and maintenance of the System and the District, including all salaries, labor, materials, repairs and replacements necessary for the operation and upkeep of such System. The term does not include proceeds from the levy of ad valorem taxes, depreciation, or expenditures which under standard accounting practices should be charged as capital expenditures.

FLOW OF FUNDS... In the Resolution, the District covenants and agrees with the Holders of the Bonds that all revenues derived from the operation of the System shall be kept separate and apart from other funds of the District. To that end and in accordance with the resolutions authorizing the issuance of the Prior Lien Bonds and the Previously Issued Bonds, the District further covenants and agrees that all revenues and income of every nature derived from the operation of the System shall be deposited from day to day as collected into the "System Revenue Fund" (heretofore created and established and hereinafter called the "System Fund") and all moneys deposited therein shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the System, as defined in Section 1 of the Resolution, or required by statute to be a first charge on and claim against the income and revenues of the System;

SECOND: To the payment of the amounts required to be deposited in the special funds or accounts created and established for the payment and security of the Prior Lien Bonds, in accordance with the resolutions authorizing the issuance thereof;

THIRD: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

FOURTH: To the payment, equally and ratably, of the amounts required to be deposited in the Reserve Fund created and to be maintained for the benefit and security of the Bonds in accordance with the provisions of the Resolution, the reserve fund created and maintained for the benefit and security of the Previously Issued Bonds in accordance with the provisions of the resolutions authorizing the issuance thereof, and any reserve fund created and to be maintained for the benefit and security of any Additional Bonds in accordance with the provisions of any resolution relating to the issuance of Additional Bonds; and

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

See "SELECTED PROVISIONS OF THE RESOLUTION - System Fund".

RATES AND CHARGES... The District covenants and agrees with the holders of the Bonds:

- (a) It will at all times charge and collect for services rendered by the System rates sufficient (1) to pay all Maintenance and Operation Expenses, replacement and betterment expenses, and other costs, (2) to pay the interest on and principal of the Prior Lien Bonds and the amounts required to be deposited into the special funds created and established for the payment and security of the Prior Lien Bonds, and (3) to pay the interest on and principal of the Bonds Similarly Secured and the amounts required to be deposited into the special funds created and established for the payment and security of the Bonds Similarly Secured.
- (b) If Additional Bonds are issued, or if the System should become legally liable for any other indebtedness, the District will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness.

See "SELECTED PROVISIONS OF THE RESOLUTION - Rates and Charges"

RESERVE FUND... In accordance with the Resolution, the District will establish and maintain a Reserve Fund for the benefit and security of the Bonds and covenants to accumulate and maintain therein an amount equal to the average annual principal and interest requirements (calculated on a Fiscal Year basis) on all Bonds then Outstanding (the "Required Reserve"). Such Reserve Fund is solely for the benefit and security of the Bonds, and no holder of Prior Lien Bonds or Previously Issued Bonds have any claim whatsoever on such Reserve Fund. The District is authorized to fund the Reserve Fund with Net Revenues of the System or other lawfully available funds of the District, the proceeds of sale of Bonds or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution having a rating of at least "AA" or its equivalent by at least one nationally recognized rating agency or service. The District will fully fund the Required Reserve on the date of the delivery of the Bonds with surety bond coverage provided by a surety bond issued by Assured Guaranty Municipal Corp. ("AGM").

The District established a reserve fund in connection with the issuance of the Previously Issued Bonds solely for the benefit and security of the Previously Issued Bonds and fully funded the required reserve for the Previously Issued Bonds with a reserve fund surety policy issued by Assured Guaranty Municipal Corp., a New York stock insurance company, on the date of the delivery of the Previously Issued Bonds (with the exception of the District's Utility System Revenue Bonds, New Series 2013, which fully funded its reserve fund with a reserve fund policy issued by Build America Mutual Assurance Company). The Reserve Fund is in all respects on a parity with the reserve fund for the Previously Issued Bonds (see "THE BONDS - Flow of Funds" herein). See "SELECTED PROVISIONS OF THE RESOLUTION - Reserve Fund" for more detail on the Reserve Fund and the District's covenants relating thereto.

DISTRICT'S RIGHT TO ISSUE ADDITIONAL BONDS... In the Resolution, the District has retained the right to issue Additional Bonds under the following conditions:

- (1) The officer of the District then having the primary responsibility for the financial affairs of the District shall have executed a certificate stating (a) that, to the best of such officer's knowledge and belief, the District is not then in default as to any covenant,

obligation or agreement contained in any resolution or other proceeding relating to any obligations of the District payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations and (b) either (i) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

- (2) The Additional Bonds shall be scheduled to mature or be payable as to principal on January 1 or July 1 (or both) in each year the same are to be outstanding or during the term thereof.
- (3) The District has secured a certificate or opinion of a Certified Public Accountant (the "Accountant") to the effect that the Net Earnings for the last completed Fiscal Year are at least equal to (i) 1.25 times the average annual debt service requirements for all obligations payable from and secured by a lien on and pledge of such Net Revenues of the System to be outstanding after giving effect to the issuance of the Additional Bonds then being issued, and (ii) 1.10 times the maximum annual debt service requirements for all obligations payable from and secured by a lien on and pledge of such Net Revenues of the System to be outstanding after giving effect to the issuance of the Additional Bonds then being issued. The term "Net Earnings" as used above shall mean the Revenues after deduction of Maintenance and Operating Expenses. Depreciation or expenditures which, under standard accounting practice, should be charged to capital expenditures shall not be classed as maintenance and operating expenses.

In making a determination of the Net Earnings under this Section, the Accountant may take into consideration a change in the monthly rates and charges for services and facilities afforded by the System that (i) became effective during or subsequent to the period noted above for calculating Net Earnings and (ii) has been effective for at least the last sixty (60) days prior to the last day of the month immediately preceding the month the resolution authorizing the issuance of the Additional Bonds is adopted and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by the Accountant's certification or opinion based on such a change in monthly rates and charges being in effect for the entire period covered by the Accountant's certification of opinion.

See "SELECTED PROVISIONS OF THE RESOLUTION - Issuance of Additional Bonds" for more detail on the District's authority to issue Additional Bonds.

NO ADDITIONAL OBLIGATIONS TO BE ISSUED ON A PARITY WITH THE PRIOR LIEN BONDS; OBLIGATIONS OF INFERIOR LIEN AND PLEDGE... In the Resolution, the District covenants not to issue any additional obligations on a parity with the Prior Lien Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured. The District, however, has retained the right to create and issue evidences of indebtedness whose lien on the Net Revenues of the System shall be subordinate to that possessed by the Bonds Similarly Secured. See "SELECTED PROVISIONS OF THE RESOLUTION - No Additional Obligations to be Issued on a Parity with the Prior Lien Bonds - Obligations of Inferior Lien and Pledge".

OPTIONAL REDEMPTION... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after January 1, 2027, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on January 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and no notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall 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.

MANDATORY SINKING FUND REDEMPTION... The Bonds maturing January 1 in the year 2033 (the "Term Bonds") are subject to mandatory sinking fund redemption in the amounts and at the price of par plus accrued interest to the redemption date on January 1 in the following years:

Term Bonds Due January 1, 2033		
<u>Redemption Date</u>		<u>Principal Amount</u>
January 1, 2032		\$125,000
January 1, 2033	(maturity)	\$130,000

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

The principal amount of Term Bonds of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of

any Term Bonds of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION. . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to 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 AND ALL OTHER CONDITIONS TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption and if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the District shall not redeem the Bonds, and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DEFEASANCE. . . . The Resolution 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 the Paying Agent/Registrar or authorized escrow agent in trust (1) money sufficient to make such payment or (2) Government Securities certified by an independent public accounting firm of national reputation to 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. The Resolution 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 of their acquisition or purchase by the District, 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 have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas. The District has the right, 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 moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

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

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. Furthermore, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS. . . . The District may amend the Resolution without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Resolution; except that, without consent of the registered owners of all of the Bonds outstanding, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by holders for consent to any such amendment, addition or rescission.

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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments

by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

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

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Initial Purchaser.

Effect of Termination of Book-Entry Only System ... In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "The Bonds - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at their stated maturity or earlier redemption upon their presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of 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.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof, and thereafter may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to 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 on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT. . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

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

BONDHOLDERS’ REMEDIES. . . In the Resolution, the District covenants and agrees that in the event of default in the payment of principal or interest on any Bonds when due, or the Net Revenues of the System are not adequate to make the required transfers into the Funds established and maintained pursuant to the Resolution, or of default in the observance or performance of any other of the covenants, conditions or obligations set forth in the Resolution, the holder or holders of any of such Bonds shall be entitled to a writ of mandamus or other appropriate order issued by a court of proper jurisdiction compelling and requiring the District and the officials thereof to observe and perform any covenant, obligation or condition prescribed in the Resolution. The issuance of a writ of mandamus is controlled by equitable principles and rests with 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 Resolution does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the District to perform in accordance with the terms of the Resolution, 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, holders of the Bonds may not be able to bring such a suit against the District for breach of the Bonds or the covenants in the Resolution. 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”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Net Revenues, such provision is subject to judicial construction. 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 holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of 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 opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

BOND INSURANCE

BOND INSURANCE POLICY

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

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings

on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

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

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes

such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

Bond Insurance Risks

The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The District has yet to determine whether an insurance policy will be purchased with respect to the Bonds. If an insurance policy is purchased, the following are factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bond shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

Under no circumstances does default of payment of principal and interest obligate acceleration of the obligations of the bond insurer without their consent, so long as the bond insurer performs its obligations under the applicable Policy. In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the revenues pledged in the Bond Order.

In the event the bond 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 of the Bonds or the marketability (liquidity) for the Bonds. In the event bond insurance is purchased, the long-term rating on the Bonds will be dependent in part on the financial strength of the bond insurer and its claims paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the Bonds insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "SALE AND DISTRIBUTION OF THE BONDS –Municipal Bond Insurance" herein for a description of the ratings.

The obligations of the bond insurer are general obligations of the bond insurer and in an event of default by the bond insurer the remedies may be limited by applicable bankruptcy law. Neither the District nor the Financial Advisor have made an independent investigation into the claims paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

THE SYSTEM

The District's utility system is comprised of two water treatment plants, water storage facilities and distribution lines and two wastewater treatment plants and related collection facilities. The District serves water and sewer customers within its boundaries and outside its boundaries in the areas designated in separate certificates of convenience and necessity issued by the TCEQ.

WATERWORKS SYSTEM

The District's source of raw water is Cedar Creek Reservoir pursuant to separate contracts with Tarrant Regional Water District ("TRWD") and the City of Trinidad, Texas ("Trinidad"). The contract with TRWD does not limit the amount of water the District may buy. The contract with Trinidad is limited to 750 acre/feet per year, but at a lesser cost. Raw water is pumped from Cedar Creek Reservoir directly to the plants with screening in place to prevent debris from entering the plants.

The District operates two conventional water treatment plants. The McKay Water Treatment Plant (WTP) provides water to customers in the southern portion of the District and the Brookshire WTP services customers in the northern sector.

The McKay WTP, located off Hwy 198 just prior to entering the Town of Enchanted Oaks, has been in operation for approximately 27 years. The McKay plant has a water treatment capacity of 1.73 million gallons per day; the highest peak capacity day recorded to date is 883,000 gallons in FY 2011-2012. Two ground storage tanks and one elevated water tower provide a treated water storage capacity of 637,000 gallons.

The Brookshire WTP, located off Welch Lane in Gun Barrel City, is more than 30 years old. In 2009, the plant capacity was doubled from 2 MGD to 4 MGD with bond money. Upgrades to the older treatment segments of the plant, funded by District operating reserves, was

completed in 2011. The highest peak capacity day on record to date is for fiscal year 2011 -2012 for the Brookshire Water Treatment Plant at 1.761 MG's. In 2019, a new 300,000-gallon elevated storage tank was built with bond money secured in 2018. Two ground storage tanks and two elevated water towers provide a treated water storage capacity of 1,870,000 gallons.

TCEQ has established standards for water quality and monitors performance and periodically inspects for compliance. Water quality measurement for primary measurement such as turbidity, pH and chloramines disinfection residuals are recorded continuously while other TCEQ required water quality measurements are collected, analyzed, and recorded as required by TCEQ at the Brookshire and McKay plants. Both plants have met treatment compliance standards with water quality measurements meeting all major maximum contaminant level standards.

The District/Mabank sale-transfer-merger project was completed in August of 2012. The scope of this project included the sale of the City of Mabank's infrastructure which was within the city limits of Gun Barrel City, Texas, the transfer of the City of Mabank's CCN to the District and all active and un-active water customer accounts. The completion of this project added 700 active residential and commercial accounts to the District's customer base. The District has sufficient capacity at the Brookshire WTP for the additional service. The District currently provides sewer service within Gun Barrel City.

TABLE 1 - HISTORICAL WATER CONSUMPTION (GALLONS IN THOUSANDS) ⁽¹⁾

Fiscal Year Ended	Total Gallons				Water Revenue
	Daily Average	Peak Day	Peak Month	Pumped	
2016	1,241	1,329	53,716	435,860	\$ 2,724,045
2017	1,290	1,207	56,281	411,065	2,758,183
2018	1,151	1,175	41,309	420,219	2,867,260
2019	1,184	1,277	50,781	447,248	2,980,230
2020	1,245	1,124	53,411	452,721	2,983,010

(1)Source: District Staff

TABLE 2 - TEN LARGEST WATER CUSTOMERS ⁽¹⁾

Customer	Type of Industry	Water Usage (Gallons)	% of Total Water Usage	Water Revenue	% of Total Water Revenue
Bullet Express Car Wash	Car Wash	1,943,000	0.61%	\$ 8,560	0.29%
Wal-Mart Stores	Retail	1,850,800	0.58%	10,405	0.36%
Lowe's Irrigation	Hardware Store	1,654,200	0.52%	7,975	0.27%
Saibaba Hotels LLC	Hotel	1,579,200	0.49%	7,693	0.26%
Silverleaf Irrigation	Healthcare	1,522,600	0.47%	7,481	0.26%
Jalapeno Tree Mexican	Restaurant	1,509,900	0.47%	6,878	0.24%
Stephen Hudson	Personal	1,396,600	0.44%	6,373	0.22%
Dakai Ye China Café Restaurant	Restaurant	1,356,100	0.42%	6,208	0.21%
Hootin Holler	Retail	1,142,300	0.36%	6,051	0.21%
Executive Inn	Hotel	1,001,500	0.31%	4,887	0.17%
		<u>14,956,200</u>	<u>4.66%</u>	<u>\$ 72,511</u>	<u>2.50%</u>

Source: The District.

(1) Fiscal Year 2020

TABLE 3 - MONTHLY WATER RATES

New Rates (Effective 7/1/20)						
Meter Size	Base Charge	Cost per 1,000 gallons for 0 to 3,000 gallons	Cost per 1,000 gallons for 3,001 to 10,000 gallons	Cost per 1,000 gallons for over 10,000 gallons		
5/8"	\$ 20.75	\$ 4.05	\$ 4.32	\$ 4.58		
5/8"	20.09 ⁽¹⁾	4.21 ⁽¹⁾	4.49 ⁽¹⁾	4.76 ⁽¹⁾		
5/8"	19.68 ⁽²⁾	4.13 ⁽²⁾	4.41 ⁽²⁾	4.67 ⁽²⁾		
5/8"	19.68 ⁽³⁾	4.13 ⁽³⁾	4.41 ⁽³⁾	4.67 ⁽³⁾		
Residential						
3/4"	\$ 28.69	\$ 4.05	\$ 4.32	\$ 4.58		
3/4"	29.84 ⁽¹⁾	4.21 ⁽¹⁾	4.49 ⁽¹⁾	4.76 ⁽¹⁾		
3/4"	29.26 ⁽²⁾	4.13 ⁽²⁾	4.41 ⁽²⁾	4.67 ⁽²⁾		
3/4"	29.26 ⁽³⁾	4.13 ⁽³⁾	4.41 ⁽³⁾	4.67 ⁽³⁾		
Commercial						
3/4"	\$ 28.69	\$ 4.05	\$ 4.32	\$ 4.58		
3/4"	29.84 ⁽¹⁾	4.21 ⁽¹⁾	4.49 ⁽¹⁾	4.76 ⁽¹⁾		
3/4"	29.26 ⁽²⁾	4.13 ⁽²⁾	4.41 ⁽²⁾	4.67 ⁽²⁾		
3/4"	29.26 ⁽³⁾	4.13 ⁽³⁾	4.41 ⁽³⁾	4.67 ⁽³⁾		
1"	\$ 44.51	\$ 4.05	\$ 4.05	\$ 4.05		
1 1/2"	84.14	4.05	4.05	4.05		
2"	131.67	4.05	4.05	4.05		
3"	258.43	4.05	4.05	4.05		
4"	359.01	4.05	4.05	4.05		

Old Rates (Effective 4/1/18)						
Meter Size	Base Charge	Cost per 1,000 gallons for 0 to 3,000 gallons	Cost per 1,000 gallons for 3,001 to 10,000 gallons	Cost per 1,000 gallons for over 10,000 gallons		
5/8"	\$ 19.76	\$ 3.86	\$ 4.11	\$ 4.36		
5/8"	20.55 ⁽¹⁾	4.01 ⁽¹⁾	4.27 ⁽¹⁾	4.53 ⁽¹⁾		
5/8"	20.16 ⁽²⁾	3.94 ⁽²⁾	4.19 ⁽²⁾	4.45 ⁽²⁾		
5/8"	20.16 ⁽³⁾	3.94 ⁽³⁾	4.19 ⁽³⁾	4.45 ⁽³⁾		
Residential						
3/4"	\$ 27.32	\$ 3.86	\$ 4.11	\$ 4.36		
3/4"	28.41 ⁽¹⁾	4.01 ⁽¹⁾	4.27 ⁽¹⁾	4.53 ⁽¹⁾		
3/4"	27.87 ⁽²⁾	3.94 ⁽²⁾	4.19 ⁽²⁾	4.45 ⁽²⁾		
3/4"	27.87 ⁽³⁾	3.94 ⁽³⁾	4.19 ⁽³⁾	4.45 ⁽³⁾		
Commercial						
3/4"	\$ 27.32	\$ 3.86	\$ 3.86	\$ 3.86		
3/4"	28.41 ⁽¹⁾	4.01 ⁽¹⁾	4.01 ⁽¹⁾	4.01 ⁽¹⁾		
3/4"	27.87 ⁽²⁾	3.94 ⁽²⁾	3.94 ⁽²⁾	3.94 ⁽²⁾		
3/4"	27.87 ⁽³⁾	3.94 ⁽³⁾	3.94 ⁽³⁾	3.94 ⁽³⁾		
1"	\$ 42.39	\$ 3.86	\$ 3.86	\$ 3.86		
1 1/2"	80.13	3.86	3.86	3.86		
2"	125.40	3.86	3.86	3.86		
3"	246.12	3.86	3.86	3.86		
4"	341.91	3.86	3.86	3.86		

Source: The District.

- (1) Payne Springs residential and commercial customer use rate code includes a 4% fee assessed by the City of Payne Springs.
- (2) Enchanted Oaks residential and commercial customer use rate code includes a 2% fee assessed by the Town of Enchanted Oaks.
- (3) Gun Barrel City residential and commercial customer use rate code includes a 2% fee assessed by the City of Gun Barrel City.

Wastewater System

The District operates three wastewater treatment plants (WWTP). The two South WWTP's are located along the east side of Hwy 198 just north of the entrance to the Town of Enchanted Oaks on the same property and serves the southern area of the District. The North WWTP is located in an unincorporated area on Hammer Road, just off Welch Lane in Gun Barrel City and serves the District's northern sector.

The two South WWTP's are located next to each other. The Old South WWTP is approximately twenty-five years old and has a permitted capacity of 196,000 gallons per day or 0.196 million gallons per day (MGD) as stated within the permit. The New South WWTP, built in 2019 and online April 2020, has a permitted capacity of 125,000 gallons per day or 0.125 MGD. The New South WWTP was built with \$1.36 million from Bonds secured in 2018. Influent flow from the collection system is split between the plants. Combined, both of the South WWTP's have a total treatment capacity of 321,000 gallons per day or 0.321 MGD. Current influent flow through the plants is between 70,000 to 90,000 GPD.

The South WWTP's sit on a 178-acre tract with 134 acres dedicated toward water irrigation from the plants. Treated effluent water from the plants is processed to a large holding pond and then utilized as an irrigation source water. The residual sludge from the plants is processed for disposal to a sanitary landfill.

The District has contracted out cutting, baling, and selling of hay for the plant's irrigated acreage. The District expects to clear about \$6,800 in revenue from hay sales for the current growing season. These funds are deposited in the District's general fund account and used to cover other operating expenses of the District.

The North WWTP was built in 1979 with a treatment capacity of 0.626 MGD with a surge capacity of 1.3 MGD for a period not to exceed two hours. Since 1979, the plant has undergone a series of upgrades with an aggregate cost exceeding \$1.5 million. With these upgrades, the District is now permitted for a treatment capacity of 0.750 MGD which will satisfy District needs for at least another 5 to 10 years. The new permit imposes more challenges to the treatment process due to new and more stringent water quality discharge limits. The major portion of the upgrade cost was due to the need to construct a 1-MGD tertiary clarifier to treat and reduce phosphorous limits to a 1 part per million or less prior to discharging effluent from the treatment facility directly to Cedar Creek Lake.

TABLE 4 – WASTEWATER USAGE (GALLONS IN THOUSANDS)

Calendar Year End	Daily Average	Monthly Average	Total Usage	Total Revenue
2016	497	16,139	193,684	\$ 2,413,305
2017	517	15,754	189,050	2,424,848
2018	483	14,312	171,748	2,497,642
2019	532	16,145	193,745	2,547,610
2020	479	14,634	175,611	2,600,517

Source: The District.

TABLE 5 - TEN LARGEST WASTEWATER CUSTOMERS ⁽¹⁾

Customer	Type of Industry	Wastewater Usage (Gallons)	% of Total Wastewater Usage	Wastewater Revenue	% of Total Wastewater Revenue
Bullet Express Car Wash	Car Wash	1,943,000	0.81%	\$ 9,968	0.39%
Wal-Mart	Department Store	1,850,800	0.77%	12,963	0.51%
Saibaba Hotels	Hotel	1,579,200	0.63%	9,220	0.36%
Jalapeno Tree Mexican	Restaurant	1,509,900	0.66%	1,299	0.05%
Stephen Hudson	Residential	1,396,600	0.58%	7,481	0.30%
Dakai Ye China Café Restaur	Restaurant	1,356,100	0.56%	1,274	0.05%
Hootin Holler	Retail	1,142,300	0.47%	7,407	0.29%
Executive Inn	Hotel	1,001,500	0.42%	5,841	0.23%
Tejas Village	Apartment	999,800	0.41%	6,815	0.27%
Eagle Inn	Hotel	981,400	0.41%	5,758	0.23%
		<u>13,760,600</u>	<u>5.71%</u>	<u>\$ 68,026.58</u>	<u>2.68%</u>

Source: The District.

(1) Fiscal Year 2020.

TABLE 6 - MONTHLY SEWER RATES

New Rates (Effective 7/1/20)			
Meter Size	Base Charge		Cost per 1,000 gallons
5/8"	\$	28.29	\$ 4.36
5/8"		29.42	4.53 ⁽¹⁾
5/8"		28.86	4.45 ⁽²⁾
5/8"		29.14	4.49 ⁽³⁾
3/4"	\$	40.55	\$ 4.36
3/4"		42.17	4.53 ⁽¹⁾
3/4"		41.36	4.45 ⁽²⁾
3/4"		41.77	4.49 ⁽³⁾
1"	\$	65.08	\$ 4.36
1 1/2"		126.39	4.36
2"		199.97	4.36
3"		396.18	4.36
4"		616.92	4.36

Old Rates (Effective 4/1/18)			
Meter Size	Base Charge		Cost per 1,000 gallons
5/8"	\$	26.94	\$ 4.15
5/8"		28.02	4.32 ⁽¹⁾
5/8"		27.48	4.23 ⁽²⁾
5/8"		27.75	4.27 ⁽³⁾
3/4"	\$	38.62	\$ 4.15
3/4"		40.16	4.32 ⁽¹⁾
3/4"		39.39	4.23 ⁽²⁾
3/4"		39.78	4.27 ⁽³⁾
1"	\$	61.98	\$ 4.15
1 1/2"		120.37	4.15
2"		190.45	4.15
3"		377.31	4.15
4"		587.54	4.15

Source: The District.

- (1) Payne Springs residential customer use rate code includes a 4% fee assessed by the City of Payne Springs.
- (2) Enchanted Oaks residential customer use rate code includes a 2% fee assessed by the Town of Enchanted Oaks.
- (3) Gun Barrel City residential customer use rate code includes a 3% fee assessed by the City of Gun Barrel City.

DEBT INFORMATION

TABLE 7 - UTILITY SYSTEM REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 31-Mar	Outstanding Prior Lien Debt Service ⁽¹⁾			Outstanding New Series Debt Service ⁽²⁾			The New Series 2020 Bonds ⁽³⁾			Total Utility System Debt Service	% of Principal Retired
	Principal	Interest	Total D/S	Principal	Interest	Total D/S	Principal	Interest	Total D/S		
2021	\$ 380,000	\$ 48,035	\$ 428,035	\$ 720,000	\$ 308,400	\$ 1,028,400	\$ -	\$ -	\$ -	\$ 1,456,435	
2022	345,000	19,354	364,354	185,000	208,938	393,938	545,000	146,031	691,031	1,449,322	
2023	-	5,381	5,381	345,000	201,238	546,238	795,000	103,950	898,950	1,450,569	
2024	-	5,381	5,381	360,000	188,788	548,788	810,000	80,100	890,100	1,444,269	
2025	-	5,381	5,381	370,000	175,531	545,531	465,000	55,800	520,800	1,071,713	41.53%
2026	105,000	5,381	110,381	390,000	166,706	556,706	285,000	41,850	326,850	993,938	
2027	-	-	-	400,000	156,956	556,956	300,000	33,300	333,300	890,256	
2028	-	-	-	415,000	146,031	561,031	305,000	27,300	332,300	893,331	
2029	-	-	-	430,000	134,131	564,131	260,000	21,200	281,200	845,331	
2030	-	-	-	445,000	121,231	566,231	270,000	16,000	286,000	852,231	69.67%
2031	-	-	-	460,000	107,881	567,881	275,000	10,600	285,600	853,481	
2032	-	-	-	475,000	94,081	569,081	125,000	5,100	130,100	699,181	
2033	-	-	-	495,000	79,519	574,519	130,000	2,600	132,600	707,119	
2034	-	-	-	510,000	64,050	574,050	-	-	-	574,050	
2035	-	-	-	530,000	47,475	577,475	-	-	-	577,475	93.09%
2036	-	-	-	285,000	30,250	315,250	-	-	-	315,250	
2037	-	-	-	295,000	20,631	315,631	-	-	-	315,631	
2038	-	-	-	305,000	10,675	315,675	-	-	-	315,675	100.00%
	<u>\$ 830,000</u>	<u>\$ 88,914</u>	<u>\$ 918,914</u>	<u>\$ 7,415,000</u>	<u>\$ 2,262,513</u>	<u>\$ 9,677,513</u>	<u>\$ 4,565,000</u>	<u>\$ 543,831</u>	<u>\$ 5,108,831</u>	<u>\$ 15,705,257</u>	

(1) The District has covenanted not to issue additional bonds on a parity with the existing Prior Lien. Excludes a portion of the Refunded Obligations

(2) Excludes a portion of the Refunded Obligations.

(3) Net Effective Interest Rate calculated at 1.50%.

ANTICIPATED ISSUANCE OF ADDITIONAL REVENUE BONDS... The District does not anticipate the issuance of additional System revenue debt within the next 24 months.

EMPLOYEE BENEFITS... The District does not participate in a public retirement system. The District provides a deferred compensation plan and a health insurance plan for its employees. See notes I and J in Appendix A - East Cedar Creek Fresh Water Supply District Annual Financial Report. The District has no Other Post Retirement Benefit liability within the meaning of Governmental Accounting Standards Board Statement 45.

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FINANCIAL INFORMATION

TABLE 8 – PROPRIETARY FUND REVENUE AND EXPENSE HISTORY

	Fiscal Year Ended March 31,				
	2020	2019	2018	2017	2016
Revenues					
Water & Sewer Service	\$ 5,551,257	\$ 5,461,359	\$ 5,348,921	\$ 5,184,106	\$ 5,110,083
Other Service Related Fees	603,898	346,423	342,662	230,725	136,071
Charges for Services	134,921	136,359	138,833	130,947	140,193
Miscellaneous	61,920	100,647	101,778	141,998	140,416
Total Revenues	\$ 6,351,996	\$ 6,044,788	\$ 5,932,194	\$ 5,687,776	\$ 5,526,763
Expenses					
Bulk Water Purchases	\$ 426,309	\$ 460,992	\$ 362,339	\$ 436,084	\$ 439,056
Payroll Costs	1,675,515	1,643,532	1,553,376	1,596,546	1,467,521
Professional Fees	18,064	12,550	15,259	10,455	24,409
Printing, Postage and Office Supplies	13,865	72,725	69,370	67,586	56,298
Vehicle Expense	25,369	37,867	29,895	56,483	48,963
Chemicals	241,532	236,846	212,997	201,772	190,479
Machinery & Equipment Expenses	31,175	22,351	25,027	37,789	30,677
Operating Materials & Supplies	797,141	610,608	747,338	642,671	674,351
Sludge Control	37,408	34,143	34,297	34,575	38,220
Utilities	269,139	304,068	298,117	295,054	280,792
Insurance and Bond	24,507	23,217	19,161	16,761	15,615
Postage	59,513	-	-	-	-
Other Operating Expenses	259,663	173,578	148,968	119,790	113,001
Engineering Fees	-	8,169	1,986	1,853	6,911
Testing	-	35,589	33,315	36,925	31,340
Total Expenses	\$ 3,879,200	\$ 3,676,235	\$ 3,551,445	\$ 3,554,344	\$ 3,417,633
Operating Income Before Depreciation	\$ 2,472,796	\$ 2,368,553	\$ 2,380,749	\$ 2,133,432	\$ 2,109,130
Depreciation	(1,264,638)	(1,258,442)	(1,109,220)	(1,096,238)	(1,026,349)
Amortization	-	-	-	-	-
Operating Income	\$ 1,208,157	\$ 1,110,112	\$ 1,271,530	\$ 1,037,194	\$ 1,082,781
Non-Operating Revenue (Expenses)					
Interest Revenue	75,869	58,416	20,634	16,561	9,829
Gain on sale of asset	3,935	1,470	6,247	7,426	1,670
Loss on disposal of asset	-	-	-	-	-
Bond Issuance Cost	-	-	(221,969)	-	(120,000)
Insurance Proceeds	-	-	-	-	-
Extraordinary Income	-	-	-	394,666	-
Bond Interest Expense	(487,393)	(525,501)	(443,171)	(490,659)	(441,038)
Total Non-Operating Expenses	\$ (407,589)	\$ (465,615)	\$ (638,259)	\$ (72,005)	\$ (549,539)
Net Income (Loss)	\$ 800,568	\$ 644,497	\$ 633,271	\$ 965,189	\$ 533,242
Retained Earnings, April 1	14,501,133	13,856,636	13,223,365	12,258,176	11,724,934
Prior Period Adjustment	(100,453)	-	-	-	-
Retained Earnings, March 31	\$15,201,248	\$14,501,133	\$13,856,636	\$13,223,365	\$12,258,176
Water Customers	6,566	6,528	6,458	6,416	6,398
Sewer Customers	5,065	5,018	4,943	4,916	4,862

TABLE 9 – UTILITY SYSTEM CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended March 31,				
	2020	2019	2018	2017	2016
Total Operating Revenue	\$6,427,865	\$6,103,204	\$5,952,828	\$5,704,337	\$5,536,592
Total Operating Expense	3,879,200	3,676,235	3,551,445	3,554,344	3,417,633
Net Income Available for Debt Service ⁽¹⁾	\$2,548,665	\$2,426,969	\$2,401,383	\$2,149,993	\$2,118,959
Annual Bond Payment	\$1,636,400	\$1,736,264	\$1,636,126	\$1,627,944	\$1,542,256
Coverage (Times)	1.56	1.40	1.47	1.32	1.37

(1) Depreciation, amortization and interest expenses not included in calculation of net available for debt service.

TABLE 10 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements (2021 to 2038)	\$	872,514
Coverage Average Annual Requirements by 3/31/2020 Net Income		2.93x
Maximum Annual Principal and Interest Requirements (2021)	\$	1,456,435
Coverage Maximum Annual Requirements by 3/31/2020 Net Income		1.75x
Prior Lien Utility System Revenue Bonds Outstanding (9/15/2020) ⁽¹⁾	\$	450,000
New Series Utility System Revenue Bonds Outstanding (9/15/2020) ⁽¹⁾		7,415,000
The Bonds		4,565,000
Total Utility System Revenue Bonds Outstanding	\$	<u>12,430,000</u>
Interest and Sinking Fund (9/15/2020) ⁽²⁾	\$	1,381,779
Debt Service Reserve Fund (9/15/2020) ⁽²⁾⁽³⁾	\$	33,004

(1) Excludes the Refunded Obligations.

(2) Unaudited

(3) The reserve fund for the Prior Lien Bonds is fully funded with a surety bond provided by Assured Guaranty Municipal Corporation ("AGM") together with cash in the amount shown above. Each respective series of Previously Issued Bonds is fully funded by surety bonds provided by AGM for the Utility System Revenue Refunding Bonds, New Series 2011A; Utility System Revenue Bonds, New Series 2011B; Utility System Revenue Bonds, New Series 2015 and Utility System Revenue Bonds, New Series 2018 and Build America Mutual for the Utility System Revenue Bonds, New Series 2013. The Reserve Fund for the Bonds will be funded by a surety bond provided by AGM as further described herein under "THE BONDS - Reserve Fund."

FINANCIAL POLICIES

Basis of Accounting . . .The District's financial statements contained are prepared using the economic resources measurement focus and full accrual basis of accounting. The Proprietary Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Budgetary Procedures . . .Prior to the fiscal year, the governing board of the District shall adopt an operating budget for the upcoming fiscal year. The adopted budget and any subsequent amendments shall be passed and approved by a resolution of the governing board and shall be made a part of the governing board minutes. Budget amendments are required by the board only if events occur which prevent meaningful comparison of the budget to the actual results of operations. The adopted budget is not a spending limitation imposed by the board. However, the governing board may adopt rules to limit the spending authority of the district officers in relation to the budget. A comparison of the actual operating results to the adopted budget, as amended, is presented in the Supplemental section of the annual financial report.

The budget is adopted under a basis consistent with generally accepted accounting principles, except that depreciation, amortization and interest expense are not considered.

INVESTMENTS

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

LEGAL INVESTMENTS. . . . Under State law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor, (8) certificates of deposit and share certificates (i) issued by or through an institution that either has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less, (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency, (12) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7, and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by

obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

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

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

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

TABLE 11 - CURRENT INVESTMENTS

As of March 31, 2020, the District's investable funds were invested in the following categories:

Description	Market Value	Book Value
Certificate of Deposit	\$ 1,225,293	\$ 1,225,293
Checking Accounts	234,417	234,417
Money Market	1,852,626	1,852,626
Total	<u>\$ 3,312,336</u>	<u>\$ 3,312,336</u>

SELECTED PROVISIONS OF THE RESOLUTION

Section 1: Definitions. For the purpose of the Resolution, the following definitions are provided for the Bonds authorized to be issued therein:

(a) The term “Act” means Chapters 49 and 54 of the Texas Water Code except as the same has been modified by the provisions of Chapter 696, Acts of the 65th Legislature, Regular Session, 1977.

(b) The term “Additional Bonds” means the additional revenue bonds or obligations which the District reserves the right to issue on a parity with the Bonds pursuant to the provisions of Section 19 of the Resolution, as well as any obligations issued to refund Bonds Similarly Secured.

(c) The term “Bond Counsel” means the firm of Kelly Hart & Hallman LLP, Fort Worth, Texas.

(d) The term “Bonds Similarly Secured” shall mean the Bonds, the Previously Issued Bonds and Additional Bonds.

(e) The term “District” means the East Cedar Creek Fresh Water Supply District.

(f) The term “Fiscal Year” means the 12-month period ending March 31 of each year, provided such Fiscal Year may be changed one time in each three-calendar-year period.

(g) The term “Government Securities” shall mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and, on the date of their acquisition or purchase by the District, 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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations that may be used to defease obligations such as the Bonds under applicable laws of the State of Texas.

(h) The term “Maintenance and Operating Expenses” means the expenses required to pay the normal expenses of operation and maintenance of the System and the District, including all salaries, labor, materials, repairs and replacements necessary for the operation and upkeep of such System. The term does not include proceeds from the levy of ad valorem taxes, depreciation, or expenditures which under standard accounting practices should be charged as capital expenditures.

(i) The term “Net Revenues” means Revenues of the System for a stated period of time after deduction of Maintenance and Operating Expenses for such same stated period of time.

(j) The term “Outstanding” shall mean when used in the Resolution with respect to Bonds or Bonds Similarly Secured, as of the date of determination, all Bonds theretofore issued and delivered, except:

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

(2) those Bonds paid or deemed to be paid in accordance with the provisions of Section 30 of the Resolution;
and

(3) those Bonds which have been replaced pursuant to Section 29 of the Resolution.

(k) The term “Previously Issued Bonds” means the outstanding (i) “East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, New Series 2011A”, dated January 15, 2011, originally issued in the principal amount of \$6,740,000, (ii) “East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, New Series 2011B”, dated October 1, 2011, originally issued in the principal amount of \$1,760,000, (iii) “East Cedar Creek Fresh Water Supply District Utility System Revenue Bonds, New Series 2013”, dated February 15, 2013, originally issued in the principal amount of \$1,435,000, and (iv) “East Cedar Creek Fresh Water Supply District Utility System Revenue Bonds, New Series 2015”, dated November 1, 2015, originally issued in the principal amount of \$3,095,000.

(l) The term “Prior Lien Bonds” means the outstanding (i) “East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, Series 2001”, dated November 15, 2001, originally issued in the aggregate principal amount of \$5,970,000, (ii) “East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, Series 2004”, dated June 15, 2004, originally issued in the aggregate principal amount of \$5,175,000, (iii) “East Cedar Creek Fresh Water Supply District Utility System Revenue Bonds, Series 2004”, dated October 15, 2004, originally issued in the aggregate principal amount of \$1,500,000, and (iv) “East Cedar Creek Fresh Water Supply District Utility System Revenue Bonds, Series 2007”, dated January 1, 2007, originally issued in the aggregate principal amount of \$730,000.

(m) The term “Revenues” means all revenues and income to result from the ownership or operation of the System (including investment income therefrom). Charges made for connection to the System, to the extent the same exceed actual cost, shall be considered as contributions in aid of construction (not Revenues); penalties for late payment shall be considered as Revenues.

(n) The terms “Systems” or “System” means (1) all of the property and facilities owned or used by the District in connection with the storage, sale, distribution, and use of water and (2) all property and facilities owned or used by the District for the collection and treatment of sewage. Such term includes all present and future additions, extensions, improvements, replacements and enlargements.

SECTION 11: Pledge. The District covenants and agrees that, subject only to the prior lien on and pledge of the Net Revenues of the System to the payment and security of the Prior Lien Bonds (including the establishment and maintenance of the special funds created for the payment and security thereof) under the terms and conditions of the resolutions and proceedings pertaining to their authorization, the Net Revenues of the System, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are irrevocably pledged, equally and ratably, to the payment and security of the Bonds, the Previously Issued Bonds and Additional Bonds, if issued, including the establishment and maintenance of the special funds created and established for the payment and security thereof, all as provided in the Resolution, and it is ordained that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on the Net Revenues of the System and be valid and binding without any filing or recording except for the filing of the Resolution in the records of the District.

Chapter 1208 of the Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the revenues granted by the District under this Section of the Resolution, 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 revenues granted by the District under this Section of the Resolution is to be subject to the filing requirements of Texas Business and Commerce Code, Chapter 9, as amended, then in order to preserve to the Holders of the Bonds the perfection of the security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Texas Business and Commerce Code, Chapter 9, as amended, and enable a filing to perfect the security interest in such pledge to occur.

SECTION 12: Rates and Charges. The District covenants and agrees with the holders of the Bonds:

(a) It will at all times charge and collect for services rendered by the System rates sufficient (1) to pay all Maintenance and Operation Expenses, replacement and betterment expenses, and other costs, (2) to pay the interest on and principal of the Prior Lien Bonds and the amounts required to be deposited into the special funds created and established for the payment and security of the Prior Lien Bonds, and (3) and to pay the interest on and principal of the Bonds Similarly Secured and the amounts required to be deposited into the special funds created and established for the payment and security of the Bonds Similarly Secured.

(b) If Additional Bonds are issued, or if the System should become legally liable for any other indebtedness, the District will fix and maintain rates and collect charges for the services of the System sufficient to discharge such indebtedness.

SECTION 13: System Fund. The District hereby covenants and agrees with the Holders of the Bonds that all revenues derived from the operation of the System shall be kept separate and apart from other funds of the District. To that end and in accordance with the resolutions authorizing the issuance of the Prior Lien Bonds and the Previously Issued Bonds, the District further covenants and agrees that all revenues and income of every nature derived from the operation of the System shall be deposited from day to day as collected into the “System Revenue Fund” (heretofore created and established and hereinafter called the “System Fund”) and all moneys deposited therein shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: To the payment of all necessary and reasonable Maintenance and Operating Expenses of the System, as defined in Section 1 of the Resolution or required by statute to be a first charge on and claim against the income and revenues of the System;

SECOND: To the payment of the amounts required to be deposited in the special funds or accounts created and established for the payment and security of the Prior Lien Bonds, while outstanding, in accordance with the resolutions authorizing the issuance thereof;

THIRD: To the payment, equally and ratably, of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of principal of and interest on the Bonds Similarly Secured as the same becomes due and payable;

FOURTH: To the payment, equally and ratably, of the amounts required to be deposited in the Reserve Fund created and to be maintained for the benefit and security of the Bonds in accordance with the provisions of the Resolution, the reserve fund created and maintained for the benefit and security of the Previously Issued Bonds in accordance with the provisions of the resolutions authorizing their issuance, and any reserve funds created and to be maintained for the benefit and security of any Additional Bonds in accordance with the provisions of any resolution relating to the issuance of Additional Bonds; and

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

SECTION 14: Interest and Sinking Fund. The following provisions shall govern the establishment, maintenance and use of the “East Cedar Creek Fresh Water Supply District New Series System Revenue Bond Interest and Sinking Fund” (the “Interest and Sinking Fund”). The District covenants that from the funds in the System Fund, the District shall pay into the Interest and Sinking Fund during each year in which any of the Bonds Similarly Secured are outstanding, an amount equal to one hundred percent (100%) of the amount required to meet the principal and interest payments falling due on or before the next interest payment, maturity or redemption date of the Bonds Similarly Secured, such payments to be made in substantially equal monthly installments. If the Net Revenues of the System in any month are then insufficient to make the required payments into the Interest and Sinking Fund, then the amount of any deficiency in the payment shall be added to the amount otherwise required to be paid into the Interest and Sinking Fund in the next month. All moneys paid into the Interest and Sinking Fund shall be deposited in a depository bank of the District. It shall be the duty of such depository to cause money in the Interest and Sinking Fund to be transmitted to the Paying Agent/Registrar, so as to be received on or before each interest payment date, an amount which is sufficient to pay the principal of and interest on the Bonds as the same become due. In the event the amount on hand in the Interest and Sinking Fund is not sufficient for such purpose, the depository, without further order of the District, shall withdraw from the Reserve Fund an amount which is sufficient to make up the deficiency so that the full amount of principal and interest then to become due will be on hand with the Paying Agent/ Registrar. Nothing herein shall be construed as requiring the depository to use its own funds for the purpose of paying the principal of or interest on the Bonds.

SECTION 15: Reserve Fund.

The Reserve Fund shall be maintained for the benefit and security of the Bonds. All funds deposited in the Reserve Fund (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Fund referenced in Section 13 of the Resolution during such periods as there is on deposit in the Reserve Fund the “Required Reserve” identified in the Resolution) shall be used solely (i) for the payment of the principal of and interest on the Bonds (whether at maturity, upon a mandatory redemption date or any interest payment date) when other funds available for such purposes are insufficient, (ii) to pay principal of and interest on the Bonds held by an insurance company, or evidenced by an instrument of assignment entitling an insurance company to payment of principal of and interest on the Bonds, as a result of payments or draws made on a surety bond or insurance policy held for the account of the Reserve Fund and such payments will result in (x) the principal of and/or interest on such Bonds to be paid and (y) the restoration and replenishment of the surety bond or insurance policy coverage representing all or a portion of the Required Reserve, and (iii) to pay, or provide for the payment of, the final principal amount of the Bonds so that the Bonds are no longer deemed to be “Outstanding” as such term is defined herein.

The amount to be accumulated in the Reserve Fund shall be equal to the average annual principal and interest requirements (calculated on a Fiscal Year basis) on all Outstanding Bonds (the “Required Reserve”). The Required Reserve shall be established and maintained with Net Revenues of the System or other lawfully available funds of the District, the proceeds of sale of Bonds or by depositing to the credit of the Reserve Fund, to the extent permitted by law, one or more surety bonds or insurance policies issued by a company or institution having a rating of at least “AA” or its equivalent by at least one nationally recognized rating agency or service. The Required Reserve is hereby found to be \$278,239.13, and such amount has been fully funded through the acquisition of surety policies, including a reserve policy issued in connection with the Bonds (the “Reserve Policy”) issued by Assured Guaranty Municipal Corp. (the “Insurer” or “AGM”).

While cash and investments in the Reserve Fund and/or coverage afforded by a surety bond or insurance policy held for the account of the Reserve Fund total not less than the Required Reserve, 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, the District covenants and agrees to cause monthly deposits to be made to the Reserve Fund on or before the 15th day of each month (beginning the month next following the month the deficiency in the Required Reserve occurred by reason of a draw on the Reserve Fund or as a result of a reduction in the market value of investments held for the account of the Reserve Fund) from Net Revenues of the System in an amount equal to either (i) 1/60th of the Required Reserve until such Required Reserve has been fully restored or (ii) the amounts to pay principal of and interest on the Bonds held by an insurance company, or evidenced by an instrument of assignment entitling an insurance company to payment of principal of and interest on the Bonds, as a result of payments or draws made on a surety bond or insurance policy held for the account of the Reserve Fund and such payments will result in (x) the principal of and/or interest on such Bonds to be paid and (y) the restoration and replenishment of the surety bond or insurance policy coverage representing all or a portion of the Required Reserve. During such time as the Reserve Fund contains the Required Reserve, the District may, at its option, withdraw all surplus cash in the Reserve Fund and deposit such surplus to the credit of the System Fund.

The District may, at its option, on any interest payment date for the Bonds, recalculate the average annual principal and interest requirements for the Bonds as of the date of such calculation and determine a new Required Reserve as of such date.

SECTION 16: Investment of Interest and Sinking Fund and Reserve Fund. Money in the Interest and Sinking Fund and Reserve Fund deposited therein pursuant to the provisions of the Resolution may be, at the option of the District, invested or reinvested from time to time in such securities or investments as provided by the Public Funds Investment Act, as amended (or such statute as may hereafter be adopted which covers the subject matter). Any obligations in which money is so invested shall be kept in escrow and shall be promptly sold and the proceeds from sale applied to the making of payments required to be made from such Funds whenever such payments are necessary to be made.

In the event the depository of such Funds shall fail to make investments as permitted by this Section or should such depository establish fees or charges for making investments which the Board consider to be unreasonable, then and in either event such money may

be deposited in a trust fund account with a depository bank and arrangements made for the transfer to the bank of payment of the amount required to pay the principal of and interest on the Bonds Similarly Secured as the same become due, such transfers to be made not less than five (5) business days prior to an interest payment date.

Investment income of the Interest and Sinking Fund shall remain a part of such Fund, but the investment income of the Reserve Fund shall be transferred to the System Fund.

SECTION 17: Deficiency or Surplus in Funds. If in any month the District shall for any reason fail to pay into the Interest and Sinking Fund or the Reserve Fund the full amount above stipulated, an amount equivalent to such deficiency shall be set apart and paid into such Funds from the first available and unallocated revenues of the following month or months, and such payment shall be in addition to the amount hereinabove provided to be otherwise paid into such Funds during such month or months.

Any revenues in excess of those required to fully establish and maintain the funds herein referenced may be used for the redemption of Bonds Similarly Secured or may be transferred to the other funds of the District heretofore or hereafter created or retained in the System Fund used for general or special purposes permitted by law.

SECTION 18: Security of Funds. All special funds for which the Resolution makes provision (except any portions thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and such funds shall be used only for the purposes permitted by the Resolution.

SECTION 19: Issuance of Additional Bonds. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the District reserves the right to issue, from time to time as needed, Additional Bonds payable from the Net Revenues of the System on a parity with the Bonds and the Previously Issued Bonds. Such Additional Bonds, together with the Bonds and the Previously Issued Bonds, shall be equally and ratably secured by a parity lien on and pledge of the Net Revenues of the System. Additional Bonds may be issued in such form and manner as now or hereafter authorized by the laws of the State of Texas for the issuance of evidences of indebtedness or other instruments, and should new methods or financing techniques be developed that differ from those now available and in normal use, the District reserves the right to employ the same in its financing arrangements provided only that the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(1) The officer of the District then having the primary responsibility for the financial affairs of the District shall have executed a certificate stating (a) that, to the best of such officer's knowledge and belief, the District is not then in default as to any covenant, obligation or agreement contained in any resolution or other proceeding relating to any obligations of the District payable from and secured by a lien on and pledge of the Net Revenues of the System that would materially affect the security or payment of such obligations and (b) either (i) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on and pledge of the Net Revenues of the System have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (ii) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(2) The Additional Bonds shall be scheduled to mature or be payable as to principal on January 1 or July 1 (or both) in each year the same are to be outstanding or during the term thereof.

(3) The District has secured a certificate or opinion of a Certified Public Accountant (the "Accountant") to the effect that the Net Earnings for the last completed Fiscal Year are at least equal to (i) 1.25 times the average annual debt service requirements for all obligations payable from and secured by a lien on and pledge of such Net Revenues of the System to be outstanding after giving effect to the issuance of the Additional Bonds then being issued, and (ii) 1.10 times the maximum annual debt service requirements for all obligations payable from and secured by a lien on and pledge of such Net Revenues of the System to be outstanding after giving effect to the issuance of the Additional Bonds then being issued. The term "Net Earnings", as used in this Section, shall mean the Revenues after deduction of Maintenance and Operating Expenses. Depreciation or expenditures which, under standard accounting practice, should be charged to capital expenditures shall not be classed as maintenance and operating expenses.

In making a determination of the Net Earnings under this Section, the Accountant may take into consideration a change in the monthly rates and charges for services and facilities afforded by the System that (i) became effective during or subsequent to the period noted above for calculating Net Earnings and (ii) has been effective for at least sixty (60) days prior to the last day of the month immediately preceding the month the resolution authorizing the issuance of the Additional Bonds is adopted and, for purposes of satisfying the above Net Earnings test, make a pro forma determination of the Net Earnings of the System for the period of time covered by the Accountant's certification or opinion based on such change in monthly rates and charges being in effect for the entire period covered by the Accountant's certificate or opinion.

SECTION 20: Refunding Bonds. The District reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the District and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions

precedent prescribed (for the issuance of Additional Bonds) set forth in subparagraph (3) of Section 19 of the Resolution shall be satisfied and the Accountant's certificate or opinion, if required by subparagraph (3) of Section 19 shall give effect to the debt service of the proposed refunding bonds (and shall not give effect to the debt service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

SECTION 21: **No Additional Obligations to be Issued on a Parity with the Prior Lien Bonds - Obligations of Inferior Lien and Pledge.** The District will not hereafter issue any additional obligations on a parity with the Prior Lien Bonds or create or issue evidences of indebtedness for any purpose possessing a lien on the Net Revenues of the System superior to that to be possessed by the Bonds Similarly Secured. The District, however, retains the right to create and issue evidences of indebtedness whose lien on the Net Revenues of the System shall be subordinate to that possessed by the Bonds Similarly Secured.

SECTION 22: **Maintenance and Operation - Insurance.** The District shall maintain the System in good condition and operate the same in an efficient manner and at a reasonable cost. While any of the Bonds are outstanding, the District agrees to maintain insurance on the System for the benefit of the holder or holders of the Bonds, of a kind and in an amount which usually would be carried by private companies engaged in similar type of business. Nothing in the Resolution 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 to prevent the District from doing so.

SECTION 23: **Records - Accounts - Accounting Reports.** The District shall keep proper books and records and accounts (separate from all other records and accounts of the District) in which complete and correct entries shall be made of all transactions relating to the System, and shall have such books audited once each year by an independent Public Accountant or Certified Public Accountant.

As soon as conveniently possible but no later than 120 days after the close of each fiscal year, the District shall have prepared a report by an independent Public Accountant or Certified Public Accountant covering the following information:

- (a) Income and Expense Statement;
- (b) Balance Sheet as of the end of the Fiscal Year;
- (c) Accountant's comment regarding the manner in which the District has complied with the requirements of the Resolution and his recommendation, if any, for any changes or improvements in the operation of the System; and
- (d) List of insurance policies in force at the end of the year, showing, as to each policy, the risk covered, the name of the insurer, and the expiration date.

SECTION 24: **Special Covenants.** The District further covenants as follows:

- (a) It has the lawful power to pledge the revenues supporting the Bonds and has lawfully exercised such power under the Constitution and laws of the State of Texas, and the Bonds issued under the Resolution shall be ratably secured in such manner that no one Bond shall have preference over any other Bonds or any other Bonds Similarly Secured.
- (b) Other than for the payment of the Prior Lien Bonds, the Previously Issued Bonds and the Bonds, the Net Revenues of the System have not in any manner been pledged to the payment of any debt or obligation of the System.
- (c) Except as provided in the following paragraph, while any Bonds remain Outstanding, the District will not sell or encumber the System or any substantial part thereof, and the revenues thereof will not be encumbered (except as permitted in Sections 19 and 20) unless such encumbrance is made junior and subordinate to the lien of the Bonds.

The District specifically reserves the right to sell or otherwise dispose of all or part of the Community Water System which is outside the boundaries of the District and the net amount of money received upon such sale shall be deposited in the Interest and Sinking Fund and be used to retire Prior Lien Bonds without reducing the amounts required to be deposited in such fund under Section 14 of the Resolution unless an opinion of a nationally recognized bond counsel advises the same would cause the interest on the Prior Lien Bonds to become subject to federal income taxes in which event the money shall be deposited in the reserve fund for the Prior Lien Bonds. When the Prior Lien Bonds have been fully paid and are no longer outstanding, the District shall be authorized to use such amounts to retire Bonds Similarly Secured subject to the same conditions provided herein.

- (d) No free service of the System shall be allowed except to the offices of the District.

SECTION 25: **Remedies in Event of Default.** In addition to all the rights and remedies provided by law, the District further covenants and agrees that in the event of default in the payment of principal or interest on any Bonds when due, or the Net Revenues of the System are not adequate to make the required transfers into the Funds affirmed by the Resolution, or of default in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Resolution, the holder or holders of any of such Bonds shall be entitled to a writ of mandamus or other appropriate order issued by a court of proper jurisdiction compelling and requiring the

District and the officials thereof to observe and perform any covenant, obligation or condition prescribed in the Resolution. No delay or omission to exercise any right or power accruing upon any default shall impair the exercise of any such right or power or 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 remedy herein provided shall be cumulative of all other existing remedies and the specifications of such remedy shall not be deemed to be exclusive.

SECTION 26: Bonds are Special Obligations. The Bonds are special obligations of the District, payable from the pledged Net Revenues of the System, and the Holders shall never have the right to demand payment thereof out of funds raised or to be raised by taxation.

SECTION 29: Mutilated - Destroyed - Lost and Stolen Bonds. In case any Bond shall be mutilated, or destroyed, lost or stolen, the Paying Agent/Registrar may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only upon the approval of the District and after (i) the filing by the Holder thereof with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar of the destruction, loss or theft of such Bond, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, or destroyed, lost or stolen.

Every replacement Bond issued pursuant to this Section shall be a valid and binding obligation, and shall be entitled to all the benefits of the Resolution equally and ratably with all other Outstanding Bonds; notwithstanding the enforceability of payment by anyone of the destroyed, lost, or stolen Bonds.

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.

SECTION 30: Satisfaction of Obligation of District. If the District shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in the Resolution, then the pledge of Net Revenues under the Resolution and all covenants, agreements, and other obligations of the District to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof and proper fees, compensation and expenses of the paying agent of the Bonds, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The District covenants that no deposit of moneys or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or regulations adopted pursuant thereto.

Upon such deposit as described above, such Bonds shall no longer be regarded as Outstanding or unpaid. Furthermore, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Any moneys so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the District or deposited as directed by the District. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity or applicable redemption date of the Bonds (for which such moneys were deposited and are held in trust to pay) shall upon the request of the District be remitted to the District against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the District shall be subject to any applicable unclaimed property laws of the State of Texas.

SECTION 31: Resolution a Contract - Amendments. The Resolution shall constitute a contract with the Holders from time to time, be binding on the District, and shall not be amended or repealed by the District so long as any Bond remains Outstanding except as permitted in this Section and in Section 43 of the Resolution. The District may, without the consent of or notice to any Holders, from time to time and at any time, amend the Resolution in any manner not detrimental to the interests of the Holders or the Insurer, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, subject to Section 47 of the Resolution, the

District may, with the consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Resolution; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

Section 46. Provisions Relating to Reserve Policy. Terms used in this Section and not otherwise defined shall have the meanings given in the Reserve Policy. The following provisions shall apply to the Reserve Policy:

A. The District shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by AGM and shall pay interest thereon from the date of payment by AGM at the Late Payment Rate. "Late Payment Rate" means the lesser of (x) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Bonds and (y) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such national bank as AGM shall specify. If the interest provisions of this subparagraph (a) shall result in an effective rate of interest which, for any period, exceeds the limit of the usury or any other laws applicable to the indebtedness created herein, then all sums in excess of those lawfully collectible as interest for the period in question shall, without further agreement or notice between or by any party hereto, be applied as additional interest for any later periods of time when amounts are outstanding hereunder to the extent that interest otherwise due hereunder for such periods plus such additional interest would not exceed the limit of the usury or such other laws, and any excess shall be applied upon principal immediately upon receipt of such moneys by AGM, with the same force and effect as if the District had specifically designated such extra sums to be so applied and AGM had agreed to accept such extra payment(s) as additional interest for such later periods. In no event shall any agreed-to or actual exaction as consideration for the indebtedness created herein exceed the limits imposed or provided by the law applicable to this transaction for the use or detention of money or for forbearance in seeking its collection.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to AGM shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to AGM on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy. The obligation to pay Policy Costs shall be secured by a valid lien on all revenues and other collateral pledged as security for the Bonds (subject only to the priority of payment provisions set forth under the Resolution).

All cash and investments in the Reserve Fund shall be transferred to the debt service fund for payment of debt service on Bonds before any drawing may be made on the Reserve Policy or any other credit facility credited to the Reserve Fund in lieu of cash ("Credit Facility"). Payment of any Policy Costs shall be made prior to replenishment of any such cash amounts. Draws on all Credit Facilities (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

B. If the District shall fail to pay any Policy Costs in accordance with the requirements of subparagraph (a) hereof, AGM shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under the Resolution other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect owners of the Bonds.

C. The Resolution shall not be discharged until all Policy Costs owing to AGM shall have been paid in full. The District's obligation to pay such amounts shall expressly survive payment in full of the Bonds.

D. The District shall include any Policy Costs then due and owing AGM in the calculation of the additional bonds test and the rate covenant in the Resolution.

E. The Paying Agent/Registrar shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of subparagraph (a) hereof and to provide notice to AGM in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the District with the Paying Agent/Registrar to the debt service fund for the Bonds more often than semi-annually, the Paying Agent/Registrar shall be instructed to give notice to AGM of any failure of the District to make timely payment in full of such deposits within two business days of

the date due.

Section 47. Provisions Relating to Bond Insurance Policy. The Bonds will be insured by AGM. The following provisions shall apply to the Insurance Policy (defined below), but only for so long as the Insurance Policy is in effect with respect to the Bonds:

F. “Insurance Policy” shall be defined as follows: “the insurance policy issued by the Insurer guaranteeing the scheduled payment of principal of and interest on the Bonds when due”. The term “Insurer” or “AGM” shall be defined as follows: “Assured Guaranty Municipal Corp., a New York stock insurance company, or any successor thereto or assignee thereof”.

G. Subject to the provisions of Section 46 hereof, the prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument (other than a credit instrument provided by the Insurer) provided in lieu of a cash deposit into the Reserve Fund. Notwithstanding anything herein to the contrary and in accordance with **Error! Reference source not found.** hereof, amounts on deposit in the Reserve Fund shall be applied solely to the payment of debt service due on the Bonds.

H. So long as AGM is not in default under the Insurance Policy, the Insurer shall be deemed to be the sole holder of the Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Bonds are entitled to take pursuant to this Resolution pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Paying Agent/Registrar. In furtherance thereof and to the extent permitted by applicable law, as a term of this Resolution and each Bond and as long as the Insurer is not in default under the Insurance Policy, the Paying Agent and each Bondholder appoint the Insurer as their agent and attorney-in-fact and agree that the Insurer may at any time during the continuation of any proceeding by or against the District under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “Insolvency Proceeding”) direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a “Claim”), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedias or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Paying Agent and each Bondholder delegate and assign to the Insurer, to the fullest extent permitted by applicable law, the rights of the Paying Agent and each Bondholder in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding. Remedies granted to the Bondholders shall expressly include mandamus.

I. No grace period for a covenant default shall exceed thirty (30) days or be extended for more than sixty (60) days, without the prior written consent of the Insurer. No grace period shall be permitted for payment defaults.

J. The Insurer is deemed to be a third party beneficiary of this Resolution.

K. Upon the occurrence of an extraordinary optional, special, or extraordinary mandatory redemption in part, the Paying Agent/Registrar shall select the Bonds to be redeemed, or principal amount thereof, to be redeemed within such Stated Maturity by lot in accordance with **Error! Reference source not found.** hereof, or in a manner otherwise approved by the Insurer and on a basis consistent with the DTC rules, if applicable. The exercise of any provision of this Resolution which permits the purchase of Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Bond so purchased is not cancelled upon purchase.

L. Any amendment, supplement, modification to, or waiver of, this Resolution or any other transaction document, including any underlying security agreement (each a “Related Document”), that requires the consent of the Holders or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

M. Unless the Insurer otherwise directs, upon the occurrence and continuation of an event of default or an event which with notice or lapse of time would constitute an event of default, amounts on deposit in the construction fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Bonds.

N. The rights granted to the Insurer under this Resolution or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Holders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Holders or any other person is required in addition to the consent of the Insurer.

O. Only (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for “AAA” defeasance under then existing criteria of S&P or any combination thereof shall be used to effect defeasance of the Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the District shall cause to be delivered to the Insurer (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer (“Accountant”) verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (“Verification”), (ii) an escrow deposit agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer “Outstanding” under this Resolution and (iv) a certificate of discharge of the Paying Agent/Registrar with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District, the Paying Agent/Registrar, and the Insurer. The Insurer shall be provided with final drafts of the above referenced documentation not less than five Business Days prior to the funding of the escrow.

Bonds shall be deemed “Outstanding” under this Resolution unless and until they are in fact paid and retired or the above criteria are met.

P. Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of this Resolution and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the District in accordance with this Resolution. This Resolution shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

Q. The District covenants and agrees to take such action, or to cause the Paying Agent/Registrar to take such action (including, as applicable, filing of UCC financing statements and continuations thereof), as is necessary from time to time to preserve the priority of the pledge of the Net Revenues of the System under applicable law.

R. Claims Upon the Insurance Policy and payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date (“Payment Date”) there is not on deposit with the Paying Agent/Registrar, after making all transfers and deposits required under this Resolution, moneys sufficient to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent/Registrar shall give notice to the Insurer and to its designated agent (if any) (the “Insurer’s Fiscal Agent”) by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Bonds due on such Payment Date, the Paying Agent/Registrar shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer’s Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Bonds and the amount required to pay principal of the Bonds, confirmed in writing to the Insurer and the Insurer’s Fiscal Agent (if any) by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Paying Agent/Registrar shall designate any portion of payment of principal on Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Holders, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent/Registrar’s failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the District on any Bond or the subrogation rights of the Insurer.

The Paying Agent/Registrar shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent/Registrar.

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Upon payment of a claim under the Insurance Policy, the Paying Agent/Registrar shall establish a separate special purpose trust account for the benefit of Holders referred to herein as the "Policy Payments Account" and over which the Paying Agent/Registrar shall have exclusive control and sole right of withdrawal. The Paying Agent/Registrar shall receive any amount paid under the Insurance Policy in trust on behalf of Holders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent/Registrar to Holders in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the District agrees to pay to the Insurer, solely from Net Revenues, (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) to the extent permitted by applicable law and subject to annual appropriation, interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The District hereby covenants and agrees that the Insurer Advances are secured by a lien on and pledge of the Net Revenues and payable from such Net Revenues on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent/Registrar and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent/Registrar. Any funds remaining in the Policy Payments Account following a Bond payment date shall promptly be remitted to the Insurer.

S. The Insurer shall, to the extent it makes any payment of principal or interest on the Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy (which subrogation rights shall also include the rights of any such recipients in connection with any Insolvency Proceeding). Each obligation of the District to the Insurer under the Related Documents shall survive discharge or termination of such Related Documents.

T. To the extent permitted by law and subject to annual appropriation, the District shall pay or reimburse the Insurer solely from Net Revenues any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in any Related Document; (ii) the pursuit of any remedies under this Resolution or any other Related Document or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, this Resolution or any other Related Document whether or not executed or completed, or (iv) any litigation or other dispute in connection with this Resolution or any other Related Document or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Resolution or any other Related Document.

U. After payment of reasonable expenses of the Paying Agent/Registrar, the application of funds realized upon default shall be applied to the payment of expenses of the District or rebate only after the payment of past due and current debt service on the Bonds and amounts required to restore the Reserve Fund to the Required Reserve.

V. The Insurer shall be entitled to pay principal or interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the District (as such terms are defined in the Insurance Policy), whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

W. The notice address of the Insurer is: Assured Guaranty Municipal Corp., 1633 Broadway, New York, New York 10019, Attention: Managing Director - Surveillance, Re: Policy No. 220559-R, Telephone: (212) 974-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an event of default, then a copy of such notice or other communication shall also be sent to the attention of the Deputy General Counsel — Public Finance and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

X. The Insurer shall be provided with the following information by the District or Paying Agent/Registrar, as the case may be:

1. Annual audited financial statements within one hundred eighty (180) days after the end of the District's fiscal year (together with a certification of the District that it is not aware of any default or event of default under this Resolution), and the District's annual budget within thirty (30) days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

2. Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Required Reserve and (ii) withdrawals in connection with a refunding of Bonds;

3. Notice of any default known to the Paying Agent/Registrar or District within five Business Days after knowledge thereof;

4. Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

5. Notice of the resignation or removal of the Paying Agent/Registrar and the appointment of; and acceptance of duties by, any successor thereto;

6. Notice of the commencement of any proceeding by or against the District commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

7. Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;

8. A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents;

9. All reports, notices and correspondence to be delivered to Bondholders under the terms of the Related Documents; and

10. All information furnished pursuant to any continuing disclosure agreement, covenant, or undertaking with respect to the Bonds, shall also be provided to the Insurer, simultaneously with the furnishing of such information.

Y. The Insurer shall have the right to receive such additional information as it may reasonably request.

Z. The District will permit the Insurer to discuss the affairs, finances and accounts of the District or any information the Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the District and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the District on any business day upon reasonable prior notice.

AA. The District shall notify the Insurer of any failure of the District to provide notices, certificates and other information under the transaction documents.

BB. Notwithstanding satisfaction of the other conditions to the issuance of Additional Bonds set forth in this Resolution, no such issuance may occur (1) if an event of default (or any event which, once all notice or grace periods have passed, would constitute an event of default) exists unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at the Required Reserve (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

CC. In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Resolution would adversely affect the security for the Bonds or the rights of the Holders, the Paying Agent/Registrar shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

DD. No contract shall be entered into or any action taken by which the rights of the Insurer or security for or sources of payment of the Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

EE. Any interest rate exchange agreement ("Swap Agreement") entered into by the Issuer, secured by and payable from Net Revenues of the System, shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (c) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage, or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. The Issuer shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Issuer to be in default under the Related Documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ("S&P") and Moody's Investor Services ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baal" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.

TAX MATTERS

TAX EXEMPTION... The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), 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. A form of Bond Counsel's opinion is reproduced as Appendix B. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Resolution subsequent to the issuance of the Bonds. The Resolution contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, 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.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners 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 District 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.

Except as described above, Bond Counsel expresses 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. 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, 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, 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. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN BONDS... The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. 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 Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." 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 the tax 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 of accrued original issue discount on Discount Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. 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 the amount payable 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. 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.

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, 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 certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

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 this Official Statement under Tables numbered 1 through 11 and in Appendix A hereto. The District will update and provide this information within six months after the end of each fiscal year ending in or after 2021.

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 Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements of the type described in the preceding paragraph by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix 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 March 31. Accordingly, it must provide updated information by September 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS. . . The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled

draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, and (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. The term “financial obligation” when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under Annual Reports.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

The Bonds are rated “AA”, by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued by AGM concurrently with the delivery of the Bonds to the Initial Purchaser with an underlying rating of “A” by S&P. An explanation of the significance of each rating may be obtained from the company furnishing the rating. Each rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the

rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds.

LITIGATION

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL OPINIONS

The District will furnish the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds are valid and legally binding special obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" Though it represents the Financial Advisor and investment banking firms such as the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING - Refunded Obligations", "THE BONDS" (except for the subcaptions "Book-Entry-Only System" and "Bondholder's Remedies"), "SELECTED PROVISIONS OF THE RESOLUTION", "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exception for the subcaption "- Compliance with Prior Undertakings"), and the subcaptions "Legal Opinions" (except for the last sentence of the first paragraph thereof), "Registration and Qualification of Bonds for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas", under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Counsel to the Underwriter, whose legal fees are contingent on the delivery of the Bonds.

The 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 expressly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

FINANCIAL ADVISOR

Hilltop Securities Inc. is employed as Financial Advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery

of the Bonds. The Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District, at an underwriting discount of \$39,037.84. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriter.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

The Resolution authorizing the issuance of the Bonds has approved the form and content of the Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Purchaser.

/s/ Harry McCune
President, Board of Directors
East Cedar Creek Fresh Water
Supply District

ATTEST:

/s/ Joe Lomonaco
Secretary, Board of Directors
East Cedar Creek Fresh Water
Supply District

SCHEDULE OF REFUNDED BONDS

Utility System Revenue Refunding Bonds, New Series 2011A

Original Dated Date	Original Maturity (Jan. 1)	Interest Rate	Principal Amount Outstanding	Call Date
1/15/2011	2022	4.250%	\$ 380,000	1/1/2021
	2023	4.500%	430,000	1/1/2021
	2024	4.750%	445,000 ⁽¹⁾	1/1/2021
	2025	4.750%	80,000 ⁽¹⁾	1/1/2021
			<u>\$ 1,335,000</u>	

(1) Represents a maturity of a Term Bond scheduled to mature on January 1, 2025

Utility System Revenue Bonds, New Series 2011B

Original Dated Date	Original Maturity (Jan. 1)	Interest Rate	Principal Amount Outstanding	Call Date
10/1/2011	2022	3.250%	\$ 110,000 ⁽¹⁾	1/1/2021
	2023	3.250%	110,000 ⁽¹⁾	1/1/2021
	2024	3.500%	115,000 ⁽²⁾	1/1/2021
	2025	3.250%	120,000 ⁽²⁾	1/1/2021
	2026	3.500%	125,000 ⁽³⁾	1/1/2021
	2027	3.500%	130,000 ⁽³⁾	1/1/2021
	2028	3.750%	135,000 ⁽⁴⁾	1/1/2021
	2029	3.750%	140,000 ⁽⁴⁾	1/1/2021
	2030	4.000%	145,000 ⁽⁵⁾	1/1/2021
	2031	4.000%	150,000 ⁽⁵⁾	1/1/2021
			<u>\$ 1,280,000</u>	

(1) Represents a maturity of a Term Bond scheduled to mature on January 1, 2023

(2) Represents a maturity of a Term Bond scheduled to mature on January 1, 2025

(3) Represents a maturity of a Term Bond scheduled to mature on January 1, 2027

(4) Represents a maturity of a Term Bond scheduled to mature on January 1, 2029

(5) Represents a maturity of a Term Bond scheduled to mature on January 1, 2031

Utility System Revenue Bonds, New Series 2013

Original Dated Date	Original Maturity (Jan. 1)	Interest Rate	Principal Amount Outstanding	Call Date
2/15/2013	2022	3.000%	\$ 85,000	1/1/2021
	2023	3.000%	85,000	1/1/2021
	2024	3.000%	90,000	1/1/2021
	2025	3.000%	95,000 ⁽¹⁾	1/1/2021
	2026	3.000%	95,000 ⁽¹⁾	1/1/2021
	2027	3.000%	100,000 ⁽¹⁾	1/1/2021
	2028	3.000%	105,000 ⁽¹⁾	1/1/2021
	2029	3.000%	110,000 ⁽¹⁾	1/1/2021
	2030	3.250%	115,000 ⁽²⁾	1/1/2021
	2031	3.250%	120,000 ⁽²⁾	1/1/2021
	2032	3.250%	125,000 ⁽²⁾	1/1/2021
	2033	3.250%	130,000 ⁽²⁾	1/1/2021
			\$ 1,255,000	

(1) Represents a maturity of a Term Bond scheduled to mature on January 1, 2029.

(2) Represents a maturity of a Term Bond scheduled to mature on January 1, 2033.

Utility System Revenue Bonds, Series 2004

Original Dated Date	Original Maturity (Jan. 1)	Interest Rate	Principal Amount Outstanding	Call Date
10/15/2004	2021	3.800%	\$ 90,000	11/16/2020
	2022	3.850%	90,000	11/16/2020
	2023	3.950%	95,000	11/16/2020
	2024	4.050%	100,000	11/16/2020
	2025	4.100%	105,000	11/16/2020
			<u>\$ 480,000</u>	

Utility System Revenue Bonds, Series 2007

Original Dated Date	Original Maturity (July. 1)	Interest Rate	Principal Amount Outstanding	Call Date
1/1/2007	2021	2.950%	\$ 40,000	11/16/2020
	2022	3.000%	40,000	11/16/2020
	2023	3.050%	45,000	11/16/2020
	2024	3.050%	45,000	11/16/2020
	2025	3.100%	45,000	11/16/2020
	2026	3.150%	50,000	11/16/2020
	2027	3.150%	50,000	11/16/2020
			<u>\$ 315,000</u>	

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APPENDIX A

EXCERPTS FROM THE
EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended March 31, 2020

The information contained in this Appendix consists of excerpts from the East Cedar Creek Fresh Water Supply District, Annual Financial Report for the Year Ended March 31, 2020, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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Mike Ward Accounting & Financial Consulting, PLLC

Mike Ward, CPA
266 RCR 1397
Point, Texas 75472

(903) 269-6211
mward@mikewardcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
East Cedar Creek Fresh Water Supply District
P.O. Box 309
Mabank, Texas 75147-0309

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of East Cedar Creek Fresh Water Supply District ("District"), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of East Cedar Creek Fresh Water Supply District as of March 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

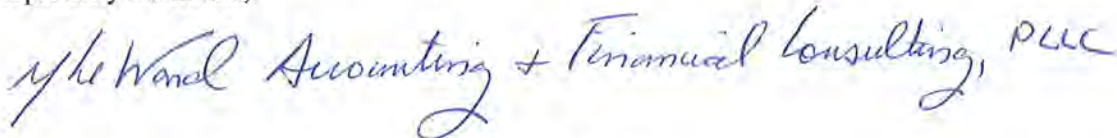
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting 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. I 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 inquires of management about the methods of preparing the information, and comparing the information for consistency with management's responses to my inquires, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion, or provide any assurance on the information, because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the East Cedar Creek Fresh Water Supply District's basic financial statements. The introductory section, supplemental schedules required by the Texas Commission on Environmental Quality, statistical tables, and supplemental information listed in the table of contents are presented for purposes of additional analysis, and are not a required part of the basic financial statements.

The introductory section, supplemental schedules required by the Texas Commission on Environmental Quality, statistical section, and supplemental information, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on them.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Mike Ward Accounting & Financial Consulting, PLLC". The signature is written in a cursive, flowing style.

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas
July 14, 2020

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
MARCH 31, 2020**

Within this section of the East Cedar Creek Fresh Water Supply District's ("District") annual financial report, management provides this narrative discussion and analysis of the financial activities of the District for fiscal year ending March 31, 2020. Financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following the section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$15,201,248 (net position). The portion of net position that can be used to meet the District's on-going obligations to citizens and creditors, the unrestricted net position, is \$2,705,112, or 18% of total net position.
- The District's total net position increased by \$800,568. This increase is due, in large part, to the increase in charge for services of \$345,936, or 6%, compared to the prior year.
- Net investments in capital assets totaled \$11,638,818. This amount includes property, equipment, and infrastructure less related accumulated depreciation, less outstanding debt used to purchase the capital assets, plus any unspent bond proceeds.
- The District's total net debt decreased by (\$1,148,597), or (8%), during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of two components; 1) fund financial statements, and 2) notes to the financial statements. The report also contains other supplementary information, in addition to the basic financial statements.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
MARCH 31, 2020**

The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to a typical private-sector business.

The District operates as a proprietary fund type, and presents its financial statements using the economic resources measurement focus, and the accrual basis of accounting. The District's basic financial statements include:

- Proprietary Fund Type – Statement of Net Position
- Statement of Revenues, Expenses, and Changes in Net Position
- Statement of Cash Flows
- Notes to the Basic Financial Statements

The Statement of Net Position includes all of the District's assets and liabilities, with the difference between the two reported as net position. Net position is displayed in three categories:

- Net Investment in Capital Assets
- Restricted
- Unrestricted

Overview of the Financial Statements

The District operates as a proprietary fund type. All proprietary fund types are accounted for on a flow of economic resources measurement focus. Under the flow of economic measurement focus, all assets and liabilities associated with the operation of these funds are included within the Statement of Net Position. Proprietary fund type operating statements present increases, (revenues), and decreases, (expenses), in total net position.

All proprietary fund types utilize the accrual basis of accounting. Under this method, revenues are recognized when earned, regardless of when received, and expenses are recognized at the time the related liabilities are incurred, regardless of when paid.

Notes to the Financial Statements – The accompanying notes to the financial statements provide information that is essential to a complete understanding of the data provided within the basic financial statements. The notes to the financial statements begin immediately following the basic financial statements.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
MARCH 31, 2020**

Schedule of Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 5,877,537	\$ 7,617,279
Non current assets	23,534,515	22,276,508
Total assets	<u>29,412,053</u>	<u>29,893,787</u>
Other liabilities	1,278,507	1,297,840
Long-term liabilities	12,932,298	14,094,814
Total liabilities	<u>14,210,805</u>	<u>15,392,654</u>
Net position:		
Net investment in capital assets	11,638,818	11,529,630
Restricted	857,318	836,577
Unrestricted	2,705,112	2,134,926
Total net position	<u>\$ 15,201,248</u>	<u>\$ 14,501,133</u>

As noted earlier, net position may serve over time as one useful indicator of the District's financial condition. The net position of the District was \$15,201,248, as of March 31, 2020. The District's net position increased by \$800,568, or 5.5%, during the fiscal year.

Net investment in capital assets

The largest portion, \$11,638,818 or 77%, reflects the District's investment in capital assets (e.g. land, buildings, machinery and equipment, and infrastructure), less any related debt still outstanding that was issued to acquire those items. The District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of any outstanding related debt, the resources needed to repay that debt must be provided by other sources.

Restricted net position

The restricted net position of \$857,318, or 6%, of total net position, represents resources that are subject to external restriction on their use, or by enabling legislation. Restricted net position of the District is for debt obligations.

Unrestricted net position

Unrestricted net position of \$2,705,112, or 18%, of total net position is available to fund the District's programs to its customers and creditors.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
MARCH 31, 2020**

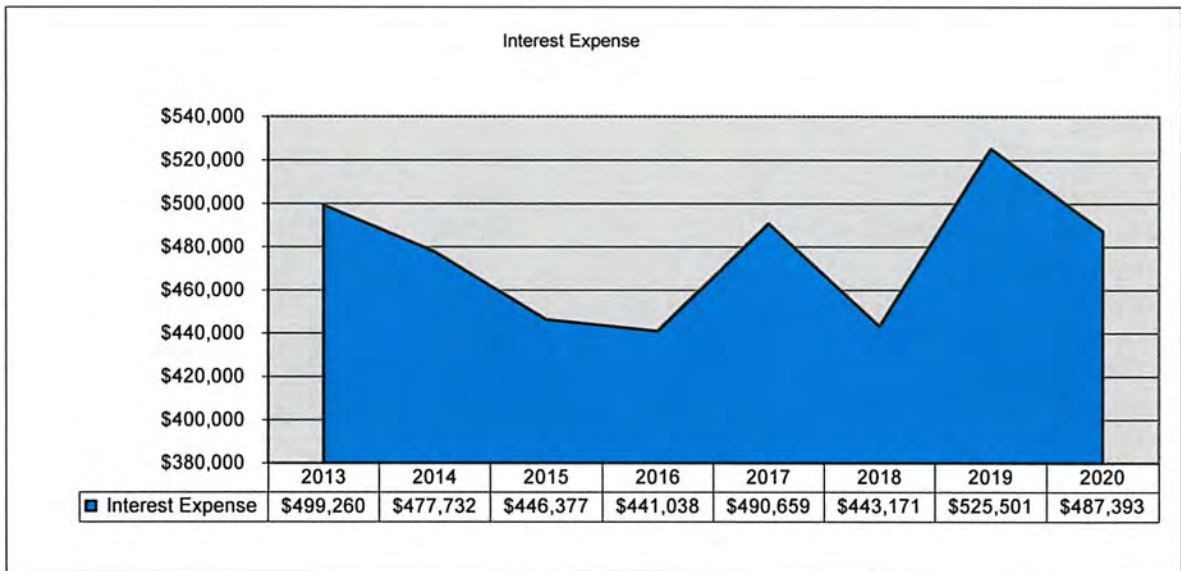
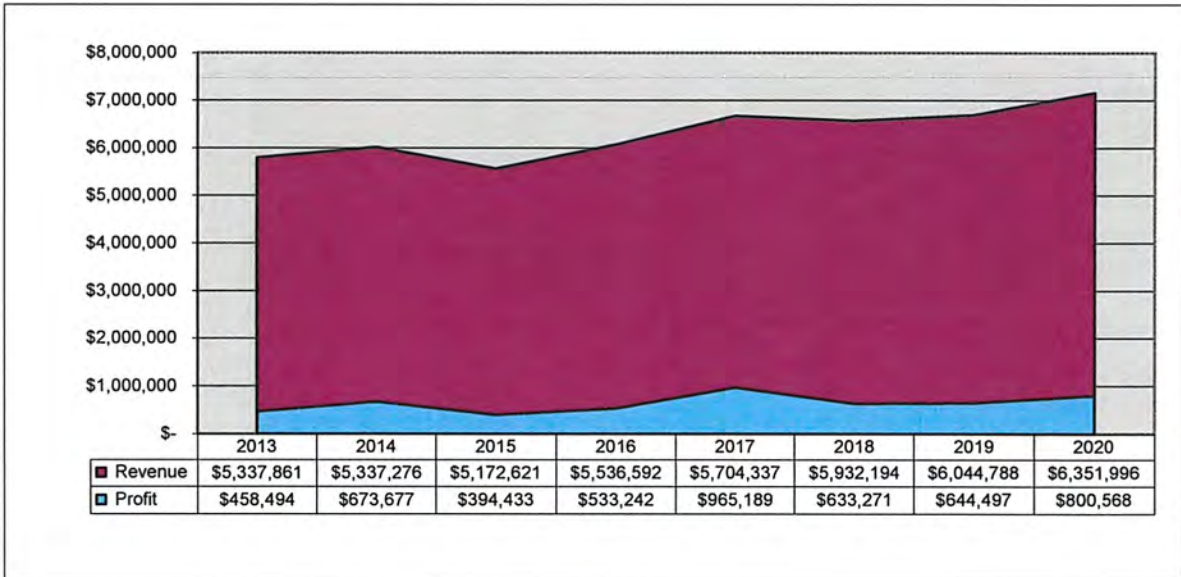
Changes in Net Position

	Business-type Activities		Total % Change
	2020	2019	
Revenues:			
Program Revenues:			
Charges for Services	\$ 6,290,077	\$ 5,944,141	5.82%
General Revenues:			
Miscellaneous	61,920	100,647	-38.48%
Total Revenues	<u>6,351,996</u>	<u>6,044,788</u>	<u>5.08%</u>
Expenses:			
Program Expenses:			
Bulk Water Purchases	426,309	460,992	7.52%
Personnel Costs	1,675,515	1,643,532	-1.95%
Professional Fees	17,014	12,550	-35.57%
Printing and Office Supplies	13,865	13,596	-1.98%
Vehicle Expense	25,369	37,867	33.00%
Chemicals	241,532	236,846	-1.98%
Machinery & Equipment Expense	31,175	22,351	-39.48%
Operating Material & Supplies	761,791	610,608	-24.76%
Sludge Control	37,408	34,143	-9.56%
Postage	59,513	59,129	-0.65%
Utilities	269,139	304,068	11.49%
Insurance & Bond	24,507	23,217	-5.56%
Other Operating Expenses	259,663	173,578	-49.59%
Engineering Fees	1,050	8,169	87.15%
Testing	35,350	35,589	0.67%
Depreciation & Amortization	1,264,638	1,258,441	-0.49%
Total Expenses	<u>5,143,839</u>	<u>4,934,676</u>	<u>-4.24%</u>
Excess of Revenues over Expenses	<u>1,208,157</u>	<u>1,110,112</u>	<u>8.83%</u>
Interest on Long-Term Debt	(487,393)	(525,501)	7.25%
Investment Income	75,869	58,416	29.88%
Gain(loss) on Disposal of Assets	3,935	1,470	167.69%
Increase in Net Position	<u>800,568</u>	<u>644,497</u>	<u>24.22%</u>
Net Position, April 1	14,501,133	13,856,636	4.65%
Prior Period Adjustment	(100,453)	-	0.00%
Net Position, March 31	<u>\$ 15,201,248</u>	<u>\$ 14,501,133</u>	<u>4.83%</u>

The District, as a whole, is primarily reliant on charges for services. Activities were 99% supported by charges for service, and 1% of revenues were derived from other sources.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
FOR THE YEARS ENDED MARCH 31, 2013 - 2020**

REVENUES AND CHANGES IN NET POSITION



**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
MARCH 31, 2020**

Capital Assets - The District's investment in capital assets for its business-type activities, as of March 31, 2020, total \$23,534,515, net of accumulated depreciation. This investment in capital assets includes buildings, system infrastructure, land, machinery, and equipment. The total increase in investment in capital assets for the current fiscal year was 5.7%.

Major capital improvements on-going during the fiscal year:

- Brookshire raw water pump improvements
- Lift station 19 replacement
- Elevated storage tank
- Southside wastewater treatment plant improvements

Capital Assets		
(net of accumulated depreciation)		
Business-type		
Activities		
	<u>2020</u>	<u>2019</u>
Land & Improvements	\$ 482,051	\$ 482,051
Machinery & Equipment	677,634	669,647
Buildings	161,060	170,705
Infrastructure	20,469,663	20,304,517
Construction in Progress	1,744,107	646,195
Total	<u>\$ 23,534,515</u>	<u>\$ 22,273,115</u>

More detailed information about the District's capital assets is presented in Note E to the financial statements.

Long-term Debt - As of March 31, 2020, the District had long-term debt outstanding of \$12,883,345. During the fiscal year, total debt decreased (\$1,148,597), or (8%).

Outstanding Debt		
as of March 31		
Business-type		
Activities		
	<u>2020</u>	<u>2019</u>
Utility System Revenue Bonds	<u>\$ 12,883,345</u>	<u>\$ 14,031,942</u>

More detailed information about the District's long-term liabilities is presented in Note G to the financial statements.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
MARCH 31, 2020**

Requests for Information

This report is designed to provide an overview of the District's finances for interested parties. Questions concerning the information found in this report, or requests for additional financial information, should be addressed to East Cedar Creek Fresh Water Supply District, P.O. Box 309, Mabank, TX 75147-0309.

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BASIC FINANCIAL STATEMENTS

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
STATEMENT OF NET POSITION
MARCH 31, 2020**

	<u>Proprietary Fund</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,327,819
Restricted cash and cash equivalents	1,844,966
Receivables (net of allowance for uncollectibles)	349,233
Inventory	331,887
Prepaid expenses	23,633
Total Current Assets	<u>5,877,537</u>
Noncurrent Assets:	
Capital Assets (net of accumulated depreciation):	
Land	482,051
Buildings & improvements	273,041
Infrastructure	38,995,701
Machinery & equipment	1,456,498
Construction In progress	2,390,301
Less accumulated depreciation	<u>(20,063,078)</u>
Total Noncurrent Assets	<u>23,534,515</u>
Total Assets	<u><u>29,412,053</u></u>
LIABILITIES	
Current Liabilities:	
Accounts payable	332,590
Payroll liabilities	8,265
Customer deposits-restricted assets	769,679
Accrued interest payable	110,911
Other liabilities	57,061
Total Current Liabilities	<u>1,278,507</u>
Noncurrent Liabilities:	
Due within one year:	
Revenue bonds payable	1,190,000
Due in more than one year:	
Compensated absences	48,953
Revenue bonds payable	<u>11,693,345</u>
Total Noncurrent Liabilities	<u>12,932,298</u>
Total Liabilities	<u><u>14,210,805</u></u>
NET POSITION	
Net investment in capital assets	11,638,818
Restricted for:	
Debt	857,318
Unrestricted	<u>2,705,112</u>
Total Net Position	<u><u>\$ 15,201,248</u></u>

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

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2020**

	<u>Proprietary Fund</u>
OPERATING REVENUES	
Charges for sales and services:	
Customer service fees	\$ 5,551,257
Other services related fees	603,898
Service charges & penalties	134,921
Other revenues	61,920
Total Operating Revenues	<u>6,351,996</u>
OPERATING EXPENSES	
Bulk water purchases	426,309
Personnel costs	1,675,515
Professional fees	18,064
Printing and office supplies	13,865
Vehicle expenses	25,369
Chemicals	241,532
Machinery & equipment expense	31,175
Operating material & supplies	797,141
Sludge control	37,408
Postage	59,513
Utilities	269,139
Insurance	24,507
Other operating expenses	259,663
Depreciation and amortization	1,264,638
Total Operating Expenses	<u>5,143,839</u>
Operating Income (Loss)	<u>1,208,157</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	75,869
Gain on disposal of asset	3,935
Interest expense	(487,393)
Total Non-operating Revenues (Expenses)	<u>(407,589)</u>
Change in Net Position	800,568
Net position - Beginning, April 1	<u>14,501,133</u>
Prior Period Adjustment	<u>(100,453)</u>
Net position - Ending, March 31	<u>\$ 15,201,248</u>

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

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED MARCH 31, 2020**

	Proprietary Fund
Cash Flows from Operating Activities	
Cash received from customers	\$ 6,338,284
Cash received from other sources	61,920
Cash paid to employees	(1,689,433)
Cash paid to suppliers	(2,284,016)
Net Cash Provided by Operating Activities	<u>2,426,755</u>
Cash Flows from Capital and Related Financing Activities	
Interest paid on capital debt	(487,391)
Principal payments of capital debt	(1,178,058)
Discount and premium on bonds	29,460
Gain(loss) on sale of assets	3,935
Acquisition and construction of capital assets	(2,522,645)
Net Cash (Used) for Capital & Related Financing Activities	<u>(4,154,699)</u>
Cash Flows from Investing Activities	
Interest income	75,868
Net Cash Provided by Investing Activities	<u>75,868</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,652,076)
Cash and Cash Equivalents at Beginning of Year	6,824,861
Cash and Cash Equivalents at End of Year	<u>\$ 5,172,785</u>
Reconciliation of Operating Income to Net Cash Provided by Operation Activities	
Operating income (loss)	\$ 1,208,157
Adjustment to reconcile operating income to net Cash provided by operating activities:	
Depreciation and amortization	1,264,638
Changes in Assets and Liabilities:	
(Increase) Decrease in Assets:	
Receivables	26,347
Prepaid Assets	0
Inventories	61,319
Increase (Decrease) in Liabilities:	
Accounts payable	(134,297)
Accrued liabilities	0
Compensated absences	(13,919)
Customer deposits	21,861
Accrued interest payable	(6,082)
Other liabilities	(1,271)
Total Adjustments	<u>1,218,598</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,426,755</u>

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

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Board of Directors, a seven-member body elected by qualified voters of the District, is the governing body responsible for all activities of the East Cedar Creek Fresh Water Supply District ("District"), located in Henderson County. The Directors serve four years, staggered terms, that expire in even number years. The District was created on June 25, 1977 by House Bill No. 2165 passed by the 65th Legislature in 1977, as a conservation and reclamation district under Article XVI, Section 59, of the Texas Constitution, and has the powers of a municipal utility district under Chapter 54 of the Texas Water Code, as amended. As a municipal utility district, the District has the authority to levy ad valorem taxes to pay maintenance and operation expenses, payments under contracts, and to pay unlimited tax bonds, all subject to voter approval. The District has not voted to levy ad valorem taxes or issue bonds payable from ad valorem taxes. The District receives funding from various local, state, and federal sources, and must comply with the requirements of these funding entities. The District, and its operations, are subject to regulatory control by the Texas Commission on Environmental Quality, pursuant to various provisions of the Texas Water Code. The District covers approximately 20 square miles.

The accounting and reporting policies of the District, relating to the funds included in the accompanying basic financial statements, conform to accounting principles generally accepted in the United States of America ("GAAP"), applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants, in the publication entitled *State and Local Governments - Auditing and Accounting Guide*, and the Financial Accounting Standards Board, when applicable. The more significant accounting policies of the District are described below:

1. Reporting Entity

The District has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39, "Determining Whether Certain Organizations are Component Units" under GASB 14. Component units are organizations for which the District is financially accountable and all other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As of March 31, 2020, the District does not have any component units.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be considered a component unit if management's professional judgment determines it to be necessary, and/or misleading, if omitted. This evaluation includes consideration of whether a financial benefit, or burden, exists in the relationship between the entities. Management has not identified any situations that fit this criteria.

2. Basis of Presentation, Basis of Accounting

The accounts of the District are organized on the basis of funds, or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, net position, revenue, and expenses. The sole fund type utilized by the District is described below:

Proprietary Fund - used to account for the operations of supplying water, which is a self-supporting activity rendering services on a user-charge basis.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods, in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund consider the portion of tap fees intended to recover the cost of connecting new customers to the system as operating revenue. Operating expenses for the proprietary fund include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

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.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. Basis of Presentation, Basis of Accounting (continued)

Proprietary Fund financial statements are reported using the economic resources measurement focus, and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with proprietary fund activities are included within the statement of net position.

Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation), of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District presents their financial statements utilizing only the business-type fund. The District uses the accrual basis of accounting to prepare its financial statements. Revenues are recognized within the accounting period in which they are earned, and expenses are recognized when incurred. The District's operating activities are the sale of water and providing wastewater services to residential and commercial customers located in a limited geographical region. The statements, exhibits, and supporting schedules contained within the financial statements were prepared on the accrual basis of accounting, except for the statement of cash flows, which is a cash basis statement.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

b. Receivables, Inventory, and Amortization

Trade receivables are shown net of an allowance for uncollectible accounts.

Inventory is valued at cost using the first-in-first-out method. Inventory consists of expendable supplies held for consumption.

The costs incurred upon the creation of the District are being amortized on a straight-line method over 40 years.

c. Restricted Assets

Certain proceeds of the proprietary fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because of their use being limited by applicable bond covenants.

Customer deposits received for water and wastewater service are, by law, considered restricted assets.

d. Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method.

e. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported at cost. The District defines capital assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost, if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts (continued)

e. Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed, when found to be material. During the current fiscal year, no interest was capitalized.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	40 years
Buildings	40 years
Vehicles and Machinery	5-15 years
Office Equipment	5-10 years
Computer Equipment	5-10 years

f. Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Regular full-time employees can accrue vacation as follows: 40 hours after one year of service, 80 hours after 2-4 years of service, 120 hours after 5-10 years, and 160 hours after 10 or more years of service. Sick leave can be accumulated and carried over from year-to-year, and 50% of a maximum 60 days is paid upon leaving the employment of the District.

g. Long-Term Obligations

Long-term debt, consisting of bonds to be repaid from revenues of the system, are included in these accounts. In all proprietary fund financial statements outstanding debt is reported as a liability. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis. Management has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bond issuance costs are expensed in the year they are incurred.

h. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, less accumulated depreciation, less the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, plus any unspent debt proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation adopted by the District, or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. Unrestricted net position for the proprietary fund represents the net position available for future operations or distributions. The District also has net position restricted by resolution for bond reserve and interest and sinking fund accumulations.

i. Budget

Prior to the start of the fiscal year, the governing board of the District adopts an operating budget for the upcoming fiscal year. The adopted budget and any subsequent amendments are approved by a resolution of the governing board, and documented in the governing board minutes. Budget amendments are required by the board only if events occur which prevent meaningful comparison of the budget to the actual results of operations. The adopted budget is not a spending limitation imposed by the Board. However, the governing board may adopt rules to limit the spending authority of the District's officers, in relation to the budget. A comparison of the actual budget, as amended, to actual results is presented in the Required Supplemental Section of this financial report. The budget is adopted under a modified accrual basis of accounting.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2020**

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Financial Statement Amounts (continued)

j. Comparative Data

Comparative data of current year actual results to budget has been presented within the required supplementary section of the financial statement in order to provide for a better understanding of the District's expense management process.

k. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management estimates.

l. Program Revenues

Certain revenues, such as charges for services, are included in program revenues.

m. Program Expenses

Certain indirect costs, such as administrative costs, are included in program expense, and reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

The following are funds having a deficit fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

C. DEPOSITS AND INVESTMENTS

The District's funds are required to be deposited and invested under the terms of a depository contract, pursuant to the Statutes of the Texas Water Code. The depository bank deposits, for safekeeping and trust with the District's agent bank, approved pledged securities in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledging of approved securities is waived only to the extent of Federal Deposit Insurance Corporation ("FDIC") coverage.

Cash Deposits

At March 31, 2020, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments, petty cash) was \$5,172,785 and the bank balance was \$5,147,404. The District's cash deposits at the fiscal year end, and during the fiscal year, were entirely covered by FDIC, or by pledged securities.

Restricted Cash	
Debt	\$ 857,318
Infrastructure Projects	987,648
	<u>\$ 1,844,966</u>
Unrestricted Cash	\$ 3,327,819
Total Cash	<u>\$ 5,172,785</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

Statutes authorize the District to invest in obligations of the United States, the State of Texas, certain state agencies, certificates of deposit of state or national banks, or savings and loan associations within the State. The District had a total \$2,264,981 in certificates of deposit and \$1,377,033 in money market accounts.

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

Interest Rate Risk

In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy setting weighted average days to maturity to be less than 180 days, and the maximum allowable maturity of one year.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. All of the District's cash deposits were either fully insured with FDIC, or pledged security at year end.

The District recognizes over-concentration of assets by market sector, or maturity, as a risk to the portfolio. The District's Investment Policy establishes diversification as a major objective of the investment program, and sets diversification limits for all authorized investment types, which are monitored at least on a monthly basis. In the opinion of management, the District was not exposed to a significant amount of credit risk at March 31, 2020.

D. RECEIVABLES

Receivables as of year end for the Proprietary fund, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Fees & Services	\$ 378,403
Allowance for uncollectibles	(29,169)
Net Receivables	\$ 349,233

E. CAPITAL ASSETS

Capital asset activity for the period ended March 31, 2020 was as follows:

	Beginning Balances	Additions	Decreases	Ending Balances
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 482,051	\$ -	\$ -	\$ 482,051
Construction in progress	646,195	1,744,107	-	2,390,302
Total capital assets, not being depreciated	\$ 1,128,246	\$ 1,744,107	\$ -	\$ 2,872,353
Capital assets, being depreciated				
Infrastructure	\$ 38,388,525	\$ 607,176	\$ -	\$ 38,995,701
Buildings & Improvements	273,040	-	-	273,040
Machinery & Equipment	1,285,138	171,362	-	1,456,500
Total assets, being depreciated	\$ 39,946,703	\$ 778,538	\$ -	\$ 40,725,241
Less accumulated depreciation for:				
Infrastructure	\$ (18,084,008)	\$ (1,088,225)	\$ -	\$ (19,172,233)
Buildings & Improvements	(102,335)	(9,645)	-	(111,980)
Machinery & Equipment	(615,491)	(163,375)	-	(778,866)
Total accumulated depreciation	\$ (18,801,834)	\$ (1,261,245)	\$ -	\$ (20,063,079)
Total capital assets, being depreciated, net	21,144,869	(482,707)	-	20,662,162
Business-type activities capital assets, net	\$ 22,273,115	\$ 1,261,400	\$ -	\$ 23,534,515

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2020

F. ORGANIZATION COSTS

The District, in accordance with requirements of the Texas Water Commission, capitalizes organizational costs incurred during the creation of the District. The District amortizes these organizational costs on a straight-line basis over forty years.

	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	3/31/2020 Balance
Organization Costs	\$ 90,477	\$ (87,084)	\$ (3,393)	\$ -

G. LONG-TERM OBLIGATIONS

	Beginning 3/31/2019	Increase	Decrease	Ending 3/31/2020	Due Within One Year
<i>Business-type Activities</i>					
<i>Water & Sewer</i>					
Revenue Bonds	\$ 14,060,000	\$ -	\$ (1,150,000)	\$ 12,910,000	\$ 1,190,000
Less: Discounts	(28,058)	1,403	-	(26,655)	1,403
Total Bonds Payable	14,031,942	1,403	(1,150,000)	12,883,345	1,191,403
Compensated Absences	62,872	25,150	(39,069)	48,953	-
Business-type activity					
Long-term liabilities	\$ 14,094,814	\$ 26,553	\$ (1,189,069)	\$ 12,932,298	\$ 1,191,403

Changes in Business-type Long-term Debt

Revenue Bonds	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding March 31, 2020	Due Within One Year
			March 31, 2019	Issued	Retired		
Series 2001	5.125%	\$ 5,970,000	\$ 105,000	\$ -	\$ -	\$ 105,000	\$ -
Series 2004	4.05%	5,175,000	975,000	-	(290,000)	685,000	340,000
Series 2004-A	3.05%	1,500,000	565,000	-	(85,000)	480,000	90,000
Series 2007	2.6%	730,000	395,000	-	(40,000)	355,000	40,000
Series 2011-A	2.0%	6,740,000	2,090,000	-	(400,000)	1,690,000	355,000
Series 2011-B	4.5%	1,760,000	1,485,000	-	(100,000)	1,385,000	105,000
Series 2013	3.0%	1,435,000	1,410,000	-	(75,000)	1,335,000	80,000
Series 2015	4.0%	3,095,000	3,095,000	-	(145,000)	2,950,000	150,000
Series 2018	3.5% to 5%	3,940,000	3,940,000	-	(15,000)	3,925,000	30,000
Total Bonds Payable		30,345,000	14,060,000	-	(1,150,000)	12,910,000	1,190,000
Less: Discounts		-	(28,058)	-	-	(26,655)	1,403
Total Net Bonds Payable		30,345,000	14,031,942	-	(1,150,000)	12,883,345	1,191,403
Compensated Absences			62,872	25,150	(39,069)	48,953	-
Total Long-Term Obligations		\$ 30,345,000	\$ 14,094,814	\$ 25,150	\$ (1,189,069)	\$ 12,932,298	\$ 1,191,403

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2020

G. LONG-TERM OBLIGATIONS (continued)

Debt service requirements are as follows:

Year Ending March 31:	Principal	Interest	Total Requirements
2021	1,190,000	443,061	1,633,061
2022	1,235,000	397,532	1,632,532
2023	1,105,000	349,205	1,454,205
2024	1,155,000	306,516	1,461,516
2025-2029	3,640,000	1,068,532	4,708,532
2030-2034	3,170,000	525,190	3,695,190
2035-2039	1,415,000	109,032	1,524,032
Totals	\$ 12,910,000	\$ 3,199,068	\$ 16,109,068

A brief discussion of each bond issuance are as follows:

\$5,970,000 Utility System Revenue Bonds issued December 27, 2001 for the purpose of refunding Bond Series 1979 and Bond Series 1987.

\$5,175,000 Utility System Revenue Bonds issued July 15, 2004 for the purchase of refunding 1996 Bond Series.

\$1,500,000 Utility System Revenue Bonds issued November 9, 2004 for the purpose of improvements to the sewer system infrastructure

\$730,000 Utility System Revenue Bonds issued March 27, 2007 for the purpose of improvements to the water system infrastructure.

\$6,740,000 Utility System Revenue Bonds issued January 15, 2011 for the purpose of refunding Bond Series 1994, 1999A, and a portion of Bond Series 2001.

\$1,760,000 Utility System Revenue Bonds issued October 1, 2011 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any districts works, improvements facilities, plants, equipment and appliances with respect to the District's Utility System, including the acquisition of land and right-of-ways, and to pay the costs associated with the issuance of the Bonds.

\$1,435,000 Utility System Revenue Bonds issued February 20, 2013 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvements, facilities, plants, equipment and appliances with respect to the District's Waterworks and Sewer System, including the acquisition of land and right-of-ways and to pay the costs associated with the issuance of the 2013 Series Bonds.

\$3,095,000 Utility System Revenue Bonds issued November 1, 2015 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvements, facilities, plants, equipment and appliances with respect to the District's Waterworks and Sewer System, including the acquisition of land and right-of-ways and to pay the costs associated with the issuance of the 2015 Series Bonds.

\$3,940,000 Utility System Revenue Bonds issued February 21, 2018 for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving or extending any District works, improvements, facilities, plants, equipment and appliances with respect to the District's Waterworks and Sewer System, including the acquisition of land, right-of-ways, and to pay the costs associated with the issuance of the 2015 Series Bonds.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

H. DEFERRED COMPENSATION PLAN

Deferred compensation plans described in IRC section 457 are available for certain state and local governments and non-governmental entities, and are tax exempt under IRC 501. Plans eligible under 457b allow employees of sponsoring organizations to defer income taxation on retirement savings into future years.

The District implemented a 457b Deferred Compensation Plan for its employees. Under Section 457b of the Internal Revenue Code, an employee may defer a maximum of pre-deferred taxable income of \$19,000 per year. Effective January 1, 1997, the District may elect to make loans available to participants of the Plan. An employee becomes 100% vested after five years.

The employee may withdraw assets from his/her account either upon retirement, leaving employment, or severe financial hardship. The employee must begin receiving benefit payments no later than April 1 of the calendar year end he/she reaches the age of 70 1/2 or the year in which he/she retires, if later.

Payments may be paid as follows:

1. Lump sum distribution
2. Periodic payments over a specified number of years
3. Periodic payments over the determined life expectancy
4. A periodic payment of a specified amount per month, or year, until the account is exhausted
5. Purchase of a lifetime annuity

In the event of death, the designated beneficiary is eligible to withdraw the deferred compensation plan benefit.

The plan is administered by ICMA/RC Retirement Corporation ("RC"). RC is a not-for-profit, independent corporation, founded by public sector employees in 1972 to provide retirement plans exclusively for state and local government employees.

The Plan summary is as follows:

	<u>FYE 3/31/2019</u>	<u>FYE 3/31/2020</u>
Beginning Fund Balance, April 1	\$ 739,493	\$ 785,679
Contributions	95,505	95,402
Earnings/(Loss)	27,356	(31,030)
Distributions & Fees	(76,675)	(332,744)
Ending Fund Balance, March 31	<u>\$ 785,679</u>	<u>\$ 517,308</u>

I. HEALTH CARE COVERAGE

During the year ended March 31, 2020, employees of the District were covered by a health insurance plan. The District pays 100% per month per employee, and 50% of the cost for dependent coverage. Employees are authorized to direct payroll to withhold for dependent coverage. All contributions were paid to Blue Cross Blue Shield of Texas. The Plan is approved by article 3.51-2, Texas Insurance Code, and documented by contractual agreement.

J. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The District had general liability coverage at a cost the District considers to be economically justifiable by joining together with other governmental entities within the State, as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The District pays an annual premium to TML for its coverage. The agreement for the formation of TML, provides that TML will be self-sustaining through member premiums, and will reinsure through commercial insurance for claims in excess of acceptable risk levels; however each category of coverage has its own level of reinsurance. The District continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year, and settled claims resulting from these risks have not exceeded coverage in any of the past four years.

The District estimates that the amount of actual or potential claim against it, as of March 31, 2020, will not materially affect the financial condition of the District. Therefore, the accompanying financial statements do not contain a provision for any such claims.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2020**

K. LITIGATION

The District may be subject to certain legal proceedings in the normal course of operations. In the opinion of management, the aggregate liability, if any, with respect to potential legal actions, would not materially affect the District's financial position, results of operations, or cash flows.

L. ENGINEERING REPORT

There is no special provision of the bond resolutions regarding engineering reports. The engineer is available to review the operations and physical conditions of the system.

M. WATER AND WASTEWATER SERVICES

Waterworks System

The District's utility system is comprised of two water treatment plants, water storage facilities, distribution lines, and two wastewater treatment plants, and related collection facilities. The District serves water and sewer customers within its boundaries, and outside its boundaries in the areas designated in separate certificates of convenience and necessity issued by TCEQ.

The District's source of raw water is Cedar Creek Reservoir, pursuant to separate contracts with Tarrant Regional Water District ("TRWD"), and the City of Trinidad, Texas. The contract with TRWD does not limit the amount of water the District may buy. The contract with the City of Trinidad, Texas is limited to 750 acre/feet per year but at a lesser cost. Raw water is pumped from Cedar Creek Reservoir directly to the plants, with screening in place to prevent debris from entering the plants.

The District operates two conventional water treatment plants. The McKay Water Treatment Plant ("McKay WTP") provides water to customers in the southern portion of the District, and the Brookshire Water Treatment Plant ("Brookshire WTP") services customers in the northern section.

McKay WTP, located off Hwy 198 just prior to entering the Town of Enchanted Oaks, has been in operation for approximately 20 years. The McKay WTP has a water treatment capacity of 1.73 million gallons per day. Two ground storage tanks and one elevated water tower provide a treated water storage capacity of 637,000 gallons.

Brookshire WTP, located off Welch Lane in Gun Barrel City, is more than 25 years old. Brookshire WTP has a water treatment capacity of 4.0 million gallons per day. Two ground storage tanks and one elevated water tower provide a treated water storage capacity of 1,570,000 gallons.

Wastewater System

The District operates two wastewater treatment plants ("WWTP"). The south WWTP is located along the east side of Hwy 198 just north of the entrance to the Town of Enchanted Oaks, and serves the southern area of the District. The north WWTP is located in an unincorporated area on Hammer Road, just off Welch Lane in Gun Barrel City, and serves the District's northern sector.

The south WWTP is approximately 20 years old with a permitted capacity of 196,000 gallons per day, or 0.196 million gallons per day, as stated within the permit. Less than one-third of the plant's capacity is used daily. This WWTP sits on a 178-acre tract with 1.34 acres dedicated toward water irrigation from the plant. Treated water effluent from the plant is processed to a large holding pond, and then utilized as irrigation source water. The residual sludge is processed for disposal to a sanitary landfill.

The District has contracted for the cutting, bailing, and selling of hay from the plant's irrigated acreage. The District received \$5,647 in hay sales during the current fiscal year.

The north WWTP was built in 1979 with a treatment capacity of 0.626 million gallons per day ("MGD"), with a surge capacity of 1.3 MGD for a period not to exceed two hours. With upgrades over the years, the District is now permitted for a treatment capacity of 0.750 MGD, which will satisfy the District's needs for approximately 10 years. The new permit imposes more challenges to the treatment process due to new and more stringent water quality discharge limits. The major portion of the latest upgrades was due to the need to construct a 1-MGD tertiary clarifier to treat and reduce phosphorous limits to a 1 part per million or less prior to discharging effluent from the treatment facility directly to Cedar Creek Lake.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED MARCH 31, 2020**

Additional Services

The District collects water and sewer franchise fees for the City of Gun Barrel, Town of Enchanted Oaks, and Payne Springs. These funds are paid to the three entities once a year – City of Gun Barrel is paid in August of each year, the Town of Enchanted Oaks and Paynes Springs are paid in January of each year. The District does not charge an administrative fee for this service.

N. CONSTRUCTION COMMITMENTS

The North Side project, Phase II, a water and sewer infrastructure improvement project was completed during the fiscal year.

The District had the following active construction projects as of March 31, 2020.

<u>Project</u>	<u>Spent-to-date</u>	<u>Estimated Remaining Commitment</u>
1. Brookshire raw water pump station improvements.	\$ 41,701	\$ 10,299
2. Lift station 19 replacement.	31,489	8,011
3. Water tower construction, 300,000 gallon capacity.	954,911	146,089
4. Southside wastewater treatment plant improvements.	1,244,747	24,452
5. System-wide meter replacements.	13,048	18,952
6. Operations	104,405	121,135
Total	<u>\$ 2,390,301</u>	<u>\$ 328,938</u>

O. SUBSEQUENT EVENTS

The District has evaluated all events or transactions that occurred after March 31, 2020 through July 14, 2020, the date the financial statements were available to be issued. During this period, the District was in the calculating phase of a utility rate increase. Due to the national Covid 19 outbreak, these rate increase discussions were postponed.

As of March 31, 2020, Bill Goheen was the General Manager for the District, but retired effective April 1, 2020. James Blodgett, Jr., effective April 1, 2020, assumed the role of General Manager upon Bill's retirement.

P. PRIOR PERIOD ADJUSTMENT

A prior period adjustment representing a \$100,453 prior year equity reduction was recorded to adjust the March 31, 2020 general ledger accounts payable balance to the amount reported within the accounts payable subsidiary ledger, and to properly record internal transfers between operating and reserve bank accounts.

REQUIRED SUPPLEMENTARY INFORMATION

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 PROPRIETARY FUND
 SCHEDULE OF FUNCTIONAL EXPENSES COMPARISON TO BUDGET
 FOR THE YEAR ENDED MARCH 31, 2020**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<u>Administration</u>			
Payroll Costs	410,500	\$ 370,774	\$ 39,726
Supplies	17,000	8,916	8,084
Professional Services	50,200	22,465	27,735
Maintenance	2,400	538	1,862
Utilities	27,000	13,519	13,481
Vehicle	36,600	2,157	34,443
Other	218,400	213,626	4,774
Total Administration Expenses	<u>762,100</u>	<u>631,996</u>	<u>130,104</u>
<u>Operations</u>			
Payroll Costs	577,389	505,559	71,830
Water Purchases	479,500	426,309	53,191
Operation	901,900	1,043,622	(141,722)
Contract Services	38,900	44,902	(6,002)
Maintenance	20,500	29,682	(9,182)
Sludge	126,500	37,408	89,092
Utilities	308,100	248,025	60,075
Vehicle	900	4,614	(3,714)
Sundry	17,900	37,234	(19,334)
Total Operations Expenses	<u>2,471,589</u>	<u>2,377,354</u>	<u>94,235</u>
<u>Field</u>			
Payroll Costs	863,245	799,182	64,063
Utilities	-	7,594	(7,594)
Contract Services	-	10,553	(10,553)
Maintenance	5,900	955	4,945
Vehicle	-	18,599	(18,599)
Sundry	-	32,967	(32,967)
Total Field Expenses	<u>869,145</u>	<u>869,851</u>	<u>(706)</u>
Total Expenses	<u>\$ 4,102,834</u>	<u>\$ 3,879,201</u>	<u>\$ 223,633</u>

Note: The District prepares the Proprietary Fund annual budget on a modified accrual basis, which differs from Generally Accepted Accounting Principles (GAAP basis). The budget, and all transactions, are presented in accordance with the District's method, (modified accrual basis), in the above schedule to provide a meaningful comparison of actual results with the budget.

Adjustments necessary to convert the Proprietary Fund's expenses on the modified accrual basis to a GAAP basis are provided below:

Expenses - Modified Accrual Basis	\$ 3,879,201
Expenses recognized for GAAP:	
Depreciation and Amortization	1,264,638
Interest costs	487,393
Operating Expenses - GAAP Basis	<u>\$ 5,631,232</u>

SUPPLEMENTAL SCHEDULES
(Unaudited)

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
TEN YEARS ENDED MARCH 31**

	Years Ended March 31			
	2020	2019	2018	2017
Operating Revenues:				
Customer Service Fees	\$ 5,551,257	\$ 5,461,359	\$ 5,348,921	\$ 5,184,106
Other Service Related Fees	603,898	346,423	342,662	230,725
Service Charges & Penalties	134,921	136,359	138,833	130,947
Grant Revenue	-	-	-	-
Other Revenue	61,920	100,647	101,778	141,998
Total Operating Revenues	6,351,996	6,044,788	5,932,194	5,687,776
Operating Expenses:				
Bulk Water Purchases	426,309	460,992	362,339	436,085
Personnel Costs	1,675,515	1,643,532	1,553,376	1,596,546
Professional Fees	17,014	12,550	15,259	10,455
Contracted Services	13,865	13,596	-	-
Printing, Office Supplies, Postage	59,513	59,129	69,370	67,586
Vehicles	25,369	37,867	29,895	56,483
Chemicals	241,532	236,846	212,997	201,772
Machinery & Equipment Expenses	31,175	22,351	25,027	37,789
Operating Materials & Supplies	797,141	646,197	747,338	642,671
Sludge Control	37,408	34,143	34,297	34,575
Telephone & Utilities	269,139	304,068	298,117	295,054
Insurance & Bond	24,507	23,217	19,161	16,761
Engineering Fees	1,050	8,169	1,986	1,853
Uncollectible Accounts	-	-	-	-
Other Operating Expenses	224,313	137,990	148,968	119,790
Testing	35,350	35,589	33,315	36,925
Depreciation and amortization	1,264,638	1,258,440	1,109,220	1,096,237
Total Operating Expenses	5,143,839	4,934,676	4,660,665	4,650,582
Operating Income	1,208,157	1,110,112	1,271,529	1,037,194
Non-Operating Revenue (Expenses):				
Interest Revenue	75,869	58,416	20,634	16,561
Insurance Refund	-	-	-	-
Interest Expense	(487,393)	(525,501)	(443,171)	(490,658)
Bond Issuance Costs	-	-	(221,969)	-
Gain(loss) on disposal of assets	3,935	1,470	6,248	7,426
Extraordinary expense	-	-	-	394,666
Total Non-Operating Revenue (Expense)	(407,589)	(465,615)	(638,258)	(72,005)
Change in Net Position	\$ 800,568	\$ 644,497	\$ 633,271	\$ 965,189

Years Ended March 31					
2016	2015	2014	2013	2012	2011
\$ 5,110,083	\$ 4,754,402	\$ 4,932,766	\$ 4,851,319	\$ 4,832,021	\$ 4,557,187
136,071	181,056	192,809	259,710	255,009	358,660
140,193	126,611	128,985	130,152	123,147	114,997
-	-	-	-	-	-
140,416	102,564	51,202	56,869	42,583	51,525
5,526,763	5,164,633	5,305,762	5,298,050	5,252,760	5,082,369
439,056	451,688	401,430	464,749	205,818	168,052
1,467,521	1,419,109	1,373,295	1,251,681	1,292,496	1,244,677
24,409	15,986	13,124	41,140	11,868	16,262
-	-	-	-	4,562	7,940
56,298	61,811	57,654	55,408	54,348	51,403
48,963	48,818	40,546	29,438	17,083	23,660
190,479	197,310	103,504	131,128	164,353	133,070
30,677	27,114	34,072	35,558	27,638	38,744
674,351	503,537	478,078	584,210	520,365	577,723
38,220	58,676	152,191	150,580	140,082	212,307
280,792	384,251	421,313	417,337	361,899	343,717
15,615	15,389	17,827	14,953	23,287	15,184
6,911	3,614	628	10,255	13,619	16,322
-	-	-	-	17,579	19,284
113,001	133,821	137,180	137,991	142,949	111,224
31,340	29,595	27,143	26,340	32,591	36,702
1,026,349	978,250	949,697	924,439	888,380	837,181
4,443,982	4,328,969	4,207,682	4,275,207	3,918,917	3,853,452
1,082,781	835,664	1,098,080	1,022,843	1,333,843	1,228,917
9,829	7,988	31,514	8,290	12,737	15,636
-	-	62,760	33,204	-	22,849
(441,038)	(446,377)	(477,732)	(499,260)	(426,668)	(601,340)
(120,000)	-	-	(104,900)	(35,444)	(159,831)
1,670	(2,842)	(40,945)	(1,683)	1,600	-
-	-	-	-	-	-
(549,539)	(441,231)	(424,403)	(564,349)	(447,775)	(722,686)
\$ 533,242	\$ 394,433	\$ 673,677	\$ 458,494	\$ 886,068	\$ 506,231

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
TEN YEARS ENDED MARCH 31
(continued)**

	Years Ended March 31									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Operating Revenues:										
Customer Service Fees	87.4%	90.3%	90.2%	91.1%	92.5%	92.1%	93.0%	91.6%	92.0%	89.7%
Other Service Related Fees	9.51	5.73	5.78	4.06	2.46	3.51	3.63	4.90	4.85	7.06
Service Charges & Penalties	2.12	2.26	2.34	2.30	2.54	2.45	2.43	2.46	2.34	2.26
Grant Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Revenue	0.97	1.67	1.72	2.50	2.54	1.99	0.97	1.07	0.81	1.01
Total Operating Revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Operating Expenses:										
Bulk Water Purchases	6.7	7.6	6.1	7.7	7.9	8.7	7.6	8.8	3.9	3.3
Personnel Costs	26.4	27.2	26.2	28.1	26.6	27.5	25.9	23.6	24.6	24.5
Professional Fees	0.3	0.2	0.3	0.2	0.4	0.3	0.2	0.8	0.2	0.3
Contracted Services	0.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.2
Postage	0.9	1.0	1.2	1.2	1.0	1.2	1.1	1.0	1.0	1.0
Vehicles	0.4	0.6	0.5	1.0	0.9	0.9	0.8	0.6	0.3	0.5
Chemicals	3.8	3.9	3.6	3.5	3.4	3.8	2.0	2.5	3.1	2.6
Machinery & Equipment Expenses	0.5	0.4	0.4	0.7	0.6	0.5	0.6	0.7	0.5	0.8
Operating Materials & Supplies	12.5	10.7	12.6	11.3	12.2	9.7	9.0	11.0	9.9	11.4
Sludge Control	0.6	0.6	0.6	0.6	0.7	1.1	2.9	2.8	2.7	4.2
Telephone & Utilities	4.2	5.0	5.0	5.2	5.1	7.4	7.9	7.9	6.9	6.8
Insurance & Bond	0.4	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.3
Engineering Fees	0.0	0.1	0.0	0.0	0.1	0.1	0.0	0.2	0.3	0.3
Uncollectible Accounts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.4
Operating Expenses	3.5	2.3	2.5	2.1	2.0	2.6	2.6	2.6	2.7	2.2
Testing	0.6	0.6	0.6	0.6	0.6	0.6	0.5	0.5	0.6	0.7
Depreciation	19.9	20.8	18.7	19.3	18.6	18.9	17.9	17.4	16.9	16.5
Total Operating Expenses	81.0	81.6	78.6	81.8	80.4	83.8	79.3	80.7	74.6	75.8
Operating Income	19.0	18.4	21.4	18.2	19.6	16.2	20.7	19.3	25.4	21.0
Non-Operating Revenue (Expenses)										
Interest Revenue	1.2	1.0	0.3	0.3	0.2	0.2	0.6	0.2	0.2	0.3
Insurance Refund	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.6	0.0	0.4
Interest Expense	-7.7	-8.7	-7.5	-8.6	-8.0	-8.6	-9.0	-9.4	-8.1	-11.8
Bond Issuance Costs	0.0	0.0	-3.7	0.0	-2.2	0.0	0.0	-2.0	-0.7	-3.1
Gain (loss) on sale of asset	0.1	0.0	0.1	0.1	0.0	-0.1	-0.8	0.0	0.0	0.0
Extraordinary expense	0.0	0.0	0.0	6.9	0.0	0.0	0.0	0.0	0.0	0.0
Total Non-Operating Revenue (Expense)	(6.4)	(7.7)	(10.8)	(1.3)	(9.9)	(8.5)	(8.0)	(10.7)	(8.5)	(14.2)
Change in Net Position	12.6	10.7	10.7	17.0	9.6	7.6	12.7	8.7	16.9	6.8

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
SERVICES AND RATES
FOR THE YEAR ENDED MARCH 31, 2020**

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

2. Retail Rates Based on 5/8" Meter: Retail Rates Not Applicable

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons Over Minimum	Usage Levels
WATER	\$ 19.76	-	N	\$ 3.86	-0- to 3000 gallons
WASTEWATER	\$ 26.94	-	N	\$ 4.15	0 to \$46.65 maximum

District employs winter averaging for wastewater usage? Yes No

Total water and wastewater charges per 10,000 gallons usage (including surcharges) \$ 106.76

3. Standby Fees: Does the District assess standby fees?
- Yes _____ No If yes, specify amount and basis of the assessment.
- \$ - Per Lot \$ - Per Acre \$ - Other of Non-Uniform Rate
- (Check One) _____ Per Lot _____ Per Acre _____ Per Month
- Percent allocated to: General Fund _____ %
Debt Service _____ %

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SERVICES AND RATES (continued)
 FOR THE YEAR ENDED MARCH 31, 2019

Have the standby fees been approved by the Texas Water Commission:
 Yes x No

Have standby fees been levied in accordance with Water Code Section 50.056,
 thereby, Constituting a lien on property:

Yes
 No x

4. Total water consumption during the fiscal year:

Gallons pumped into system: 409,574,800
 Gallons billed to customers: 320,780,400

5. Number of retail water and/or wastewater* connections within the District as of the fiscal year end.

Connections	Active Connections	Inactive** Connections
Single Family	<u> </u> 6,165	<u> </u> 1,012
Multi-Family	<u> </u> 67	<u> </u> 5
Commercial	<u> </u> 301	<u> </u> 76
Other - Recreational Centers, Gov & VFD	<u> </u> 33	<u> </u> 4
TOTAL	<u> </u> 6,566	<u> </u> 1,097

* Number of connections relates to water service, if provided. Otherwise, the number of
 wastewater connections should be provided.

** "Inactive" means that water and wastewater connections were made, but service is not
 being provided.

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
SERVICES AND RATES (continued)
FOR THE FISCAL YEAR ENDED MARCH 31, 2020**

6. Anticipated sources of funds to be used for debt service payments in the District's following years:

a. Debt Service Tax Receipts	\$ -
b. Surplus Construction Funds	-
c. Water Revenue	6,351,996
d. Standby Fees	-
e. Debt Service Fund Balance to be Used	857,318
f. Interest Revenues	75,869
g. Other (Describe)	-
TOTAL ANTICIPATED FUNDS TO BE USED	<u>\$ 7,285,182</u>

7. Location of District:

County(ies) in which District is located.

Henderson

Is the District located entirely within one county?

Yes No

Is the District located within a city?

Entirely Partly Not at all

City(ies) in which district is located.

Gun Barrel City, Enchanted Oaks, Payne Springs

Is the district located within a city's extraterritorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJ's in which District is located.

Gun Barrel City, Payne Springs, Enchanted Oaks, Mabank

Is the general membership of the Board appointed by an office outside the District?

Yes No

If Yes, by whom? N/A

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SCHEDULE OF RATES
 FOR THE FISCAL YEAR ENDED MARCH 31, 2020
 (unaudited)**

<u>Resident Rates:</u>			
Water:	5/8" Meter	\$ 19.76	Base charge
		3.86	0-3,000 Gallons
		4.11	3,001-10,000 Gallons
	3/4" Meter	4.36	over 10,000 Gallons
		27.32	Base charge
		3.86	0-3,000 Gallons
Wastewater:	5/8" Meter	4.11	3,001-10,000 Gallons
		4.36	over 10,000 Gallons
		\$ 26.94	Base charge
	3/4" Meter	4.15	per 1,000 Gallons
		46.65	Maximum
		38.62	Base charge
		4.15	per 1,000 Gallons
		92.80	Maximum

<u>Commercial Rates:</u>			
Water:	3/4" Meter	\$ 27.32	Base charge
		3.86	per 1,000 Gallons
	1" Meter	42.39	Base charge
		3.86	per 1,000 Gallons
	1 1/2" Meter	80.13	Base charge
		3.86	per 1,000 Gallons
	2" Meter	125.40	Base charge
		3.86	per 1,000 Gallons
	3" Meter	246.12	Base charge
		3.86	per 1,000 Gallons
	4" Meter	341.91	Base charge
		3.86	per 1,000 Gallons
Wastewater:	3/4" Meter	\$ 38.62	Base charge
		4.15	per 1,000 Gallons
	1" Meter	61.98	Base charge
		4.15	per 1,000 Gallons
	1 1/2" Meter	120.37	Base charge
		4.15	per 1,000 Gallons
	2" Meter	190.45	Base charge
		4.15	per 1,000 Gallons
3" Meter	377.31	Base charge	
	4.15	per 1,000 Gallons	
4" Meter	587.54	Base charge	
	4.15	per 1,000 Gallons	

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SCHEDULE OF EXPENSES - PROPRIETARY FUND
 FOR THE FISCAL YEAR ENDED MARCH 31, 2020**

Current:		
Personnel		
	(Including Benefits)	\$ 1,675,515
Professional Fees:		
	Auditing	12,000
	Engineering	1,050
	Other	5,014
Purchased Services for Resale:		
	Bulk Water & Sewer Service Purchases	426,309
Contracted Services:		
	Other Contracted Services	-
Utilities		269,139
Repairs and Maintenance		1,132,626
Administrative Expenses:		
	Office Supplies	73,379
	Insurance	24,507
Other Expenses		<u>259,662</u>
	TOTAL EXPENSES	<u><u>\$ 3,879,201</u></u>

Number of persons employed by the District:	<u>34</u>	Full Time
	<u>-</u>	Part Time

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
SCHEDULE OF INVESTMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 2020**

<u>Item</u>	<u>Account Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balances at End of Year</u>
Unrestricted:				
Operating Checking	11006733	0.10%	N/A	\$ 521,505
Cash on Hand				580
Payroll Checking	11020924	-	N/A	19,694
Managers Account Checking	11020916	-	N/A	1,344
Money Market Checking				
Emergency - Special	13640908	0.57%	N/A	193,362
Certificate of Deposit				
Improvement Fund	177000430	2.30%	6/27/2020	722,375
Certificate of Deposit				
Emergency Fund	210912	1.75%	11/4/2020	98,861
Certificate of Deposit				
Operating Reserve	177000353	2.00%	6/23/2020	111,549
Certificate of Deposit				
Emergency Fund	230723	1.85%	8/28/2020	408,962
Certificate of Deposit				
Emergency Fund	228801	1.75%	4/14/2020	98,910
Money Market Checking				
Operating Reserve	2154226	0.10%	N/A	1,150,677
				<u>\$ 3,327,819</u>
Total Unrestricted				
Restricted:				
Certificate of Deposit				
Debt Service	10007278	0.150%	9/12/2020	824,324
Money Market Checking				
Bond System Fund Reserve	11028554	0.10%	N/A	32,994
2018 Bonds Fund	1801228	0.55%	N/A	987,648
				<u>1,844,966</u>
Total Restricted				
TOTAL INVESTMENTS				<u><u>\$ 5,172,785</u></u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
ANALYSIS OF CHANGES IN FIXED ASSETS AND INTANGIBLE ASSETS
FOR THE FISCAL YEAR ENDED MARCH 31, 2020
(unaudited)**

	Balance 3/31/19	Additions	Other Additions Deletions, Reclassifications	Balance 3/31/20
<u>Physical Facilities:</u>				
Land	\$ 482,051	\$ -	\$ -	\$ 482,051
Bldgs. & Improvements	273,041	-	-	273,041
Infrastructure	38,388,523	607,178	-	38,995,701
Machinery & Equipment	1,285,137	171,361	-	1,456,498
Construction In Progress	646,195	1,744,106	-	2,390,301
Total Fixed Assets	<u>\$ 41,074,947</u>	<u>\$ 2,522,645</u>	<u>\$ -</u>	<u>\$43,597,592</u>
 <u>Amounts Provided By:</u>				
General Revenues	\$ 9,517,901	\$ 221,836	\$ -	\$ 9,739,737
Bond Proceeds	30,998,295	2,300,809	-	33,299,104
Government Grants	558,751	-	-	558,751
Total Amounts Provided	<u>\$ 41,074,947</u>	<u>\$ 2,522,645</u>	<u>\$ -</u>	<u>\$43,597,592</u>
 <u>Organizational Costs:</u>				
Election Costs	\$ 674	\$ -	\$ -	\$ 674
Fees, Permits, Etc.	754	-	-	754
Legal Fees	42,305	-	-	42,305
Operating Costs	34,683	-	-	34,683
Bond Issue Expense	21,173	-	-	21,173
Bond Interest Expense	100,000	-	-	100,000
Interest on Investment	(108,889)	-	-	(108,889)
Contribution	(223)	-	-	(223)
Total Intangible Assets	<u>\$ 90,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,477</u>
 <u>Amounts Provided By:</u>				
General Revenues	\$ (9,523)	\$ -	\$ -	\$ (9,523)
Bond Proceeds	100,000	-	-	100,000
Total Amounts Provided	<u>\$ 90,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,477</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Annual Requirements for All Series			
Due During Fiscal Year Ending	Principal Due Jan/July	Interest Due Jan/July	Total
2021	1,190,000	443,059	1,633,059
2022	1,235,000	397,535	1,632,535
2023	1,105,000	349,208	1,454,208
2024	1,155,000	306,520	1,461,520
2025	815,000	260,266	1,075,266
2026	760,000	235,200	995,200
2027	680,000	211,357	891,357
2028	705,000	191,305	896,305
2029	680,000	170,408	850,408
2030	705,000	148,958	853,958
2031	730,000	126,070	856,070
2032	600,000	102,370	702,370
2033	625,000	83,727	708,727
2034	510,000	64,050	574,050
2035	530,000	47,476	577,476
2036	285,000	30,250	315,250
2037	295,000	20,631	315,631
2038	305,000	10,675	315,675
	<u>\$ 12,910,000</u>	<u>\$ 3,199,061</u>	<u>\$ 16,109,061</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2001

Due During Fiscal Year Ending	Principal Due January 1	Interest Due July 1	Interest Due January 1	Total
2021	-	2,691	2,691	5,381
2022	-	2,691	2,691	5,381
2023	-	2,691	2,691	5,381
2024	-	2,691	2,691	5,381
2025	-	2,691	2,691	5,381
2026	105,000	2,691	2,691	110,381
	<u>\$ 105,000</u>	<u>\$ 16,144</u>	<u>\$ 16,144</u>	<u>\$ 137,288</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2004

Due During Fiscal Year Ending	Principal Due January 1	Interest Due January 1	Interest Due July 1	Total
2021	340,000	13,871	13,871	367,742
2022	345,000	6,987	6,987	358,974
	<u>\$ 685,000</u>	<u>\$ 20,858</u>	<u>\$ 20,858</u>	<u>\$ 726,716</u>

Series 2004A

Due During Fiscal Year Ending	Principal Due January 1	Interest Due January 1	Interest Due July 1	Total
2021	90,000	9,496	9,496	108,992
2022	90,000	7,786	7,786	105,572
2023	95,000	6,054	6,054	107,108
2024	100,000	4,178	4,178	108,356
2025	105,000	2,153	2,153	109,306
	<u>\$ 480,000</u>	<u>\$ 29,667</u>	<u>\$ 29,667</u>	<u>\$ 539,334</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2007

Due During Fiscal Year Ending	Principal Due July 1	Interest Due January 1	Interest Due July 1	Total
2021	40,000	5,125	5,125	50,250
2022	40,000	4,540	4,540	49,080
2023	40,000	3,945	3,945	47,890
2024	45,000	3,302	3,302	51,604
2025	45,000	2,616	2,616	50,232
2026	45,000	1,924	1,924	48,848
2027	50,000	1,181	1,181	52,362
2028	50,000	-	785	50,785
	<u>\$ 355,000</u>	<u>\$ 22,633</u>	<u>\$ 23,418</u>	<u>\$ 401,051</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2011A

Due During Fiscal Year Ending	Principal Due January 1	Interest Due January 1	Interest Due July 1	Total
2021	355,000	37,540	37,540	430,080
2022	380,000	30,219	30,219	440,438
2023	430,000	22,144	22,144	474,288
2024	445,000	12,469	12,469	469,938
2025	80,000	1,900	1,900	83,800
	<u>\$ 1,690,000</u>	<u>\$ 104,272</u>	<u>\$ 104,272</u>	<u>\$ 1,898,544</u>

Series 2011B

Due During Fiscal Year Ending	Principal Due January 1	Interest Due January 1	Interest Due July 1	Total
2021	105,000	23,950	23,950	152,900
2022	110,000	22,638	22,638	155,276
2023	110,000	20,988	20,988	151,976
2024	115,000	19,338	19,338	153,676
2025	120,000	17,469	17,469	154,938
2026	125,000	15,519	15,519	156,038
2027	130,000	13,331	13,331	156,662
2028	135,000	11,056	11,056	157,112
2029	140,000	8,525	8,525	157,050
2030	145,000	5,900	5,900	156,800
2031	150,000	3,000	3,000	156,000
	<u>\$ 1,385,000</u>	<u>\$ 161,714</u>	<u>\$ 161,714</u>	<u>\$ 1,708,428</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2013

Due During Fiscal Year Ending	Principal Due January 1	Interest Due January 1	Interest Due July 1	Total
2021	80,000	20,638	20,638	121,276
2022	85,000	19,438	19,438	123,876
2023	85,000	18,163	18,163	121,326
2024	90,000	16,888	16,888	123,776
2025	95,000	15,538	15,538	126,076
2026	95,000	14,113	14,113	123,226
2027	100,000	12,688	12,688	125,376
2028	105,000	11,188	11,188	127,376
2029	110,000	9,613	9,613	129,226
2030	115,000	7,963	7,963	130,926
2031	120,000	6,094	6,094	132,188
2032	125,000	4,144	4,144	133,288
2033	130,000	2,113	2,113	134,226
	<u>\$ 1,335,000</u>	<u>\$ 158,581</u>	<u>\$ 158,581</u>	<u>\$ 1,652,162</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2015				
Due During Fiscal Year Ending	Principal Due January 1	Interest Due January 1	Interest Due July 1	Total
2021	150,000	43,938	43,938	237,876
2022	155,000	40,938	40,938	236,876
2023	160,000	37,838	37,838	235,676
2024	165,000	36,238	36,238	237,476
2025	170,000	34,485	34,485	238,970
2026	180,000	32,572	32,572	245,144
2027	185,000	30,322	30,322	245,644
2028	195,000	27,547	27,547	250,094
2029	200,000	24,622	24,622	249,244
2030	210,000	21,622	21,622	253,244
2031	220,000	18,472	18,472	256,944
2032	225,000	15,172	15,172	255,344
2033	235,000	11,797	11,797	258,594
2034	245,000	8,125	8,125	261,250
2035	255,000	4,144	4,144	263,288
	<u>\$ 2,950,000</u>	<u>\$ 387,832</u>	<u>\$ 387,832</u>	<u>\$ 3,725,663</u>

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
REVENUE BONDS PAYABLE - BY YEARS
FOR THE YEAR ENDED MARCH 31, 2020**

Series 2018

<u>Due During Fiscal Year Ending</u>	<u>Principal Due January 1</u>	<u>Interest Due January 1</u>	<u>Interest Due July 1</u>	<u>Total</u>
2021	30,000	64,281	64,281	158,563
2022	30,000	63,531	63,531	157,063
2023	185,000	62,781	62,781	310,563
2024	195,000	58,156	58,156	311,313
2025	200,000	53,281	53,281	306,563
2026	210,000	50,781	50,781	311,563
2027	215,000	48,156	48,156	311,313
2028	220,000	45,469	45,469	310,938
2029	230,000	42,444	42,444	314,888
2030	235,000	38,994	38,994	312,988
2031	240,000	35,469	35,469	310,938
2032	250,000	31,869	31,869	313,738
2033	260,000	27,963	27,963	315,925
2034	265,000	23,900	23,900	312,800
2035	275,000	19,594	19,594	314,188
2036	285,000	15,125	15,125	315,250
2037	295,000	10,316	10,316	315,631
2038	305,000	5,338	5,338	315,675
	<u>\$ 3,925,000</u>	<u>\$ 697,447</u>	<u>\$ 697,447</u>	<u>\$ 5,319,894</u>

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 ANALYSIS OF CHANGES IN REVENUE BONDS PAYABLE
 REVENUE BONDS PAYABLE - BY SERIES
 AS OF MARCH 31, 2020

	Bond Issues										Total
	Series 2001	Series 2004	Series 2004A	Series 2007	Series 2011A	Series 2011B	Series 2013	Series 2015	Series 2018	Series 2018	
Interest Rate	4% - 5.125%	4.05%	1.45% - 4.10%	2.55% - 3.15%	2% - 4.75%	2.5% - 4.5%	3% - 3.25%	2.00% - 4.00%	3.50% - 5.00%	3.50% - 5.00%	
Date Interest Payable	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	1-1/7-1	
Maturity Dates	01/01/03 to 01/01/26	01/01/05 to 01/01/22	03/31/06 to 03/31/25	01/01/08 to 03/31/28	07/01/2011 to 01/01/2025	01/01/2013 to 01/01/2031	07/01/2013 to 01/01/2033	01/01/2016 to 07/01/2035	01/01/2018 to 07/01/2039	01/01/2018 to 07/01/2039	
Bonds Outstanding at Beginning of Current Year	\$ 105,000	\$ 975,000	\$ 565,000	\$ 395,000	\$ 2,080,000	\$ 1,485,000	\$ 1,410,000	\$ 3,095,000	\$ 3,940,000	\$ 14,060,000	
Retirements: Principal	-	290,000	85,000	40,000	400,000	100,000	75,000	145,000	15,000	1,150,000	
Bonds Outstanding at End of Current Year	\$ 105,000	\$ 685,000	\$ 480,000	\$ 355,000	\$ 1,680,000	\$ 1,385,000	\$ 1,335,000	\$ 2,950,000	\$ 3,925,000	\$ 12,910,000	
Retirements: Current Year Interest	\$ 5,381	\$ 39,488	\$ 22,138	\$ 11,400	\$ 91,081	\$ 50,400	\$ 43,525	\$ 93,875	\$ 128,313	\$ 486,401	
Paying Agent's Name and Address:	The Bank of New York Trust Company of Florida N.A. 600 N. Pearl Street Suite 420 Dallas, TX 75201 (Series 2001, 2004A, 2007)										
Bond Authority: Amount Authorized	Bank of America, N.A. 901 Main 7th Floor Dallas, TX 75201 (Series 2004)										
Bond Authority: Amount Issued	Bank of New York Mellon Trust Company, N.A. 2001 Bryan St. 11th Floor Dallas, TX 75201 (Series 2011, 2011A & 2011B)										
	\$5,970,000	\$5,175,000	\$1,500,000	\$730,000	\$6,740,000	\$1,760,000	\$1,435,000	\$3,095,000	\$3,940,000	\$30,345,000	
	\$5,970,000	\$5,175,000	\$1,500,000	\$730,000	\$6,740,000	\$1,760,000	\$1,435,000	\$3,095,000	\$3,940,000	\$30,345,000	

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SCHEDULE OF INSURANCE COVERAGE
 FOR THE YEAR ENDED MARCH 31, 2020
 (unaudited)

Type of Coverage	From	To	Amount of Coverage	Insurer	Type of Corp. Stock/Mutual
Position Schedule Bond: Board of Directors (6) Board Treasurer (1)	6/1/2019	6/1/2020	\$10,000 \$10,000 \$10,000	Victor Schinnerer	Stock
Workers Compensation:	10/1/2019	10/1/2020		TML Intergovernmental Risk Pool	
Bodily Injury: By Accident By Disease By Disease			\$100,000 Each Accident \$100,000 Each Employee \$500,000 Policy Limit	TML Intergovernmental Risk Pool Contract 5546	Pool
Public Employee Dishonesty: Real and Personal Property:	10/1/2018 10/1/2018	10/1/2020 10/1/2020	\$10,000 Limit \$11,374,583	TML Intergovernmental Risk Pool Contract 5546	Pool
Fire, Lightening and Extended Coverage Deductible Blanket Limit Mobile Equipment Deductible Boiler and Machinery Deductible Sublimits:			\$10,000,000 \$1,000 \$10,000,000 474429 \$1,000 \$3,423,440 \$1,000		
Valuable Papers Accounts Receivable Loss of Revenues Personal Effects Leasehold Interest Outdoor Trees and Shrubs (\$250 each) Newly Acquired Property Pollutant Cleanup and Removal			\$10,000 \$10,000 \$50,000 \$5,000 \$5,000 \$10,000 \$1,000,000 \$20,000 each premises		

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SCHEDULE OF INSURANCE COVERAGE (continued)
 FOR THE YEAR ENDED MARCH 31, 2020
 (unaudited)

Type of Coverage	From	To	Amount of Coverage	Insurer	Stock/Mutual
Commercial General Liability:	10/1/2019	10/1/2020	\$1,000,000 Each Occurrence	TML Intergovernmental Risk Pool Contract 5546	Pool
General Aggregate Limit			\$2,000,000 Annual		
Sudden Events Involving Pollution Deductible			\$1,000,000 Each Occurrence \$1,000 Each Occurrence		
Commercial Auto:	10/1/2019	10/1/2020		TML Intergovernmental Risk Pool Contract 5546	Pool
Liability Medical Deductible			\$1,000,000 Each Occurrence \$25,000 Each Person \$1,000 Each Occurrence		
Errors and Omissions:	10/1/2019	10/1/2020		TML Intergovernmental Risk Pool Contract 5546	Pool
Liability Deductible			\$1,000,000 Each Act \$2,000,000 Aggregate \$1,000 Each Act		
Auto Physical Damage:	10/1/2019	10/1/2020		TML Intergovernmental Risk Pool Contract 5546	Pool
Limits of Coverage Deductible Deductible			Actual Cash Value \$1,000 Per Vehicle \$10,000 Each Occurrence		
Information Security and Privacy Liability Website Media Content Liability	10/1/2019	10/1/2020		TML Intergovernmental Risk Pool Contract 5546	Pool
Limits of Coverage Deductible			\$1,000,000 Aggregate \$0 Each Claim		

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SCHEDULE OF INSURANCE COVERAGE (continued)
 FOR THE YEAR ENDED MARCH 31, 2020
 (unaudited)**

Privacy Breach Response Services	10/1/2019	10/1/2020	TML Intergovernmental Risk Pool Contract 5546	Pool
Limits of Coverage		\$25,000 Aggregate		
Deductible		\$1,250 Each Incident		
Regulatory Defense and Penalties	10/1/2019	10/1/2020	TML Intergovernmental Risk Pool Contract 5546	Pool
Payment Card Industry Fines, Expenses and Costs				
Cyber Extortion				
First Party Data Protection				
First Party Network Business Interruption				
Limits of Coverage		\$50,000 Aggregate		
Deductible		\$2,500 Each Claim		
Loss of Income Deductible		\$5,000 Each Claim		

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 KEY PERSONNEL AND CONSULTANTS
 FOR THE YEAR ENDED MARCH 31, 2020
 (unaudited)**

East Cedar Creek Fresh Water Supply District
 P. O. Box 309
 Mabank, Texas 75147
 (903) 887-7200

<u>Name and Address</u>	<u>Term of Office Elected/Expires or Date Hired</u>	<u>Fees & Expense Reim- bursement</u>	<u>Title at End of Year</u>	<u>Resident of District</u>
Key Administrative Personnel:				
Bill Goheen	September, 2004	\$ 97,291	Manager	Yes
Consultants:				
KSA Engineers	2010	86,342	Engineer	No
Mike Ward, CPA	2020	12,000	Auditor	No
Mark H Zeppa	2007	-	Attorney	No
Paul Terrill	2019	-	Attorney	No

EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED MARCH 31, 2020

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes x No

Reportable condition(s) identified that are not considered to be material weaknesses? _____ x Yes _____ No

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Identification of major programs: None

Dollar threshold used to identify major programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes n/a No

Section II - Financial Statement Findings

No Matters Reported

Section III - Federal Awards Findings and Questioned Costs

N/A

REPORT OF CERTIFIED PUBLIC ACCOUNTANT

THE STATE OF TEXAS

§
§
§

COUNTY OF HENDERSON

I, the undersigned, Mike Ward Accounting and Financial Consulting, PLLC, DO HEREBY MAKE the following report:

- 1) According to the books and records of the Waterworks and Sewer System ("System") of the East Cedar Creek Fresh Water Supply District, the gross revenues, operation and maintenance expense, net earnings, 2020 debt requirements and times coverage of the System for the fiscal year ending March 31, 2020 are as follows:

<u>Gross Revenues</u>	<u>Maintenance and Operating Expenses</u>	<u>Net Revenues</u>	<u>2020 Debt Requirements</u>	<u>Times Coverage</u>
<u>\$ 6,351,996</u>	<u>\$ 3,879,201</u>	<u>\$ 2,472,795</u>	<u>\$1,633,061</u>	<u>1.51</u>

- 2) In my opinion, the net earnings of the System for such fiscal year are equal to at least 1.51 times the annual principal and interest requirements of the outstanding debt of the East Cedar Creek Fresh Water Supply District at March 31, 2020.

Mike Ward Accounting & Financial Consulting, PLLC
Certified Public Accountant

By: _____

SWORN TO AND SUBSCRIBED BEFORE ME, this the ____ day of _____, 2019.

Notary Public, State of Texas

**EAST CEDAR CREEK FRESH WATER SUPPLY DISTRICT
DEBT COVERAGE RATIO
FOR THE YEAR ENDED MARCH 31, 2020**

Annual Requirements for All Series

<u>Fiscal Year Ending</u>	<u>Principal Due Jan/July</u>	<u>Interest Due Jan/July</u>	<u>Total</u>
2021	1,190,000	443,059	1,633,059
2022	1,235,000	397,535	1,632,535
2023	1,105,000	349,208	1,454,208
2024	1,155,000	306,520	1,461,520
2025	815,000	260,266	1,075,266
2026	760,000	235,200	995,200
2027	680,000	211,357	891,357
2028	705,000	191,305	896,305
2029	680,000	170,408	850,408
2030	705,000	148,958	853,958
2031	730,000	126,070	856,070
2032	600,000	102,370	702,370
2033	625,000	83,727	708,727
2034	510,000	64,050	574,050
2035	530,000	47,476	577,476
2036	285,000	30,250	315,250
2037	295,000	20,631	315,631
2038	305,000	10,675	315,675
	<u>\$ 12,910,000</u>	<u>\$ 3,199,061</u>	<u>\$ 16,109,061</u>

\$16,109,061 / 18 = \$894,948 Average Yearly Payments

\$ 800,568	Increase in Net Position
1,264,638	Depreciation & Amortization Expense
<u>487,393</u>	Bond Interest Expense & Issuance Costs

\$ 2,552,598 Net Revenue for Debt Coverage

\$2,552,598 Net Revenue for Debt Coverage / \$894,948 Average Yearly Payment

2.85 Total Debt Ratio

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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Proposed Form of Opinion of Co-Bond Counsel

An opinion in substantially the following form will be delivered by Kelly Hart & Hallman LLP, Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

IN REGARD to the authorization and issuance of the “East Cedar Creek Fresh Water Supply District Utility System Revenue Refunding Bonds, New Series 2020” in the aggregate principal amount of \$4,565,000 (the “Bonds”), we have examined into their issuance by the East Cedar Creek Fresh Water Supply District (the “Issuer”) solely to express legal opinions as to the validity of the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the Issuer, the disclosure of any financial or statistical information or data pertaining to the Issuer and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Bonds mature on January 1 in each of the years specified in the Resolution adopted by the Board of Directors of the Issuer authorizing the issuance of the Bonds (the “Resolution”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Resolution.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Resolution, and an examination of the initial Bond executed and delivered by the Issuer (which we found to be in due form and properly executed); (ii) certifications of officers of the Issuer relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds; and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, 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 contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the Issuer and, when issued in compliance with the provisions of the Resolution, are valid, legally binding, and enforceable special obligations of the Issuer, in accordance with the terms thereof, and are payable solely from and secured by a lien on and pledge of the Net Revenues (as defined in the Resolution) of the Issuer’s utility system (the “System”), such lien and pledge, however, being junior and subordinate to the lien on and pledge of such Net Revenues to the payment and security of the Prior Lien Bonds (as defined in the Resolution), except, to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’

rights generally or the exercise of judicial discretion in accordance with general principles of equity. The Resolution provides certain conditions under which the Issuer may issue additional obligations payable from the same source and secured in the same manner as the Bonds.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the Issuer with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes will (a) be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) not be included in computing the alternative minimum taxable income of the owners thereof.

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, owners of interests in a financial asset securitization investment trust, 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.

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

Respectfully submitted,

APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Financial Advisory Services
Provided By

