

**OFFICIAL STATEMENT DATED SEPTEMBER 22, 2020**



**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATING:** Standard & Poor's "BBB+"  
(See "OTHER INFORMATION – Rating")

*In the opinion of Bond Counsel, under existing law interest on the bonds is excludable from gross income for federal income tax purposes and the BONDS are not "private activity bonds". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for Districts.*

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

**\$9,445,000**  
**CANEY CREEK MUNICIPAL UTILITY DISTRICT**  
**(MATAGORDA COUNTY, TEXAS)**  
**UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020**

**Dated Date:** October 1, 2020  
(Interest accrues from date of delivery)

**Due:** March 1 — See inside cover page

Caney Creek Municipal Utility District, Matagorda County, Texas (the "District") is issuing its Utility System Revenue Refunding Bonds, Series 2020 (the "Bonds"). The Bonds are being issued pursuant to the applicable provisions of the Texas Constitution and the general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and Chapters 49 and 54, Texas Water Code, as amended and the order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on July 8, 2020 (the "Bond Order"). As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain District officials to execute an approval certificate establishing the final terms of the sale of the Bonds (the "Approval Certificate", and together with the Bond Order, the "Order").

Interest on the Bonds will accrue from the date of initial delivery of the Bonds to the Initial Purchaser (defined below), and is payable on March 1, 2021, and each September 1 and March 1 thereafter, until maturity. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are direct obligations of the District payable solely from a pledge on a parity lien basis from the Net Revenues (as such term is defined in the Order) of the District's System. The Bonds are not obligations of the State of Texas, Matagorda County or any other political subdivision thereof. See "THE BONDS – Sources of Payment" herein.

The definitive Bonds will be issued in fully-registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and the nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Bonds. Individual purchasers of the Bonds will initially be made 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. No physical delivery of the bonds will be made to the beneficial owners thereof. For as long as Cede & Co. is the sole registered owner of the Bonds, the principal of and interest on the Bonds will be payable by Zions Bancorporation National Association, dba Amegy Bank, Houston, Texas (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" herein.

Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the District's outstanding obligations described in Schedule I attached hereto (the "Refunded Bonds") to achieve debt service savings, and (ii) paying the costs of issuing the Bonds. See "PURPOSE AND PLAN OF FINANCE" and "THE BONDS – Sources and Uses" herein.

**SEE PAGE INSIDE COVER PAGE FOR MATURITY SCHEDULE**

The Bonds maturing on or after March 1, 2030 are subject to optional redemption prior to their stated maturity in whole or in part on March 1, 2029 or any date thereafter at price of par plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption" herein. The Bonds maturing March 1, 2042 (the "Term Bonds") are additionally subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.

The Bonds are offered for delivery when, as and if issued by the District and received by the Initial Purchaser (the "Initial Purchaser"), subject to the approving opinions of the Attorney General of the State of Texas and Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel for the District. See "LEGAL MATTERS" herein and "Form of Opinion of Bond Counsel" attached hereto as Appendix D. Certain legal matters will be passed upon for the District by Hunton Andrews Kurth LLP, Houston Texas, Disclosure Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 21, 2020 (the "Delivery Date").

**MATURITY SCHEDULE OF**  
**\$9,445,000**  
**Caney Creek Municipal Utility District**  
**Matagorda County, Texas**  
**Utility System Revenue Refunding Bonds, Series 2020**  
**CUSIP Prefix <sup>(c)</sup>: 13752A**

<b>Date March 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield <sup>(b)</sup></b>	<b>CUSIP No. Suffix <sup>(c)</sup></b>	<b>Date March 1</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Yield <sup>(b)</sup></b>	<b>CUSIP No. Suffix <sup>(c)</sup></b>
2021	\$ 350,000	5.000%	0.750%	AA 8	2031 <sup>(a)</sup>	\$ 490,000	2.000%	2.300%	AL 4
2022	345,000	5.000%	0.850%	AB 6	2032 <sup>(a)</sup>	505,000	2.125%	2.400%	AM 2
2023	365,000	5.000%	1.000%	AC 4	2033 <sup>(a)</sup>	510,000	2.250%	2.500%	AN 0
2024	390,000	5.000%	1.100%	AD 2	2034 <sup>(a)</sup>	520,000	2.250%	2.550%	AP 5
2025	405,000	5.000%	1.200%	AE 0	2035 <sup>(a)</sup>	525,000	2.500%	2.650%	AQ 3
2026	430,000	5.000%	1.400%	AF 7	2036 <sup>(a)</sup>	495,000	2.500%	2.700%	AR 1
2027	460,000	5.000%	1.600%	AG 5	2037 <sup>(a)</sup>	505,000	2.500%	2.750%	AS 9
2028	485,000	5.000%	1.800%	AH 3	2038 <sup>(a)</sup>	520,000	2.625%	2.800%	AT 7
2029	505,000	5.000%	1.900%	AJ 9	2039 <sup>(a)</sup>	465,000	2.750%	2.850%	AU 4
2030 <sup>(a)(d)</sup>	470,000	5.000%	2.000%	AK 6					

\$705,000 2.750% Term Bonds Due March 1, 2042<sup>(a)</sup> to Yield<sup>(b)</sup> 2.900% CUSIP No.<sup>(c)</sup>: 13752AAX8

(Interest accrues from the Delivery Date)

- (a) The Bonds maturing on or after March 1, 2030 are subject to optional redemption prior to their stated maturity in whole or in part on March 1, 2029 or any date thereafter at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Optional Redemption” herein. The Bonds maturing March 1, 2042 (the “Term Bonds”) are additionally subject to mandatory sinking fund redemption prior to maturity. See “THE BONDS – Mandatory Sinking Fund Redemption” herein.
- (b) The initial reoffering prices or yields of the Bonds are furnished by the Initial Purchaser (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.
- (c) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the Initial Purchaser, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Priced to March 1, 2029.

## Elected Officials

Caney Creek Municipal Utility District, located in the "Sargent" area of Matagorda County, was created on July 26, 1978. The District is a coastal community located generally along Caney Creek for about 15 miles northerly from its discharge into the Gulf of Mexico at the east end of Matagorda Bay and about 75 miles southwest of the Houston metropolitan area. The District is governed by the Board of Directors, consisting of five directors, which has management control over and management supervision of all affairs of the District. Directors are elected to serve four-year staggered terms.

<u>Board of Directors</u>	<u>Position</u>	<u>Term Expires</u>	<u>Occupation</u>
Doug Harris	President	May, 2022	Retired
Larry Page	Vice President	May, 2020*	Retired
William Smith, Jr.	Secretary/Treasurer	May, 2020*	Retired
Rose Mary Holley	Director	May, 2022	Retired
John McLaughlin	Director	May, 2022	Retired

\* May 2020 directors elections were postponed to November 2020.

## District Employees

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Linda G Hugill	Office Manager/Investment Officer	10 years

## Consultants

Bond Counsel	Smith, Murdaugh, Little & Bonham, L.L.P.	Houston, Texas
Certified Public Accountants	Mark C. Eyring, CPA, PLLC	Stafford, Texas
Financial Advisor	USCA Municipal Advisors	Houston, Texas

### For Additional Information Contact:

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy, nor will there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

All financial and other information presented herein, except for the information expressly attributed to other sources, has been provided by the District from its records and is intended to show recent historical information. Such information is not guaranteed as to accuracy or completeness. No representation is made that past performance, as might be shown by such financial and other information, will necessarily continue or be expected in the future. All descriptions of laws and documents contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that the information contained herein has remained unchanged since the respective dates as of which such information is given herein.

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

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

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

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

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

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## OFFICIAL STATEMENT SUMMARY

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

<b>The Issuer</b>	Caney Creek Municipal Utility District, Matagorda County, Texas (the “District”).
<b>The Bonds</b>	\$9,445,000 Caney Creek Municipal Utility District, Texas Utility System Revenue Refunding Bonds, Series 2020 (the “Bonds”) are being issued in the principal amounts, maturities, and at the rates per annum as set forth on the inside cover page hereof.
<b>Interest</b>	Interest on the Bonds accrues from the date of delivery to the Initial Purchaser and is payable March 1, 2021 and on each September 1 and March 1 thereafter until the earlier of redemption or maturity.
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation National Association, dba Amegy Bank.
<b>Authority for Issuance</b>	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including particularly Chapter 1207 Texas Government Code (“Chapter 1207”), and an order adopted by the Board of Directors of the District (the “Board”) on July 8, 2020 (the “Bond Order”). As permitted by the provisions of Chapter 1207, the Board, in the Bond Order, delegated the authority to certain Board officials to execute an approval certificate (the “Approval Certificate”) and together with the Bond Order, the “Order”) establishing the final terms of sale for the Bonds.
<b>Redemption</b>	The Bonds maturing on or after March 1, 2030 are subject to optional redemption prior to their stated maturity on March 1, 2029 or any date thereafter at price of par plus accrued interest to the date of redemption. See “THE BONDS-Optional Redemption” herein. The Bonds maturing March 1, 2042 (the “Term Bonds”) are additionally subject to mandatory sinking fund redemption prior to maturity. See “THE BONDS – Mandatory Sinking Fund Redemption” herein.
<b>Sources of Payment</b>	The Bonds are direct obligations of the District payable solely from a pledge of a parity lien basis from the Net Revenues (as such term is defined in the Order) of the District’s System. The Bonds are direct obligations of the District and not obligations of the State of Texas, Matagorda County or any other political subdivision. See “THE BONDS – Sources of Payment” herein.
<b>Use of Proceeds</b>	Proceeds from the sale of the Bonds will be used to pay for (i) refunding a portion of the District’s outstanding obligations as described in Schedule I attached hereto in order to achieve debt service savings, and (ii) paying the costs of issuance of the Bonds. See “PURPOSE AND PLAN OF FINANCE – Refunded Bonds” and “THE BONDS – Sources and Uses” herein.
<b>Book-Entry-Only System</b>	The Bonds are issued in fully registered form in integral multiples of \$5,000 principal amount. The definitive Bonds are registered or issued to Cede & Co., the nominee of DTC pursuant to a book-entry-only system. No physical delivery of the Bonds will be made to the

beneficial owners of the Bonds. Principal of and interest on the Bonds will be paid to Cede & Co., which will distribute such payment to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “THE BONDS–Book-Entry-Only System.”

**Payment Record**

The District has never defaulted with respect to payment of debt service on any outstanding debt.

**Rating**

S&P Global Ratings (“S&P”) has assigned its underlying rating of “BBB+” to the Bonds. See “OTHER INFORMATION – Rating” herein.

**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.”

**Delivery**

It is expected that the Bonds will be available for delivery through the facilities of DTC on or about October 21, 2020.

**Legality**

Delivery of the Bonds is subject to the approval by the Attorney General of the State and the rendering of an opinion as to legality by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel.

**SELECTED FINANCIAL INFORMATION**

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**Outstanding Revenue Debt as of June 1, 2020**

Water Distribution Sys Rev Bds Ser 2003	\$ 395,000
Water & San SS Rev Bds Ser 2007A	710,000
Water & San SS Rev Bds Ser 2008A	1,480,000
Water & San SS Rev Bds Ser 2007B	1,699,000
Water & SS Rev Bds Ser 2008B	305,000
Water & San SS Rev Bds Ser 2009	425,000
Water & Sanitary SS Rev Bds Ser 2010	<u>4,305,000</u>
Total Outstanding	\$ 9,319,000
Plus: The Bonds	\$ 9,445,000
Less: Refunded Bonds	<u>9,319,000</u>
Total	\$ 9,445,000

**Annual Debt Service Requirements**

Total Average Annual Debt Service	\$ 579,244
Total Maximum Annual Debt Service	\$ 707,244

**Fund Balance (as of 4/30/2019)**

Water & Sewer Fund - Net Assets	\$ 1,327,899
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**Net Revenues and Debt Coverage**

2019 Net Revenues	\$ 845,839
Debt Coverage (Average Annual Debt Service)	1.46
Debt Coverage (Maximum Annual Debt Service)	1.20

	<b>Fiscal Year End April 30,</b>				
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Available Net Revenues	\$ 845,839	\$ 783,897	\$ 880,498	\$ 765,898	\$ 907,849
Revenue Bond Debt Service Payment	753,730	751,009	748,552	746,479	747,357
Coverage by Net Revenues	1.12	1.04	1.18	1.03	1.21

Source: Caney Creek Municipal Utility District Financial Statements



## OFFICIAL STATEMENT

**\$9,445,000**

**CANEY CREEK MUNICIPAL UTILITY DISTRICT  
(MATAGORDA COUNTY, TEXAS)  
UTILITY SYSTEM REVENUE REFUNDING BONDS, SERIES 2020**

### INTRODUCTION

This Official Statement is provided to furnish information in connection with the offering by Caney Creek Municipal Utility District (the “District”) of its Utility System Revenue Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to the applicable provisions of the Constitution and the laws of the State of Texas (the “State”), including particularly Chapter 1207, Texas Government Code, as amended, and Chapters 49 and 54, Texas Water Code as amended, an Order adopted by the Board of Directors of the District, July 8, 2020, authorizing the issuance of the Bonds and an approval certificate executed pursuant thereto (collectively, the “Order”).

The Bonds are direct obligations of the District payable solely from a pledge of a parity lien basis from the Net Revenues (as such term is defined in the Order) of the District’s System. The Bonds are not obligations of the State of Texas, Matagorda County or any other political subdivision thereof, other than the District. See “THE BONDS – Sources of Payment” herein.

The District’s audited general purpose financial statements for the Fiscal Year ended April 30, 2019 (the “Financial Statements”), which are set forth in APPENDIX C, present information on the general financial condition of the District at the dates and for the periods described therein.

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

This Official Statement contains descriptions of the Bonds and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District’s Financial Advisor, USCA Municipal Advisors, LLC, Houston, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

### PURPOSE AND PLAN OF FINANCE

#### **The Bonds**

Proceeds from the sale of the Bonds will be used to pay for (i) refunding all or a portion of the District’s outstanding obligations described in Schedule I hereto (the “Refunded Bonds”) in order to achieve debt service savings, and (ii) the costs of professional services incurred in connection therewith.

#### **Refunded Bonds**

The principal and interest due on the Refunded Bonds are to be paid on the scheduled redemption date shown on Schedule I attached hereto (the “Redemption Date”) from funds to be deposited with Zions Bancorporation National Association, dba Amegy Bank, Houston, Texas (the “Paying Agent”) pursuant to a deposit agreement between the District and the Paying Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the District, if any, with the Paying Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date.

Public Finance Partners LLC, will verify the sufficiency of the amounts initially deposited therewith to pay the principal of and interest on the Refunded Bonds when due at the scheduled Redemption Date. By the deposit of the cash with the Paying Agent, the District will have effected the defeasance of the Refunded Bonds pursuant to Chapter 1207, Texas Government Code, and the order authorizing the Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon sufficiency certification of Financial Advisor, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds, and such Refunded Bonds will be deemed to be fully paid and no longer outstanding.

**Sources and Uses**

The following table sets forth the estimated sources and uses of funds associated with the proceeds from the sale of the Bonds.

Sources of Funds:	
Par Amount	\$ 9,445,000.00
Premium/Discount	550,392.10
Prior Debt Service Reserve Fund	<u>591,795.00</u>
Total	\$10,587,187.10
Uses of Funds:	
Deposit with Refunded Paying Agent	\$9,385,496.43
Deposit to Debt Service Reserve Fund	585,522.70
Initial Purchaser’s Discount	320,391.23
Issuance Costs <sup>1</sup>	<u>295,776.74</u>
Total	\$10,587,187.10

(1) Includes professional costs of the District, rating agency fees, fees of the Paying Agent/Registrar, rounding amount and other costs of issuance.

**THE BONDS**

**General**

The following is a description of selected terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Order. Copies of the Order may be obtained upon request to the District. Certain terms not defined elsewhere in the Official Statement are defined in the Order.

**Description**

The Bonds are dated October 1, 2020. Interest will accrue from the date of initial delivery and will be payable on March 1, 2021 and on each September 1 and March 1 thereafter, until the earlier of redemption or maturity.

The Bonds will be issued in fully-registered form in integral multiples of \$5,000 of principal amount, for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system, described herein. See “THE BONDS - Book Entry-Only System” herein. **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 Zions Bancorporation National Association, dba Amegy Bank, Houston, Texas (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.

**Authority for Issuance**

The Bonds are being issued pursuant to the applicable provisions of the Constitution and of the laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and Chapters 49 and 54 of the Texas Water Code, as amended, and pursuant to the Order.

## Sources of Payment

The Bonds constitute direct obligations of the District and are payable solely by a pledge on a parity lien basis from the Net Revenues of the System; such lien and pledge being on a parity with the lien and pledge securing any previously issued revenue bonds, the Bonds and any additional revenue bonds. **The Bonds do not constitute a general obligation of the District, the State of Texas, Matagorda County, nor any political subdivision of the State of Texas. The taxing power of neither the District, the State of Texas, Matagorda County, nor any political subdivision of the State of Texas is pledged as security for the Bonds. The tax revenue of the District cannot be utilized to pay debt service on the Bonds.**

As additional security and in accordance with the Order, a Reserve Fund (defined herein) shall be maintained and may be used solely for the payment of the principal of and interest on the Bonds and any Additional Bonds when and to the extent other funds available for such purposes are insufficient, and may not be used to retire and make final payment of the Previously Issued Bonds and Additional Bonds. (See “THE BONDS – Reserve Fund” herein.)

## Rates and Charges

In the Order, the District covenants that it will establish, maintain and collect rates, charges and fees for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance or contingencies, to produce Gross Revenues in each Fiscal Year sufficient: (1) to pay Maintenance and Operating Expenses (as defined in the Order), replacement and betterment costs and to produce Net Revenues (as defined in the Order) equal to at least 1.10 times annual Debt Service (as defined in the Order) for the fiscal year on the Previously Issued Bonds, the Bonds and any bonds issued in the future that are payable from and secured by a parity lien on the Net Revenues of the System (the “Additional Bonds”), (ii) amounts to accumulate and maintain the funds as established by the Order including any Required Reserve (as defined in the Order) and (iii) sufficient to pay all other indebtedness payable from Net Revenues of the System.

## Bond Reserve Fund

The District shall establish and maintain a reserve fund equal to the average annual debt service on the Bonds (the “Reserve Fund Requirement”).

The Reserve Fund Requirement shall be satisfied by depositing to the credit of the Reserve Fund or such other designated accounts, as applicable of the Reserve Fund (i) after making required transfers from the Revenue Fund into the Interest and Sinking Fund, transfers into the Reserve Fund from the Revenue Fund, in approximately equal monthly installments made on or before the last Business Day of each month following the month of delivery of such Parity Bonds, amounts sufficient to accumulate within sixty (60) months the Reserve Fund Requirement; (ii) proceeds of such Parity Bonds or other lawfully available funds in not less than the amount which, together with investment earnings thereon as estimated by the District, will be sufficient to fund fully the Reserve Fund Requirement by no later than the end of the period of time for which the payment of interest on such Parity Bonds has been provided out of proceeds of such Parity Bonds or investment earnings thereon as estimated by the District or from other lawfully available funds other than Net Revenues; or (iii) a Reserve Fund Surety Bond that is in an amount equal to the amount required to be funded. Any downgrade of an issuer of a Reserve Fund Surety Bond shall have no effect on the value of such instrument for the purposes of meeting the Reserve Fund Requirement and the District shall have no obligation to supplement or replace such Reserve Fund Surety Bond or make additional cash contributions to the Reserve Fund as a result of such downgrade. The District further expressly reserves the right to substitute at any time a Reserve Fund Surety Bond for any funded amounts in the Reserve Fund and to apply the funds thereby released for any lawful purpose, including without limitation any purpose for which Parity Bonds may be issued or in order to pay debt service on Parity Bonds (and with respect to funds on deposit in the Reserve Fund that are proceeds of the Parity Bonds, such released funds may only be used for any purpose for which Parity Bonds may be issued or in order to pay debt service on the Parity Bonds). The District also reserves the right to provide for the use of a Reserve Fund Surety Bond in relationship to a series-specific debt service reserve requirement as may be required under any order authorizing the issuance of Parity Bonds.

## Additional Bonds

Under the Order, the District may issue Additional Bonds provided that the Net Revenues are at least 1.20 times the Average Annual Debt Service Requirement for the any outstanding revenue bonds, and any additional bonds including the Bonds to be issued under this Order, with the Net Revenues to be determined from the last completed fiscal year of the District or a twelve year (12) consecutive calendar month period ending no more than sixty (60) days preceding the date of adoption of the Order for Additional Bonds (including the Bonds).

**Issuance of Additional Debt**

The District may issue Additional Bonds, with the approval of the Texas Commission on Environmental Quality or the appropriate State agency, necessary to provide and maintain improvement and facilities consistent with the purposes for which the District was created. The Order imposes no limitation on the amount of Additional Bonds which may be authorized for issuance by the District. See “THE BONDS – Additional Bonds.” The District plans to issue Unlimited Tax Refunding Bonds, Series 2021 for the purpose of debt service savings within the next six months.

**Optional Redemption**

The District reserves the right, at its option, to redeem Bonds having stated maturities on and after March 1, 2030, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on March 1, 2029, or any date thereafter, at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District will determine the maturity or maturities and the amounts thereof to be redeemed.

**Mandatory Sinking Fund Redemption**

The Bonds maturing on March 1, 2042 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption, on March 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” above):

<b>\$705,000 Term Bonds</b>	
<b>Due March 1, 2042</b>	
<b>Mandatory Redemption Date</b>	<b>Principal Amount</b>
3/1/2040	\$ 450,000
3/1/2041	125,000
3/1/2042	130,000

Notice of the mandatory redemption of Term Bonds will be provided at least forty-five (45) calendar days prior to the date fixed for redemption, with the particular portions of the Term Bonds to be redeemed to be selected by lot or other customary method in accordance with the procedures of DTC so long as the Bonds are registered in accordance with the Book-Entry-Only System. See “THE BONDS—Book-Entry-Only System.”

**Notice of Redemption**

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the registered owner of each Bond to be redeemed, in whole or in part, at the address of the registered owner shown 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 ANY CONDITION TO REDEMPTION SPECIFIED THEREIN HAVING BEEN 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.

The District reserves the right to give notice of its election or direction to redeem Bonds as set forth under “Optional Redemption” herein conditioned upon the occurrence of subsequent events. Such notice may state (1) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar

to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any redemption where redemption has been rescinded and the Bonds shall remain outstanding.

### **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 DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of 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, 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 a 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 registered 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings: "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation 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 physical 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Redemption proceeds, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement 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, Bonds are required to be printed and delivered. Discontinuance by the District of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the District may require the consent of Participants under DTC's Operational Arrangements. In that event, Bonds will be printed and delivered.

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

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

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

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

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS – Transfers and Exchanges" below.

## **Paying Agent/Registrar**

The initial Paying Agent/Registrar is Zions Bancorporation National Association, dba Amegy Bank, Houston, Texas (the "Paying Agent/Registrar"). In the Order, the District retains the right to replace the Paying Agent/Registrar with respect to the Bonds. The Paying Agent/Registrar may be removed from its duties upon not less than sixty (60) days written notice to the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar for the Bonds until the Bonds are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized and doing business under the laws of the United States or any state, and authorized under such laws to act as 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 affected by the change, which notice shall give the address of the new Paying Agent/Registrar.

## **Ownership**

The District, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purposes of making payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Bond is overdue. Neither the District nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Bond in accordance with the Order will be valid and effectual and will discharge the liability of the District and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

## **Transfers and Exchanges**

In the event the book-entry-only system should be discontinued, the Bonds will be printed and delivered to the beneficial owner thereof and, thereafter, the Bonds 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 Owners, 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 or the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee.

The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond to the Paying Agent/Registrar at the Designated Payment/Transfer Office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register. The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denominations, and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds transferred or exchanged in accordance with this Section.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class, postage prepaid, to the Owner or his designee. Each Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the District and shall be entitled to the benefits and security of this Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

The Paying Agent/Registrar shall not be required to make any such transfer, conversion, or exchange any Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or, with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

### **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 last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for thirty (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 fifteen (15) days after the Special Record Date) shall be sent at least five (5) 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.

### **Remedies In The Event of Default**

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of, and interest on, the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

### **Replacement Bonds**

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon presentation and surrender of such mutilated Bond to the Paying Agent/Registrar. The District or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the District, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

### **Amendments to the Order**

In the Order, the District reserves the right to amend the Order without the consent of any Registered Owner as may be required (i) by the provisions of the Order; (ii) for the purpose of curing any ambiguity, defect, or omission therein that does not materially adversely affect the interest of the Registered Owners or (iii) to make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof, and which in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the Registered Owners.



## SELECTED ISSUER INFORMATION

### **Authorized But Unissued Debt**

The District has no authorized but unissued general obligation bonds.

### **Anticipated Issuance of Additional Debt**

The District plans to issue approximately \$3,000,000 of Unlimited Tax Refunding Bonds, Series 2021 on or about December 15, 2020.

The District may issue additional tax bond obligations, following approval by the voters at an election within the District and by the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

### **Annexation**

Under existing Texas law, if the District is annexed or incorporated into a municipality, the municipality is normally required to assume the District's assets and obligations (including the bonds and the remaining outstanding bonds) and abolish the District within 90 days of the date of annexation. The District cannot make any representation about whether such an assumption will occur, nor can the District make any representation about the ability of an assuming municipality to make debt service payments on the Bonds or the remaining outstanding bonds.

### **Employee Retirement System**

For a discussion of the District's Pension Plan and its obligation thereunder, See APPENDIX C – "Selected Data from the Annual Financial Report of Caney Creek Municipal Utility District, Fiscal Year Ended April 30, 2019."

### **Financial Policies**

*Basis of Accounting* ... The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Governmental resources are allocated and accounted for in the individual funds based upon the purposes for which they are utilized and the means by which spending activities are controlled. All proprietary funds are accounted for using the accrual basis of accounting. See APPENDIX C – "Selected Data from Annual Financial Report Caney Creek Municipal Utility District Fiscal Year Ended April 30, 2019".

*General Fund*... The General Fund is used to account for the operations of the District's water and sewer system and all other financial transactions not properly includable in other funds. The principal sources of revenue are related to water and sewer service operations. Expenditures include all costs associated with the daily operations of the District.

*Debt Service Fund*... The Debt Service Fund is used to account for the payment of interest and principal on the District's long-term debt. The primary source of revenue for debt service is property taxes pursuant to requirements of the District's bond orders. Expenditures include costs incurred in assessing and collecting these taxes.

*Capital Projects Construction Fund*... This fund is used for the financial resources used for the acquisition and construction of major capital facilities. Construction bank accounts are maintained within this fund to control the use of proceeds obtained through the issuance of several series of long-term debt. This fund also holds proceeds remaining from previous debt issues where the initial projects have been completed, and the remaining funds were released by the lender for use toward similar utility system improvements.

### **Investments of the District**

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District are invested in short term U.S. Treasuries and agencies, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts

held by a third party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of long term securities or derivative products in the District portfolio.

*Current Investments...* As of June 30, 2020, the District had \$1,614,174.50 invested in cash and cash equivalents.

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

## **INVESTMENT CONSIDERATIONS**

### **Continuing Compliance with Certain Covenants**

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

### **Marketability**

There is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as such bonds are generally bought, sold or traded in the secondary market.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

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

## **Specific Flood Risks**

Ponding (or Pluvial) Flooding – Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flooding – Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

## **Potential for Gulf Storm Impacts**

The District is located along the Gulf Coast. All of the U.S. Gulf Coast is subject to hurricanes, tropical storms and other weather events that can cause the loss of life and damage to property through weather events that include strong winds, storm surges, flooding and heavy rains. As has been seen in recent hurricanes that have landed along the U.S. Gulf Coast, such weather events can cause substantial damage.

On August 26, 2017, Hurricane Harvey struck the Texas Gulf Coast, resulting in historic levels of rainfall during the successive four days. According to the District, there was no interruption of water service; however, some interruption to sewer service occurred during or after the storm. Further, according to the District's Operator and Engineer, after investigation, although the District experienced flooding, the District's system did not sustain any material damage from Hurricane Harvey. Hurricane Harvey could have a material impact on the Southeast Texas region's economy. The District cannot predict what impact, if any, Hurricane Harvey will have on the assessed value of homes and commercial improvements within the District.

The Southeast Texas area, including the District, is subject to occasional severe tropical weather events, including tropical storms and hurricanes. If the District were to sustain damage to its facilities requiring substantial repair or replacement or if substantial damage were to occur to taxable property within the District as a result of such a weather event, the investment security of the Bonds could be adversely affected.

If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the District, the assessed value of property within the district could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District would be adversely affected.

## **INFECTIOUS DISEASE OUTBREAK – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and 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 and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. 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 the disaster, and issuing executive orders that have the force and effect of law. These include, for example, the issuance on March 31, 2020

of Executive Order GA-14 which, among other things, imposed limitations on social gatherings and in-person contact except where necessary to provide or obtain essential services as defined in state and federal guidance and temporarily closed school districts throughout the state through May 4, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition to the actions by the state and federal officials, certain local officials, including the City of Bay City and the County Judge of Matagorda County, have declared a local state of disaster. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are 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.

Pursuant to the guidance provided under the orders of the Governor and the disaster declarations hereinabove described and in accordance with guidance provided by the United States Department of Homeland Security (“DHS”) through its Cyber Infrastructure Security Agency (“CISA”) in accordance with memorandum dated March 28, 2020, the District is denominated as “essential critical infrastructure” and its employees thereby as “essential critical infrastructure workers”. As such and subject to internal management by the District of its personnel to meet guidance for management of social distancing and other policies to inhibit the spread of the COVID-19 virus, the District has continued its business operations with and has continued to provide its water and wastewater production, transportation, collection and treatment without any mitigation or reduction in meeting the current and anticipated demands of the residents of the District.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect both the employment of residents within the District and by reduction in available resources to residents in the District might mitigate the use of services from the District. To date, the District has not, however, seen a material reduction in the demand for its water or sanitary sewer services from residents of the District. The Bonds are secured by a pledge of the Net Revenues (as described in the Order) of the District, and a reduction in use of water resources of the District could result in a decrease temporarily or for more extended periods of time on the revenues received by the District and thereby the available of Net Revenues (as defined in the Order). As stated, the District, however, is continuing meeting all of its operational and maintenance expenses together with its previous commitment for debt service obligations heretofore issued by the District. The Board of Directors of the District continues to monitor any impact of the Pandemic on the revenues of the District and possible negative impacts on the operating budget and overall financial condition of the District.

The District will continue to monitor the spread of COVID-19 and is working with local, state, and national agencies which are addressing the potential impact of the Pandemic. While the potential impact of the Pandemic on the District and its customers cannot be quantified at this time, the continued outbreak of COVID-19 could have a future adverse effect on the District's operations and financial condition.

## **THE DISTRICT**

Caney Creek Municipal Utility District, located in the "Sargent" area of Matagorda County, was created on July 6, 1978. The District is a coastal community located generally along Caney Creek for about 15 miles northerly from its discharge into the Gulf at the east end of Matagorda Bay. Located about 75 miles southwest of the Houston metropolitan area, Sargent is a series of communities, which have provided recreational home sites with beach/bay access. Commercial and sport fishing are major industries, along with waterfowl hunting in the winter season. The District originally contained 1,709.50 acres and presently encompasses approximately 2,503.6771 due to an assumption election held on November 7, 2000 authorizing the July 13, 2000 annexation of 212.00 acres (Caney Creek Estates, Sections 1 and 2); an assumption election held on May 7, 2005 authorizing the August 13, 2003 annexation of 36.00 acres (Caney Creek Haven, Sections 1, 2, 3 and 4); an annexation on February 9, 2005 adding 117.34 acres (Live Oak Bend, Section 4); an annexation on February 8, 2006 adding a total of 101.8924 acres; an annexation on February 14, 2007 adding 136.5299 acres; an annexation on July 8, 2009 adding a total of 9.461 acres; an assumption election held on November 3, 2009 authorizing the August 12, 2009 annexation of 59.244 acres (Live Oak Bend, Sections 1, 2 and 3); an annexation on December 9, 2009 adding 3.10 acres (Caney Cove Estates, Section 2); an annexation on February 8, 2012 adding a total of 1.58 acres; an assumption election held on May 11, 2013 authorizing the February 27, 2013 annexation of 69.80 acres (Lonnie Glaze Campsite, Caney Cove Estates Section 1, certain tracts in Caney Creek Place and certain individual tracts); an annexation on August 14, 2013 adding 3.961 acres; an annexation on December 11, 2013 adding 1.379 acres; an annexation on August 13, 2014 adding a total of 39.0678 acres; an annexation on March 11, 2015 adding 0.798 acres; an annexation on July 8, 2015 adding 0.1880 acres; an annexation on December 9, 2015 adding 0.918 acres; an annexation on November 9, 2016 adding 0.459 acres; and an annexation on December 11, 2019 adding 0.459 acres.

## Regulation

The System operated by the District has been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the Texas Commission on Environmental Quality (TECQ), the Texas Department of Health, and Matagorda County, Texas.

## Utility System

The water and wastewater facilities (the "System") operated by the District have been designed in accordance with accepted engineering practices and the requirements of certain governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the Texas Commission on Environmental Quality (the "TCEQ"), the Texas Department of Health and Matagorda County, Texas.

The District owns and operates two water wells and one permanent sewage treatment plant and has approximately 2,552 metered water customers and 1,989 wastewater customers as of April 30, 2019. The District currently has a contract with Matagorda WCID #2 for the sale of water services.

The District's source of water is groundwater provided by two wells within the District. The wells have a combined permitted capacity of 510,000 gallons. The District has no emergency interconnects and is not required to convert from groundwater to surface water.

Wastewater treatment for the District is provided by the District's 0.4 million gallon per day (MGD) wastewater treatment plant. The current permit allows for the plant to discharge a final flow of 0.4 MGD.

<b>FYE 4/30/2019</b>	<b>Active</b>	<b>Active</b>	
<b><u>Connections</u></b>	<b><u>Connections</u></b>	<b><u>ESFC</u></b>	<b><u>Total</u></b>
Water	2,072	2,072	2,072
Wastewater	1,989	1,989	1,989

## Water and Wastewater Rates

Based on rate order dated August 15, 2019.

<u>Water Rates</u>	
0 to 1,000 gallons	\$16.76 Minimum
1,001 to 15,000 gallons	\$ 1.54 Per 1,000 gallons
15,000 to 25,000 gallons	\$ 2.06 Per 1,000 gallons
Over 25,000 gallons	\$ 3.09 Per 1,000 gallons

<u>Wastewater Rates</u>	
Minimum	\$28.27

TCEQ Surcharge                      0.5%

Total water and wastewater charges per 10,000 gallon usage (includes surcharges)      \$ 59.18

## Total Water Consumption

<u>FYE</u> <u>4/30</u>	<u>Gallons</u> <u>Pumped</u>	<u>Gallons</u> <u>Billed</u>
2015	62,425,000	48,206,000
2016	69,531,000	55,482,000
2017	88,670,000	68,617,000
2018	96,452,000	70,032,840
2019	75,381,000	68,636,000

## Ten Largest Utility Customers - FYE 2020

<u>Name</u>	<u>Avg Annual</u> <u>Usage (gallons)</u>
Sewer Plant	486,991
Matagorda WCID #2	138,780
Melton, Brian K	112,108
Brinkmeyer, Michael	64,910
Gunter, Burley & Kim	59,506
Patton, Betty Jo	54,063
Allen's Market & Deli	46,999
Clough, Max	45,700
Richbourg J&T Scardino	36,210
Larson, Rick	33,170

## LEGAL MATTERS

### Legal Opinions

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion as to legality by Smith, Murdaugh, Little & Bonham, L.L.P., Houston, Texas, Bond Counsel for the District.

The District will furnish the purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State. The District will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as APPENDIX D.

In its capacity as Bond Counsel, Smith, Murdaugh, Little & Bonham, L.L.P. has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub captions "PURPOSE AND PLAN OF FINANCE" (except for the information under the sub captions "Sources & Uses"), "THE BONDS" (except for the information under the sub captions "Book-Entry-Only System" "Use of Certain Terms in Other Sections of the Official Statement" "Effect of Termination of Book-Entry-Only System" and "Remedies in the Event of Default" as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the sub caption "Compliance With Prior Undertakings" as to which no opinion is expressed), and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub captions "LEGAL MATTERS," "TAX MATTERS," "ADDITIONAL FEDERAL INCOME TAX

CONSIDERATIONS” and “GENERAL CONSIDERATIONS - Legal Investments and Eligibility to Secure Public Funds in Texas”, and Bond Counsel is of the opinion that the statements and information contained therein are accurate and fair descriptions of the laws and legal issues addressed therein.

The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

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

## **TAX MATTERS**

### **Tax Exemption**

On the date of initial delivery of the Bonds, Bond Counsel to the District will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) (i) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest of which would be included as an alternative minimum-tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

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

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

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

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

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

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof, or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond

would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not equal one year.

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

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

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

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

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

Some of the Bonds have been offered at initial offering prices which exceed the stated redemption prices payable at the maturity of such Bonds. If a substantial amount of any maturity of the Bonds is sold to members of the public (which for this purpose excludes bond houses, brokers and similar persons or entities acting in the capacity of wholesaler or underwriter) at such initial offering price, each of the Bonds of such maturity (the “Premium Bonds”) will be considered for federal income tax purposes to have “bond premium” equal to such excess. The basis for federal income tax purposes of a Premium Bond in the hands of an initial purchaser who purchases such Bond in the initial offering must be reduced each year and upon the sale or other taxable disposition of the Bond by the amount of amortizable bond premium. This reduction in basis will increase the amount of any gain (or decrease the amount of any loss) recognized for federal income tax purposes upon the sale or other taxable disposition of a Premium Bond by the initial purchaser. Generally, no corresponding deduction is allowed for federal income tax purposes, for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond which is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined under special tax accounting rules which use a constant yield throughout the term of the Premium Bond based on the initial purchaser’s original basis in such Bond.

### **Collateral Federal Income Tax Consequences**

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

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



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

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

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

### **Future and Proposed Legislation**

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

### **State, Local and Foreign Taxes**

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

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

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the District as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c) (3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2020 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2020.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

## **NO LITIGATION CERTIFICATE**

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to the best of their knowledge threatened, either in state or federal courts, contesting or attacking the Bonds, restraining or enjoining the levy, assessment and collection of ad valorem taxes which are pledged to the payment of the Bonds or in any manner questioning the authority

or proceedings for the issuance, execution or delivery of the Bonds or affecting the validity of the Bonds or the title of the present officers and directors of the District.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the District has made the following agreement for the benefit of the registered 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 timely file certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB"). This information provided to the MSRB will be available to the public free of charge via the EMMA system through an internet website accessible at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Schedules in Appendix A, numbered 1, 2 and 5 and Appendix C. The District will update and provide this information within six months after the end of each fiscal year ending in and after 2020. 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 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 C 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 April 30. Accordingly, it must provide updated information by the end of October 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.

### **Event Notices**

The District will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of the trustee, if material, (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District will adopt policies and procedures to ensure timely compliance with its continuing disclosure obligations. In addition, the District will provide timely notice of any failure by the District to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

The District intends the words "financial obligation" and "material" to have the meanings ascribed to them by federal securities law.

## **Availability of Information**

The District has agreed to provide the information only to the MSRB, accompanied by identifying information and in an electronic format, as prescribed by the MSRB. The MSRB has prescribed that such information must be filed with the MSRB pursuant to its Electronic Municipal Market Access (“EMMA”) system. The MSRB intends to make the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Limitations and Amendments**

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered 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 holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

## **Compliance with Prior Undertakings**

For the past 5 years, the District has complied with prior undertakings.

## **OTHER INFORMATION**

### **Rating**

S&P Global Ratings (“S&P”) has assigned its underlying rating of “BBB+” to the Bonds. An explanation of the rating may be obtained from S&P. The rating reflects only the view of the rating organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

### **Verification of Accuracy of Mathematical Computations**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District’s retained advisors, consultants or legal counsel.

## **Financial Advisor**

USCA Municipal Advisors, LLC (the “Financial Advisor”), a subsidiary of U.S. Capital Investors, LLC, has been engaged by the District to assist the District in connection with issuance of the Bonds. The Financial Advisor’s fee for services with respect to the Bonds is contingent upon the issuance and delivery of the Bonds. Although the Financial Advisor has assisted in the drafting of this Official Statement, the Financial Advisor has not independently verified any of the data contained in it nor conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. No person should presume that the limited participation of such Financial Advisor means that such Financial Advisor assumes any responsibility for the accuracy or completeness of any of the information contained in this Official Statement

## **Initial Purchaser**

After requesting competitive bids for the Bonds, the District has accepted a bid tendered by SAMCO Capital Markets, Inc. (the “Initial Purchaser”) to purchase the Bonds at the rates shown on page ii of this Official Statement at a price of \$9,675,000.87 which includes the par of \$9,445,000 and a premium of \$550,392.10, less underwriting discount of \$320,391.23 and no accrued interest. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the District. The District has no control over the prices at which the Bonds will initially be re-offered to the public.

## **GENERAL CONSIDERATIONS**

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of an issue price certificate executed and delivered by the Initial Purchaser within 5 business days of the date of initial delivery of the Bonds, or at such earlier date specified in the Official Notice of Sale and Bidding Instructions. The District has no control over trading of the Bonds after a bona fide public offering of the Bonds is made by the Initial Purchaser at the yields specified on the inside cover page of this Official Statement. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

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

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

## **Consolidation**

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made concerning whether the District will consolidate its water and wastewater systems with any other district, but the District currently has no plans to do so.

## **Securities Laws**

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

## **Sources and Compilation of Information**

The information contained in this Official Statement has been obtained primarily from the District and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the District. This is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the statutes, Order and other related documents are included herein subject to all the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

## **Forward-Looking Statements**

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

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

## **Certification to Official Statement**

The District, acting by and through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation of such matters and makes no representation as to the accuracy or completeness thereof.

**Approval of Official Statement**

In the Bond Order, the District Board authorized an authorized officer to approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Initial Purchaser's use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of the Rule.

Caney Creek Municipal Utility District

/s/ Doug Harris  
President

ATTEST:

/s/ William Smith, Jr.  
Secretary

**SCHEDULE I**

**SUMMARY OF REFUNDED BONDS**

<b>Water Distribution Sys Rev Bds Ser 2003</b>				
<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
3/1/2021	5.850%	\$ 35,000	10/22/2020	100.00
3/1/2022	5.900%	35,000	10/22/2020	100.00
3/1/2023	5.950%	40,000	10/22/2020	100.00
3/1/2024	6.000%	40,000	10/22/2020	100.00
3/1/2025	6.000%	45,000	10/22/2020	100.00
3/1/2026	6.000%	45,000	10/22/2020	100.00
3/1/2027	6.000%	50,000	10/22/2020	100.00
3/1/2028	6.050%	50,000	10/22/2020	100.00
3/1/2029	6.050%	55,000	10/22/2020	100.00
		<u>395,000</u>		

<b>W &amp; San SS Rev Bds Ser 2007A</b>				
<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
3/1/2021	5.120%	\$ 25,000	10/22/2020	100.00
3/1/2022	5.220%	25,000	10/22/2020	100.00
3/1/2023	5.270%	25,000	10/22/2020	100.00
3/1/2024	5.370%	30,000	10/22/2020	100.00
3/1/2025	5.420%	30,000	10/22/2020	100.00
3/1/2026	5.520%	30,000	10/22/2020	100.00
3/1/2027	5.570%	35,000	10/22/2020	100.00
3/1/2028	5.570%	35,000	10/22/2020	100.00
3/1/2029	5.570%	35,000	10/22/2020	100.00
3/1/2030	5.620%	40,000	10/22/2020	100.00
3/1/2031	5.620%	40,000	10/22/2020	100.00
3/1/2032	5.620%	45,000	10/22/2020	100.00
3/1/2033	5.620%	45,000	10/22/2020	100.00
3/1/2034	5.620%	50,000	10/22/2020	100.00
3/1/2035	5.620%	50,000	10/22/2020	100.00
3/1/2036	5.620%	55,000	10/22/2020	100.00
3/1/2037	5.620%	55,000	10/22/2020	100.00
3/1/2038	5.620%	60,000	10/22/2020	100.00
		<u>\$ 710,000</u>		

**SCHEDULE I**

**SUMMARY OF REFUNDED BONDS**

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**W & San SS Rev Bds Ser 2007B**

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
3/1/2021	4.500%	\$ 32,000	10/22/2020	100.00
3/1/2022	4.500%	34,000	10/22/2020	100.00
3/1/2023	4.500%	35,000	10/22/2020	100.00
3/1/2024	4.500%	37,000	10/22/2020	100.00
3/1/2025	4.500%	38,000	10/22/2020	100.00
3/1/2026	4.500%	40,000	10/22/2020	100.00
3/1/2027	4.500%	42,000	10/22/2020	100.00
3/1/2028	4.500%	43,000	10/22/2020	100.00
3/1/2029	4.500%	45,000	10/22/2020	100.00
3/1/2030	4.500%	47,000	10/22/2020	100.00
3/1/2031	4.500%	49,000	10/22/2020	100.00
3/1/2032	4.500%	51,000	10/22/2020	100.00
3/1/2033	4.500%	54,000	10/22/2020	100.00
3/1/2034	4.500%	56,000	10/22/2020	100.00
3/1/2035	4.500%	58,000	10/22/2020	100.00
3/1/2036	4.500%	61,000	10/22/2020	100.00
3/1/2037	4.500%	64,000	10/22/2020	100.00
3/1/2038	4.500%	66,000	10/22/2020	100.00
3/1/2039	4.500%	69,000	10/22/2020	100.00
3/1/2040	4.500%	72,000	10/22/2020	100.00
3/1/2041	4.500%	75,000	10/22/2020	100.00
3/1/2042	4.500%	79,000	10/22/2020	100.00
3/1/2043	4.500%	82,000	10/22/2020	100.00
3/1/2044	4.500%	86,000	10/22/2020	100.00
3/1/2045	4.500%	90,000	10/22/2020	100.00
3/1/2046	4.500%	94,000	10/22/2020	100.00
3/1/2047	4.500%	98,000	10/22/2020	100.00
3/1/2048	4.500%	102,000	10/22/2020	100.00
		<u>\$ 1,699,000</u>		



**SCHEDULE I**

**SUMMARY OF REFUNDED BONDS**

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**Water & San SS Rev Bds Ser 2008A**

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
3/1/2021	4.375%	\$ 28,000	10/22/2020	100.00
3/1/2022	4.375%	29,000	10/22/2020	100.00
3/1/2023	4.375%	30,000	10/22/2020	100.00
3/1/2024	4.375%	32,000	10/22/2020	100.00
3/1/2025	4.375%	33,000	10/22/2020	100.00
3/1/2026	4.375%	34,000	10/22/2020	100.00
3/1/2027	4.375%	36,000	10/22/2020	100.00
3/1/2028	4.375%	38,000	10/22/2020	100.00
3/1/2029	4.375%	39,000	10/22/2020	100.00
3/1/2030	4.375%	41,000	10/22/2020	100.00
3/1/2031	4.375%	43,000	10/22/2020	100.00
3/1/2032	4.375%	45,000	10/22/2020	100.00
3/1/2033	4.375%	47,000	10/22/2020	100.00
3/1/2034	4.375%	49,000	10/22/2020	100.00
3/1/2035	4.375%	51,000	10/22/2020	100.00
3/1/2036	4.375%	53,000	10/22/2020	100.00
3/1/2037	4.375%	55,000	10/22/2020	100.00
3/1/2038	4.375%	58,000	10/22/2020	100.00
3/1/2039	4.375%	60,000	10/22/2020	100.00
3/1/2040	4.375%	63,000	10/22/2020	100.00
3/1/2041	4.375%	66,000	10/22/2020	100.00
3/1/2042	4.375%	69,000	10/22/2020	100.00
3/1/2043	4.375%	72,000	10/22/2020	100.00
3/1/2044	4.375%	75,000	10/22/2020	100.00
3/1/2045	4.375%	78,000	10/22/2020	100.00
3/1/2046	4.375%	81,000	10/22/2020	100.00
3/1/2047	4.375%	85,000	10/22/2020	100.00
3/1/2048	4.375%	90,000	10/22/2020	100.00
		<u>\$ 1,480,000</u>		

**SCHEDULE I**

**SUMMARY OF REFUNDED BONDS**

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**W & SS Rev Bds Ser 2008B**

<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Par Amount</b>	<b>Call Date</b>	<b>Call Price</b>
3/1/2021	4.510%	\$ 10,000	10/22/2020	100.00
3/1/2022	4.510%	10,000	10/22/2020	100.00
3/1/2023	4.560%	10,000	10/22/2020	100.00
3/1/2024	4.610%	10,000	10/22/2020	100.00
3/1/2025	4.660%	10,000	10/22/2020	100.00
3/1/2026	4.710%	15,000	10/22/2020	100.00
3/1/2027	4.710%	15,000	10/22/2020	100.00
3/1/2028	4.760%	15,000	10/22/2020	100.00
3/1/2029	4.810%	15,000	10/22/2020	100.00
3/1/2030	4.810%	15,000	10/22/2020	100.00
3/1/2031	4.860%	15,000	10/22/2020	100.00
3/1/2032	4.860%	15,000	10/22/2020	100.00
3/1/2033	4.860%	20,000	10/22/2020	100.00
3/1/2034	4.860%	20,000	10/22/2020	100.00
3/1/2035	4.860%	20,000	10/22/2020	100.00
3/1/2036	4.860%	20,000	10/22/2020	100.00
3/1/2037	4.960%	20,000	10/22/2020	100.00
3/1/2038	4.960%	25,000	10/22/2020	100.00
3/1/2039	4.960%	25,000	10/22/2020	100.00
		<u>305,000</u>		

**SCHEDULE I**

**SUMMARY OF REFUNDED BONDS**

**W & San SS Rev Bds Ser 2009**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Call Date</u>	<u>Call Price</u>
3/1/2021	5.150%	\$ 20,000	10/22/2020	100.00
3/1/2022	5.250%	20,000	10/22/2020	100.00
3/1/2023	5.400%	20,000	10/22/2020	100.00
3/1/2024	5.500%	25,000	10/22/2020	100.00
3/1/2025	5.700%	25,000	10/22/2020	100.00
3/1/2026	5.850%	25,000	10/22/2020	100.00
3/1/2027	5.900%	25,000	10/22/2020	100.00
3/1/2028	5.950%	30,000	10/22/2020	100.00
3/1/2029	6.000%	30,000	10/22/2020	100.00
3/1/2030	6.050%	30,000	10/22/2020	100.00
3/1/2031	6.150%	30,000	10/22/2020	100.00
3/1/2032	6.200%	35,000	10/22/2020	100.00
3/1/2033	6.250%	35,000	10/22/2020	100.00
3/1/2034	6.250%	35,000	10/22/2020	100.00
3/1/2035	6.250%	40,000	10/22/2020	100.00
		<u>\$ 425,000</u>		

**W & Sanitary SS Rev Bds Ser 2010**

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Call Date</u>	<u>Call Price</u>
3/1/2021	4.340%	\$ 135,000	10/22/2020	100.00
3/1/2022	4.490%	140,000	10/22/2020	100.00
3/1/2023	4.640%	145,000	10/22/2020	100.00
3/1/2024	4.690%	155,000	10/22/2020	100.00
3/1/2025	4.890%	160,000	10/22/2020	100.00
3/1/2026	4.990%	170,000	10/22/2020	100.00
3/1/2027	5.090%	175,000	10/22/2020	100.00
3/1/2028	5.140%	185,000	10/22/2020	100.00
3/1/2029	5.190%	195,000	10/22/2020	100.00
3/1/2030	5.240%	205,000	10/22/2020	100.00
3/1/2031	5.290%	215,000	10/22/2020	100.00
3/1/2032	5.340%	225,000	10/22/2020	100.00
3/1/2033	5.440%	235,000	10/22/2020	100.00
3/1/2034	5.440%	245,000	10/22/2020	100.00
3/1/2035	5.440%	255,000	10/22/2020	100.00
3/1/2036	5.440%	265,000	10/22/2020	100.00
3/1/2037	5.440%	280,000	10/22/2020	100.00
3/1/2038	5.440%	295,000	10/22/2020	100.00
3/1/2039	5.590%	305,000	10/22/2020	100.00
3/1/2040	5.590%	320,000	10/22/2020	100.00
		<u>\$ 4,305,000</u>		

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**APPENDIX A**  
**FINANCIAL INFORMATION**

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The District has previously issued revenue bonds (“Outstanding Bonds”). The following table lists the principal amounts of the Outstanding Bonds, including the issuance of the Bonds and excluding the Refunded Bonds:

**Schedule 1 – Outstanding Bonds**

<u><b>Outstanding Revenue Debt as of June 1, 2020</b></u>	
Water Distribution Sys Rev Bds Ser 2003	\$ 395,000
Water & San SS Rev Bds Ser 2007A	710,000
Water & San SS Rev Bds Ser 2008A	1,480,000
Water & San SS Rev Bds Ser 2007B	1,699,000
Water & SS Rev Bds Ser 2008B	305,000
Water & San SS Rev Bds Ser 2009	425,000
Water & Sanitary SS Rev Bds Ser 2010	<u>4,305,000</u>
Total Outstanding	\$ 9,319,000
 Plus: The Bonds	 \$ 9,445,000
Less: Refunded Bonds	<u>9,319,000</u>
Total	\$ 9,445,000

**Schedule 2 –Debt Service**

The following table reflects the debt service of the District’s Outstanding Revenue Bonds, including the Bonds and excluding the Refunded Bonds.

FYE 4/30	Outstanding	Less Refunded Debt Service	The Bonds			Total
			Principal	Interest	Total	
2021	\$ 754,817	\$ 519,594	\$ 350,000	\$ 122,022	\$ 472,022	\$ 707,244
2022	749,485	749,485	345,000	320,406	665,406	665,406
2023	747,529	747,529	365,000	303,156	668,156	668,156
2024	756,877	756,779	390,000	284,906	674,906	675,004
2025	752,498	752,401	405,000	265,406	670,406	670,503
2026	753,304	753,304	430,000	245,156	675,156	675,156
2027	754,008	754,008	460,000	223,656	683,656	683,656
2028	752,682	752,594	485,000	200,656	685,656	685,745
2029	749,925	749,838	505,000	176,406	681,406	681,493
2030	692,274	692,274	470,000	151,156	621,156	621,156
2031	686,839	686,839	490,000	127,656	617,656	617,656
2032	690,712	690,635	505,000	117,856	622,856	622,933
2033	688,851	688,776	510,000	107,125	617,125	617,200
2034	684,892	684,892	520,000	95,650	615,650	615,650
2035	679,931	679,931	525,000	83,950	608,950	608,950
2036	635,063	635,000	495,000	70,825	565,825	565,889
2037	631,393	631,332	505,000	58,450	563,450	563,511
2038	636,791	636,791	520,000	45,825	565,825	565,825
2039	565,624	565,624	465,000	32,175	497,175	497,175
2040	537,700	537,652	450,000	19,388	469,388	469,435
2041	199,720	199,676	125,000	7,013	132,013	132,056
2042	200,458	200,458	130,000	3,575	133,575	133,575
2043	199,884	199,884	-	-	-	-
2044	200,102	200,073	-	-	-	-
2045	199,893	199,869	-	-	-	-
2046	199,430	199,430	-	-	-	-
2047	199,656	199,656	-	-	-	-
2048	200,540	200,534	-	-	-	-
<b>Total</b>	<b>\$15,500,874</b>	<b>\$ 15,264,856</b>	<b>\$ 9,445,000</b>	<b>\$ 3,062,415</b>	<b>\$ 12,507,415</b>	<b>\$ 12,743,375</b>



### Schedule 3 – Coverage

#### Annual Debt Service Requirements

Total Average Annual Debt Service	\$ 579,244
Total Maximum Annual Debt Service	\$ 707,244

#### Fund Balance (as of 4/30/2019)

Water & Sewer Fund - Net Assets	\$ 1,327,899
---------------------------------	--------------

#### Net Revenues and Debt Coverage

2019 Net Revenues	\$ 845,839
Debt Coverage (Average Annual Debt Service)	1.46
Debt Coverage (Maximum Annual Debt Service)	1.20

### Schedule 4 - Historical Net Revenues and Coverage

REVENUES	Fiscal Year Ended April 30,				
	2019	2018	2017	2016	2015
Property Taxes	\$ 801,009	\$ 755,356	\$ 689,864	\$ 633,614	609,557
Water Service	493,048	479,379	463,457	456,945	1,036,401
Sewer Services	662,492	668,173	648,464	633,603	-
Penalty and Interest	23,270	26,405	29,869	30,020	28,923
Tap Connection & Inspection Fees	117,375	149,107	173,100	139,800	140,171
Interest on Deposits	5,585	2,762	1,717	1,382	1,239
Other Revenue	75,159	49,034	54,840	123,803	22,138
Total Revenues	2,177,938	2,130,216	2,061,311	2,019,167	1,838,429
<b>EXPENSES</b>					
Personnel, Salaries and Benefits	\$ 667,661	\$ 620,567	\$ 563,559	\$ 461,496	\$ 371,652
Professional Fees	37,924	48,229	36,108	34,375	39,359
Contracted Services	40,790	51,781	62,290	52,650	50,784
Utilities	70,008	-	-	-	-
Repairs, Maintenance and Other	333,234	-	-	-	-
Administrative Expenditures	154,082	536,754	443,148	467,022	406,351
Miscellaneous Expenses	-	-	-	13,191	383
Capital Outlay	28,400	88,988	75,708	314,535	62051
Debt Service	-	-	-	-	-
Principal	410,000	392,000	337,000	292,000	252,000
Interest	506,302	522,027	537,116	548,839	557,552
Total Expenses	\$ 2,248,401	\$ 2,260,346	\$ 2,054,929	\$ 2,184,108	\$ 1,740,132
Other Financing Sources	-	-	-	90,000	-
Changes in Net Position	\$ (70,463)	\$ (130,130)	\$ 6,382	\$ (74,941)	\$ 98,297
Net Position, beginning of period	\$ 1,398,362	\$ 1,528,492	\$ 1,522,110	\$ 1,597,051	\$ 1,498,754
Net Position, end of period	\$ 1,327,899	\$ 1,398,362	\$ 1,528,492	\$ 1,522,110	\$ 1,597,051
<b>Fiscal Year End April 30,</b>					
	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Available Net Revenues	\$ 845,839	\$ 783,897	\$ 880,498	\$ 765,898	\$ 907,849
Revenue Bond Debt Service Payment	753,730	751,009	748,552	746,479	747,357
Coverage by Net Revenues	1.12	1.04	1.18	1.03	1.21

Source: Caney Creek Municipal Utility District. Financial Statements

## Schedule 5 – Historical Operations of the General Fund

The following statement sets forth in condensed form the historical operations of the District's General Fund. Such information has been prepared based upon information obtained from the District's audited financial statements and other information provided by the District. Reference is made to such statements for further and complete information.

REVENUES	Fiscal Year Ended April 30,				
	2019	2018	2017	2016	2015
Property Taxes	\$ 801,009	\$ 755,356	\$ 689,864	\$ 633,614	609,557
Water Service	493,048	479,379	463,457	456,945	1,036,401 <sup>(a)</sup>
Sewer Services	662,492	668,173	648,464	633,603	-
Penalty and Interest	23,270	26,405	29,869	30,020	28,923
Tap Connection & Inspection Fees	117,375	149,107	173,100	139,800	140,171
Interest on Deposits	5,585	2,762	1,717	1,382	1,239
Other Revenue	75,159	49,034	54,840	123,803	22,138
<b>Total Revenues</b>	<b>2,177,938</b>	<b>2,130,216</b>	<b>2,061,311</b>	<b>2,019,167</b>	<b>1,838,429</b>
<b>EXPENSES</b>					
Personnel, Salaries and Benefits	\$ 667,661	\$ 620,567	\$ 563,559	\$ 461,496	\$ 371,652
Professional Fees	37,924	48,229	36,108	34,375	39,359
Contracted Services	40,790	51,781	62,290	52,650	50,784
Utilities	70,008	-	-	-	-
Repairs, Maintenance and Other	333,234	-	-	-	-
Administrative Expenditures	154,082	536,754	443,148	467,022	406,351
Miscellaneous Expenses	-	-	-	13,191	383
Capital Outlay	28,400	88,988	75,708	314,535	62051
Debt Service	-	-	-	-	-
Principal	410,000	392,000	337,000	292,000	252,000
Interest	506,302	522,027	537,116	548,839	557,552
<b>Total Expenses</b>	<b>\$ 2,248,401</b>	<b>\$ 2,260,346</b>	<b>\$ 2,054,929</b>	<b>\$ 2,184,108</b>	<b>\$ 1,740,132</b>
Other Financing Sources	-	-	-	90,000	-
Changes in Net Position	\$ (70,463)	\$ (130,130)	\$ 6,382	\$ (74,941)	\$ 98,297
Net Position, beginning of period	\$ 1,398,362	\$ 1,528,492	\$ 1,522,110	\$ 1,597,051	\$ 1,498,754
Net Position, end of period	\$ 1,327,899	\$ 1,398,362	\$ 1,528,492	\$ 1,522,110	\$ 1,597,051

Source: Audited Financial Reports.

<sup>(a)</sup> Combined Water and Sewer Revenues

**APPENDIX B**

**ECONOMIC AND DEMOGRAPHIC INFORMATION**

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## Location

Matagorda County is a Gulf Coast county. The South Texas Nuclear Power Project ("STNP") site is located between the City of Bay City and the City of Palacios. The site consists of two 1250MW nuclear generating units and employs over 1,700 persons. The participants in the STNP include two investor-owned utilities, Reliant Energy and Central Power and Light, and two municipal entities, City Public Service of San Antonio and the City of Austin. The county was the eighth largest producing county of soybeans and the third largest producing county of rice in Texas in 2016.

## The County

Matagorda County is a Gulf Coast county with a 2010 population of 37,957. Bay City is the County seat. The South Texas Nuclear Power Project ("STNP") site is located between the City of Bay City and the City of Palacios. The site consists of two 1250MW nuclear generating units and employs over 1,700 persons. The participants in the STNP include two investor-owned utilities, Reliant Energy and Central Power and Light, and two municipal entities, City Public Service of San Antonio and the City of Austin. The county was the eighth largest producing county of soybeans and the third largest producing county of rice in Texas in 2016.

### *Economic Base*

Mineral: oil and gas. Industry: petrochemicals, nuclear power plant and agribusiness.

Agricultural: soybeans, sorghums, rice, irrigation, cotton and cattle.

The oil production for this county accounts for 0.01% of the total state production. The county ranks 139 out of all the counties in Texas for oil production. The gas production for this county accounts for 0.08% of the total state production. The county ranks 85 out of all the counties in Texas for gas production.

### **Oil Production**

<u>Year</u>	<u>Volume</u>	<u>% Change</u>
2017	183,549 BBL	17.93
2018	209,080 BBL	13.91
2019	154,773 BBL	-25.97

### *Employers*

#### **Matagorda County Top Employers**

<b><u>Employer</u></b>	<b><u>Business Type</u></b>	<b><u>Employees</u></b>
South Texas Project	Operations Company	1,166
Tinaris	Manufacturer	702
Bay City ISD	Education	537
Matagorda Hospital	Health Care	301
Matagorda County	Government	241
Palacios ISD	Education	223
Oxea	Chemical Company	183
Lyondell	Chemical Company	160
Van Vleck ISD	Education	158
City of Bay City	Government	152
Tidehaven ISD	Education	127

Sources: Texas Municipal Reports and the Caney Creek Municipal Utility District.

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**APPENDIX C**

**SELECTED DATA FROM  
ANNUAL FINANCIAL REPORT  
CANEE CREEK MUNICIPAL UTILITY DISTRICT  
FISCAL YEAR ENDED APRIL 30, 2019**

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CANEY CREEK MUNICIPAL UTILITY DISTRICT

MATAGORDA COUNTY, TEXAS

ANNUAL AUDIT REPORT

APRIL 30, 2019

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# Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

October 16, 2019

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Caney Creek Municipal  
Utility District  
Matagorda County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Caney Creek Municipal Utility District, as of and for the year ended April 30, 2019, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

### **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 of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 assessment of the risk 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 opinions.

### **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Caney Creek Municipal Utility District as of April 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Other Matters**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 7, the Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 24 and pension information on Pages 25 to 27 be presented to supplement the basic financial statements. Such information, although not 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, 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.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 28 to 54 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has 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 it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by other independent auditors whose opinion dated October 15, 2018 expressed a qualified opinion on those financial statements.

A handwritten signature in black ink, appearing to read "M. A. J.", is located in the lower right quadrant of the page.

## Management's Discussion and Analysis

### Using this Annual Report

Within this section of the Caney Creek Municipal Utility District (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2019.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. Other activities, such as security service and garbage collection, are minor activities and are not budgeted or accounted for as separate programs. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

#### *Government-Wide Financial Statements*

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

#### *Fund Financial Statements*

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

### **Financial Analysis of the District as a Whole**

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. The financial objective for the Special Revenue Fund is to insure that the expenditures in the funds are billed to the participants in accordance with the contract. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Current and other assets	\$ 1,966,397	\$ 2,037,708	\$ (71,311)
Capital assets	<u>14,624,373</u>	<u>15,412,187</u>	<u>(787,814)</u>
Total assets	<u>16,590,770</u>	<u>17,449,895</u>	<u>(859,125)</u>
Total deferred outflows of resources	<u>8,945</u>	<u>5,152</u>	<u>3,793</u>
Long-term liabilities	12,378,829	13,380,471	(1,001,642)
Other liabilities	<u>866,580</u>	<u>180,224</u>	<u>686,356</u>
Total liabilities	<u>13,245,409</u>	<u>13,560,695</u>	<u>(315,286)</u>
Total deferred inflows of resources	<u>1,749</u>	<u>135</u>	<u>1,614</u>
Net position:			
Invested in capital assets, net of related debt	1,758,373	2,045,187	(286,814)
Restricted	863,262	896,092	(32,830)
Unrestricted	<u>730,922</u>	<u>952,938</u>	<u>(222,016)</u>
Total net position	<u>\$ 3,352,557</u>	<u>\$ 3,894,217</u>	<u>\$ (541,660)</u>

Summary of Changes in Net Position

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 1,090,687	\$ 1,035,034	\$ 55,653
Charges for services	1,220,332	1,147,552	72,780
Other revenues	<u>160,071</u>	<u>189,382</u>	<u>(29,311)</u>
Total revenues	<u>2,471,090</u>	<u>2,371,968</u>	<u>99,122</u>
Expenses:			
Service operations	2,127,301	2,010,831	116,470
Debt service	<u>885,449</u>	<u>668,348</u>	<u>217,101</u>
Total expenses	<u>3,012,750</u>	<u>2,679,179</u>	<u>333,571</u>
Change in net position	(541,660)	(307,211)	(234,449)
Net position, beginning of year	<u>3,894,217</u>	<u>4,201,428</u>	<u>(307,211)</u>
Net position, end of year	<u>\$ 3,352,557</u>	<u>\$ 3,894,217</u>	<u>\$ (541,660)</u>

**Financial Analysis of the District's Funds**

The District's combined fund balances as of the end of the fiscal year ended April 30, 2019, were \$1,780,814, a decrease of \$49,413 from the prior year.

The General Fund balance decreased by \$70,463, in accordance with the District's financial plan.

The Debt Service Fund balance increased by \$19,101, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by \$1,949 due to interest earnings on deposits.

#### *General Fund Budgetary Highlights*

The Board of Directors amended the budget during the fiscal year. The original budget adopted by the Board of Directors anticipated a decrease in the fund balance during the year of \$34,600. During the fiscal year, the Board of Directors adopted an amended budget which anticipated a decrease in the fund balance during the year of \$134,100. The changes from the original budget to the final budget were primarily due to an increase in repairs and maintenance expenditures.

The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 24 of this report. The budgetary fund balance as of April 30, 2019, was expected to be \$1,264,262 and the actual end of year fund balance was \$1,327,899.

### **Capital Asset and Debt Administration**

#### *Capital Assets*

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 64,475	\$ 64,475	\$ 0
Buildings and improvements	927,929	963,626	(35,697)
Furniture and office equipment	4,208	5,591	(1,383)
Machinery and equipment	14,320	23,400	(9,080)
Vehicles	86,338	85,767	571
Water facilities	1,994,501	2,153,444	(158,943)
Sewer facilities	<u>11,532,602</u>	<u>12,115,884</u>	<u>(583,282)</u>
Totals	<u>\$ 14,624,373</u>	<u>\$ 15,412,187</u>	<u>\$ (787,814)</u>

Changes to capital assets during the fiscal year ended April 30, 2019, are summarized as follows:

Additions:		
Vehicles		\$ 28,400
Decreases:		
Depreciation		<u>(816,214)</u>
Net change to capital assets		<u>\$ (787,814)</u>

#### *Debt*

Changes in the bonded debt position of the District during the fiscal year ended April 30, 2019, are summarized as follows:

Bonded debt payable, beginning of year	\$ 13,057,000
Bonds paid	<u>(351,000)</u>
Bonded debt payable, end of year	<u>\$ 12,706,000</u>



At April 30, 2019, the District did not have any bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The District's bonds are not rated.

As further described in Note 5 of the Notes to the Financial Statements, the District borrowed \$675,000 during fiscal year 2012 from a bank to assist with construction of new office facilities. The final payment of \$160,000 is due and payable on March 1, 2020 and bears interest at 4.0% per annum.

*Property Tax Base*

The District's tax base increased approximately \$8,110,000 for the 2018 tax year (approximately 3%) due to the increase in the average assessed valuations on existing properties.

## CANEY CREEK MUNICIPAL UTILITY DISTRICT

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2019

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
<b>ASSETS</b>						
Cash, including interest-bearing accounts, Note 7	\$ 822,823	\$ 139,617	\$ 271,467	\$ 1,233,907	\$	\$ 1,233,907
Certificates of deposit, at cost, Note 7	341,442	52,134		393,576		393,576
Receivables:						
Property taxes	116,886	40,805		157,691		157,691
Service accounts	75,978			75,978		75,978
Other	15,761			15,761		15,761
Maintenance taxes collected not yet transferred from other fund	10,303			10,303	(10,303)	0
Prepaid expenditures	14,005			14,005		14,005
Materials and supplies inventories	75,479			75,479		75,479
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	64,475	64,475
Depreciable capital assets				0	14,559,898	14,559,898
<b>Total assets</b>	<b>\$1,472,677</b>	<b>\$ 232,556</b>	<b>\$ 271,467</b>	<b>\$ 1,976,700</b>	<b>14,614,070</b>	<b>16,590,770</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred pension items	0	0	0	0	8,945	8,945
<b>LIABILITIES</b>						
Accounts payable, Note 9	\$ 24,892	\$	\$	\$ 24,892		24,892
Accrued interest payable				0	337,688	337,688
Customer deposits	3,000			3,000		3,000
Maintenance taxes collected not yet transferred to other fund		10,303		10,303	(10,303)	0
Long-term liabilities, Note 5:						
Due within one year				0	501,000	501,000
Due in more than one year				0	12,378,829	12,378,829
<b>Total liabilities</b>	<b>27,892</b>	<b>10,303</b>	<b>0</b>	<b>38,195</b>	<b>13,207,214</b>	<b>13,245,409</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property tax revenues	116,886	40,805		157,691	(157,691)	0
Deferred pension items				0	1,749	1,749
<b>Total deferred inflows of resources</b>	<b>116,886</b>	<b>40,805</b>	<b>0</b>	<b>157,691</b>	<b>(155,942)</b>	<b>1,749</b>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Nonspendable:						
Materials, supplies and other assets	75,479			75,479	(75,479)	0
Assigned to:						
Debt service	700,034	181,448		881,482	(881,482)	0
Capital projects			271,467	271,467	(271,467)	0
Unassigned	552,386			552,386	(552,386)	0
<b>Total fund balances</b>	<b>1,327,899</b>	<b>181,448</b>	<b>271,467</b>	<b>1,780,814</b>	<b>(1,780,814)</b>	<b>0</b>
<b>Total liabilities, deferred inflows, and fund balances</b>	<b>\$1,472,677</b>	<b>\$ 232,556</b>	<b>\$ 271,467</b>	<b>\$ 1,976,700</b>		
Net position:						
Invested in capital assets, net of related debt, Note 4					1,758,373	1,758,373
Restricted for debt service					591,795	591,795
Restricted for capital projects					271,467	271,467
Unrestricted					730,912	730,912
<b>Total net position</b>					<b>\$ 3,352,547</b>	<b>\$ 3,352,547</b>

The accompanying notes are an integral part of the financial statements.

**CANEY CREEK MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**

**FOR THE YEAR ENDED APRIL 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
<b>REVENUES</b>						
Property taxes	\$ 801,009	\$ 244,343	\$	\$ 1,045,352	\$ 30,819	\$ 1,076,171
Water service	493,048			493,048		493,048
Sewer service	662,492			662,492		662,492
Penalty and interest	23,270	15,638		38,908	(1,122)	37,786
Tap connection and inspection fees	117,375			117,375		117,375
Interest on deposits	5,585	1,525	1,949	9,059		9,059
Other revenues	75,159			75,159		75,159
Total revenues	<u>2,177,938</u>	<u>261,506</u>	<u>1,949</u>	<u>2,441,393</u>	<u>29,697</u>	<u>2,471,090</u>
<b>EXPENDITURES / EXPENSES</b>						
Service operations:						
Personnel salaries and benefits	667,661			667,661		667,661
Professional fees	37,924	7,030		44,954		44,954
Contracted services	40,790			40,790		40,790
Utilities	70,008			70,008		70,008
Repairs, maintenance and other operating expenditures	333,234			333,234		333,234
Administrative expenditures	154,082			154,082		154,082
Depreciation				0	816,214	816,214
Compensated absences				0	358	358
Capital outlay / non-capital outlay	28,400			28,400	(28,400)	0
Debt service:						
Principal retirement	410,000	91,000		501,000	(501,000)	0
Interest and fees	506,302	144,375		650,677	234,772	885,449
Total expenditures / expenses	<u>2,248,401</u>	<u>242,405</u>	<u>0</u>	<u>2,490,806</u>	<u>521,944</u>	<u>3,012,750</u>
Excess (deficiency) of revenues over expenditures	<u>(70,463)</u>	<u>19,101</u>	<u>1,949</u>	<u>(49,413)</u>	<u>(492,247)</u>	<u>(541,660)</u>
Net change in fund balances / net position	(70,463)	19,101	1,949	(49,413)	(492,247)	(541,660)
Beginning of year	<u>1,398,362</u>	<u>162,347</u>	<u>269,518</u>	<u>1,830,227</u>	<u>2,063,990</u>	<u>3,894,217</u>
End of year	<u>\$ 1,327,899</u>	<u>\$ 181,448</u>	<u>\$ 271,467</u>	<u>\$ 1,780,814</u>	<u>\$ 1,571,743</u>	<u>\$ 3,352,557</u>

The accompanying notes are an integral part of the financial statements.

CANEY CREEK MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

APRIL 30, 2019

NOTE 1: REPORTING ENTITY

Caney Creek Municipal Utility District (the "District") was created pursuant to Texas Water Code Chapter 54 by an order of the Texas Water Commission on July 6, 1978. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on July 26, 1978, and the first bonds were sold on June 17, 1981. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. In addition, the District is empowered, if approved by the electorate, the Texas Commission on Environmental Quality and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

The District has been in the process of expansion, through annexation of adjacent lands and subdivisions since 2003. This process has been in connection with a long-term plan to construct a wastewater treatment plant and waste collection system. In this process the District has been extending the provision of services to these annexed areas or assuming water service facilities already in place. The new sewer plant began providing services to a limited area in 2007. The plant and collection system have been expanding services through a development plan being primarily funded by USDA lending and grant proceeds, TWDB lending and District funds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

#### Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

### Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

### Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

### Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 years
Plant and equipment	10-45 years
Underground lines	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

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

Deferred inflows/outflows of resources

In addition to liabilities, the statement of financial position will report deferred inflows and outflows of resources separately. Deferred inflows and outflows of resources are changes to the District's net position or fund balance that apply to a future period(s). Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) and pension activity inflows resulting from changes in actuarial assumptions are recorded as deferred inflow of resources. Pension plan contributions made after the measurement date are recorded as deferred outflows of resources.

**NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		\$ 1,780,814	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds :			
Total capital assets, net			14,624,373
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:			
Bonds payable	\$ (12,706,000)		
Note payable	(160,000)		
Compensated absences	<u>(13,829)</u>	(12,879,829)	
Some receivables that do not provide current financial resources are not reported as receivables in the funds:			
Deferred pension items	8,945		
Uncollected property taxes	<u>157,691</u>		166,636
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:			
Deferred pension items	(1,749)		
Accrued interest	<u>(337,688)</u>	<u>(339,437)</u>	
Net position, end of year			<u>\$ 3,352,557</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances		\$ (49,413)
<p>The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital outlay	\$ 28,400	
Depreciation	<u>(816,214)</u>	(787,814)
<p>The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:</p>		
Principal reduction, bonds	351,000	
Principal reduction, note payable	<u>150,000</u>	501,000
<p>Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:</p>		
Accrued penalty and interest on property taxes receivable	(1,122)	
Uncollected property taxes	<u>30,819</u>	29,697
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:</p>		
Compensated absences	(358)	
Accrued interest	<u>(234,772)</u>	<u>(235,130)</u>
Change in net position		<u>\$ (541,660)</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the fiscal year ended April 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land and easements	\$ 64,475	\$ 0	\$ 0	\$ 64,475
Total capital assets not being depreciated	<u>64,475</u>	<u>0</u>	<u>0</u>	<u>64,475</u>
Depreciable capital assets:				
Buildings and improvements	1,214,164			1,214,164
Furniture and office equipment	18,263			18,263
Machinery and equipment	117,240			117,240
Vehicles	198,005	28,400		226,405
Water system	4,359,319			4,359,319
Sewer system	<u>16,585,479</u>			<u>16,585,479</u>
Total depreciable capital assets	<u>22,492,470</u>	<u>28,400</u>	<u>0</u>	<u>22,520,870</u>
Less accumulated depreciation for:				
Buildings and improvements	(250,538)	(35,697)		(286,235)
Furniture and office equipment	(12,672)	(1,383)		(14,055)
Machinery and equipment	(93,840)	(9,080)		(102,920)
Vehicles	(112,238)	(27,829)		(140,067)
Water system	(2,205,875)	(158,943)		(2,364,818)
Sewer system	<u>(4,469,595)</u>	<u>(583,282)</u>		<u>(5,052,877)</u>
Total accumulated depreciation	<u>(7,144,758)</u>	<u>(816,214)</u>	<u>0</u>	<u>(7,960,972)</u>
Total depreciable capital assets, net	<u>15,347,712</u>	<u>(787,814)</u>	<u>0</u>	<u>14,559,898</u>
Total capital assets, net	<u>\$ 15,412,187</u>	<u>\$ (787,814)</u>	<u>\$ 0</u>	<u>\$ 14,624,373</u>
Changes to capital assets:				
Capital outlay		\$ 28,400	\$	
Less depreciation expense for the fiscal year		<u>(816,214)</u>		
Net increases / decreases to capital assets		<u>\$ (787,814)</u>	<u>\$ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Bonds payable	\$ 13,057,000	\$	\$ 351,000	\$ 12,706,000	\$ 341,000
Note payable	310,000		150,000	160,000	160,000
Compensated absences	<u>13,471</u>	<u>358</u>		<u>13,829</u>	-----
Total long-term liabilities	<u>\$ 13,380,471</u>	<u>\$ 358</u>	<u>\$ 501,000</u>	<u>\$ 12,879,829</u>	<u>\$ 501,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of April 30, 2019, the debt service requirements on the bonds outstanding were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 341,000	\$ 622,741	\$ 963,741
2021	351,000	606,886	957,886
2022	363,000	590,586	953,586
2023	378,000	573,478	951,478
2024	405,000	555,662	960,662
2025 - 2029	2,326,000	2,457,992	4,783,992
2030 - 2034	2,624,000	1,842,309	4,466,309
2035 - 2039	3,052,000	1,124,483	4,176,483
2040 - 2044	1,920,000	449,999	2,369,999
2045 - 2048	<u>946,000</u>	<u>107,762</u>	<u>1,053,762</u>
	<u>\$ 12,706,000</u>	<u>\$ 8,931,898</u>	<u>\$ 21,637,898</u>

At April 30, 2019, the District did not have any bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage system within the District.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. The Series 2003B, 2007A, 2007B, 2008, 2008B, 2009 and 2010 bonds are further payable from and secured by a lien on and pledge of the net revenues to be received from the operation of the District's waterworks and sanitary sewer system.

The bond issues payable at April 30, 2019, were as follows:

	<u>Series 2003</u>	<u>Series 2005A</u>	<u>Series 2005B</u>
Amounts outstanding, April 30, 2019	\$430,000	\$1,884,000	\$194,000
Interest rates	5.80% to 6.05%	4.50%	4.50%
Maturity dates, serially beginning/ending	March 1, 2020/2029	March 15, 2020/2044	March 15, 2020/2044
Interest payment dates	September 1/March 1	September 15/March 15	September 15/March 15
Callable dates	September 1, 2013*	Callable*	Callable*

\*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Series 2007</u>	<u>Series 2007A</u>	<u>Series 2007B</u>
Amounts outstanding, April 30, 2019	\$1,031,000	\$735,000	\$1,730,000
Interest rates	4.50%	5.02% to 5.62%	4.50%
Maturity dates, serially beginning/ending	March 15, 2020/2048	March 1, 2020/2038	March 1, 2020/2048
Interest payment dates	September 15/March 15	September 1/March 1	September 1/March 1
Callable dates	Callable*	September 1, 2016*	Callable*
	<u>Series 2008</u>	<u>Series 2008A</u>	<u>Series 2009</u>
Amounts outstanding, April 30, 2019	\$315,000	\$1,507,000	\$445,000
Interest rates	4.46% to 4.96%	4.375%	4.95% to 6.25%
Maturity dates, serially beginning/ending	March 1, 2020/2039	March 1, 2020/2048	March 1, 2020/2035
Interest payment dates	September 1/March 1	September 1/March 1	September 1/March 1
Callable dates	March 1, 2019*	Callable*	September 1, 2019*
	<u>Series 2010</u>		
Amounts outstanding, April 30, 2019	\$4,435,000		
Interest rates	4.14% to 5.59%		
Maturity dates, serially beginning/ending	March 1, 2020/2040		
Interest payment dates	September 1/March 1		
Callable dates	September 1, 2020*		

\*Or any date thereafter, callable at par plus accrued interest in whole or in part at the option of the District.

Note Payable

The District borrowed \$675,000 during fiscal year 2012 from a bank to assist with construction of new office facilities. The final payment of \$160,000 is due and payable on March 1, 2020 and bears interest at 4.0% per annum.

Developer Construction Commitments and Liabilities

At April 30, 2019, there were no developer construction commitments and liabilities.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 6: PROPERTY TAXES

The Matagorda County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

The Bond Orders require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes.

At an election held November 3, 1981, the voters within the District authorized a maintenance tax not to exceed \$0.50 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On August 22, 2018, the District levied the following ad valorem taxes for the 2018 tax year on the adjusted taxable valuation of \$264,814,206:

	Rate	Amount
Debt service	\$ 0.09301	\$ 246,374
Maintenance	0.30707	813,397
	\$ 0.40008	\$ 1,059,771

A reconciliation of the tax levy to property tax revenues on the Statement of Activities is as follows:

2018 tax year total property tax levy	\$ 1,059,771
Prior year allowance for uncollectibles	23,500
Appraisal district adjustments to prior year taxes	(7,100)
Statement of Activities property tax revenues	\$ 1,076,171

NOTE 7: DEPOSITS AND TEMPORARY INVESTMENTS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the carrying amount of the District's deposits was \$1,627,483 and the bank balance was \$1,331,474. Of the bank balance, \$500,000 was covered by federal insurance and \$831,474 was covered by the market value of collateral held by the District's custodial bank in the District's name. The market value of collateral was reported to the District by the depository.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund

For payment of debt principal and interest,  
paying agent fees and costs of assessing and  
collecting taxes:

Cash	\$	139,617
Certificates of deposit		<u>52,134</u>
		<u>\$ 191,751</u>

Capital Projects Fund

For construction of capital assets:

Cash	\$	<u>271,467</u>
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NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

At April 30, 2019, the District had physical damage of \$4,912,002, boiler and machinery coverage of \$402,000, mobile equipment coverage of \$83,000, liability coverage of \$1,000,000 and consultant's crime coverage of \$500,000.

NOTE 9: DEFINED BENEFIT PENSION PLAN

Plan Description

The District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System ("TCDRS"). TCDRS was created by the Texas Legislature in 1967 to provide Texas county and district employees with retirement, disability and survivor benefits. TCDRS' structure and operations are governed by state and federal law. TCDRS does not receive state funding. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of over 780 traditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees a P.O. Box 2034, Austin Texas 78768-2034, or on-line at [www.tcdrs.org](http://www.tcdrs.org).

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TDCRS Act"). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 8 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Benefits Provided

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

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms at the valuation and measurement date (December 31, 2018):

Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>13</u>
Total	16

Contributions

The employer has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The employer contributed using the actuarially determined rate of 2.60% for the months of the calendar year in 2019, and 2.63% for the months of the calendar year in 2018. The deposit rate payable by the employee members for the calendar years 2018 and 2019 is the rate of 5% as adopted by the governing body of the employer. Pursuant to state law, employers participating in the system must pay 100% of the actuarially determined required contributions on an annual basis.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2017 and December 31, 2018, the basis for determining the contribution rates for calendar years 2018 and 2019, respectively. The December 31, 2018 actuarial valuation is the most recent valuation.

The TCDRS board hires independent actuaries to conduct annual valuations, measure the funding status and determine the required employer contribution rate. The valuation of each employer plan is based on the system funding policy and the assets, benefits and participant profile of each participating employer. The four key components in the determination of employer contribution rates are as follows:

*Actuarial Cost Method* - The replacement life entry age cost method was adopted, with the goal to fund benefits in an orderly manner for each participant over their career so that sufficient funds are accumulated by the time payment begins. Benefits are funded in advance as a level percentage of pay, and this portion of the contribution rate is called the normal cost rate, which generally remains stable from year to year.

*Amortization Policy* - The portion of the contribution rate that funds the remaining unfunded amounts for benefits not covered by the normal cost is called the unfunded actuarial accrued liability (UAAL) rate. The UAAL amounts occur when either benefit enhancements are adopted that have not been funded in advance, or when actual investment or demographic experience varies from the actuarial assumptions (actual gains and losses). UAAL amounts are amortized on a level-percentage-of-covered-payroll basis, over a closed period with a layered approach. The closed periods ensure all funded liabilities are financed over no more than 20 years from the date they occur.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

*Asset Valuation Method* - When determining the actuarial value of assets used for measuring the plan's funded status, the TCDRS smooths each year's actuarial investment gains and losses and recognizes them over a five-year period.

*Actuarial Assumptions* - Demographic and economic assumptions are used to estimate employer liabilities and to determine the amount of funding required from employer contributions as opposed to investment earnings. Examples of economic assumptions include long-term investment return, inflation, and payroll increases. Demographic assumptions are the actuary's estimate of what will happen to members and retirees, including employment termination rates, retirement rates and mortality rates.

Net Pension Liability /Asset

The District's Net Pension Liability/Asset was measured as of December 31, 2018, and the Total Pension Liability ("TPL") used to calculate the Net Pension Liability/(Asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 32, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation rate (annual)	2.75%
Overall payroll growth	0.00%
Long-term investment return (net of investment expenses)	8.00%

The long-term rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2019 information for a 10-year time horizon.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
Int'l Equities - Developed Markets	MSCI World Ex USA (net) Index	10.00%	5.40%
Int'l Equities - Emerging Markets	MSCI Emerging (net) Index	7.00%	5.90%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	1.60%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	4.39%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.95%
Distressed Debt	Cambridge Associates Distressed Securities Index	2.00%	7.20%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.15%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.35%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%
	Total	<u>100.00%</u>	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Discount Rate

The projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years. Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purpose. Therefore, a discount rate of 8.10% is used. The rate reflects the long-term assumed rate of return on asset for funding 8.00%, net of all expense, increased by 0.10% to be grossed of administrative expenses.

Changes in the Net Pension Liability/(Asset)

	<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a) - (b)
Balance at December 31, 2017	\$ 37,793	\$ 41,094	\$ (3,301)
Changes for the year:			
Service Costs	32,577		32,577
Interest on total pension liability	5,466		5,466
Effect of plan changes	0		0
Effect of economic/demographic gains or losses	(1,862)		(1,862)
Effect of assumptions changes or inputs	0		0
Refund or contributions	(5,897)	(5,897)	0
Benefit payments	0	0	0
Administrative expenses		(57)	57
Member contributions		23,209	(23,209)
Net investment income		(436)	436
Employer contributions		12,207	(12,207)
Other	0	884	(884)
Balance at December 31, 2018	<u>\$ 68,077</u>	<u>\$ 71,004</u>	<u>\$ (2,927)</u>

Sensitivity of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the net pension liability/(asset) of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is one percentage point lower (7.10) or one percentage point higher (9.10%) than the current rate:

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 78,388	\$ 68,077	\$ 59,525
Fiduciary net position	<u>71,004</u>	<u>71,004</u>	<u>71,004</u>
Net pension liability/(asset)	<u>\$ 7,384</u>	<u>\$ (2,927)</u>	<u>\$ (11,479)</u>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

For the calendar year ended December 31, 2018, the District recognized pension expense of \$10,486.

As of December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,629	\$ 878
Changes in assumptions	120	0
Net difference between projected and actual earnings	0	4,417
Contributions made subsequent to measurement date	<u>N/A</u>	<u>3,650</u>
Total	<u>\$ 1,749</u>	<u>\$ 8,945</u>

\$3,650 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/(asset) for the year ending April 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>For the Year Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2019	\$ 1,012
2020	1,011
2021	986
2022	856
2023	(138)
Thereafter	(181)

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND  
FOR THE YEAR ENDED APRIL 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 720,000	\$ 720,000	\$ 801,009	\$ 81,009
Water service	485,000	485,000	493,048	8,048
Sewer service	655,000	655,000	662,492	7,492
Penalty	31,000	31,000	23,270	(7,730)
Tap connection and sewer inspection fees	130,000	130,000	117,375	(12,625)
Interest on deposits	3,000	3,000	5,585	2,585
Other revenues	<u>65,500</u>	<u>65,500</u>	<u>75,159</u>	<u>9,659</u>
<b>TOTAL REVENUES</b>	<u>2,089,500</u>	<u>2,089,500</u>	<u>2,177,938</u>	<u>88,438</u>
<b>EXPENDITURES</b>				
Service operations:				
Personnel salaries and benefits	681,300	683,700	667,661	(16,039)
Professional fees	47,000	45,600	37,924	(7,676)
Contracted services	35,500	35,100	40,790	5,690
Utilities	79,000	79,000	70,008	(8,992)
Repairs, maintenance and other operating expenditures	217,000	325,700	333,234	7,534
Administrative expenditures	134,200	136,400	154,082	17,682
Capital outlay	66,100	54,100	28,400	(25,700)
Debt service:				
Principal and interest	<u>864,000</u>	<u>864,000</u>	<u>916,302</u>	<u>52,302</u>
<b>TOTAL EXPENDITURES</b>	<u>2,124,100</u>	<u>2,223,600</u>	<u>2,248,401</u>	<u>24,801</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	(34,600)	(134,100)	(70,463)	63,637
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>1,398,362</u>	<u>1,398,362</u>	<u>1,398,362</u>	<u>0</u>
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 1,363,762</u>	<u>\$ 1,264,262</u>	<u>\$ 1,327,899</u>	<u>\$ 63,637</u>

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

The accompanying notes are an integral part of the financial statements.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR CALENDAR YEARS ENDED DECEMBER 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Pension Liability										
Service costs	\$ 32,577	\$ 31,439	\$ 2,545	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest (on the total pension liability)	5,466	2,761	101	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	(150)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic (gains) losses	(1,862)	1,095	2	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(5,897)</u>	<u>0</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net Change in Total Pension Liability	30,284	35,145	2,648	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Pension Liability, Beginning	<u>37,793</u>	<u>2,648</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Pension Liability, Ending	<u>\$ 68,077</u>	<u>\$ 37,793</u>	<u>\$ 2,648</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary Net Position										
Employer contributions	12,207	14,050	1,725	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	23,209	21,995	1,725	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income	(436)	1,091	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(5,897)	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(57)	(27)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	<u>884</u>	<u>483</u>	<u>52</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	29,910	37,592	3,502	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, Beginning	<u>41,094</u>	<u>3,502</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, Ending	<u>\$ 71,004</u>	<u>\$ 41,094</u>	<u>\$ 3,502</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	104.30%	108.73%	132.28%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$ 464,173	\$ 439,899	\$ 34,504	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability/(asset) as % of covered payroll	-0.63%	-0.75%	-2.48%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM - SCHEDULE OF EMPLOYER CONTRIBUTIONS  
FOR CALENDAR YEARS ENDED DECEMBER 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially Determined Contributions	\$ 12,207	\$ 12,581	\$ 987	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Actuarially Determined Contributions	<u>12,207</u>	<u>14,050</u>	<u>1,725</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contribution Deficiency (Excess)	0	(1,469)	(738)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered Employee Payroll	<u>\$ 464,173</u>	<u>\$ 439,899</u>	<u>\$ 34,504</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Contributions as a Percentage of Covered Payroll	2.6%	3.2%	5.0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
TEXAS COUNTY DISTRICT RETIREMENT SYSTEM -  
NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS

APRIL 30, 2019

Valuation Date: Actuarially determined contribution rates are calculated each December 31<sup>st</sup>, two years prior to the end of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	18.2 years (based on contribution rate calculated in 12/31/18 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.0%, net of investment expenses, including inflation.
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Mortality Table for males and 110% of the RP-2014 Healthy Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION  
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

APRIL 30, 2019

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [X] TSI-3. Temporary Investments
- [X] TSI-4. Taxes Levied and Receivable
- [X] TSI-5. Long-Term Debt Service Requirements by Years
- [X] TSI-6. Changes in Long-Term Bonded Debt
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -  
General Fund and Debt Service Fund - Five Year
- [X] TSI-8. Board Members, Key Personnel and Consultants

CANEY CREEK MUNICIPAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2019

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

- Retail Water
- Retail Wastewater
- Parks/Recreation
- Solid Waste/Garbage
- Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
- Other
- Wholesale Water
- Wholesale Wastewater
- Fire Protection
- Flood Control
- Drainage
- Irrigation
- Security
- Roads

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent):

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 16.76	1,000	N	\$ 1.54 2.06 3.09	1,001 to 15,000 15,001 to 25,000 Over 25,001

WASTEWATER: \$ 28.27 Y

SURCHARGE: \$0.50 % of monthly billing -- TCEQ assessment fees.

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water: \$30.62 Wastewater: \$28.27 Surcharge: \$0.29

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF SERVICES AND RATES (Continued)

APRIL 30, 2019

b. Water and Wastewater Retail Connections (unaudited):

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC* Factor</u>	<u>Active ESFCs</u>
Unmetered	0	0	1.0	0
< or = 3/4"	2,552	2,072	1.0	2,072
1"	5	5	2.5	13
1-1/2"	0	0	5.0	0
2"	0	0	8.0	0
3"	0	0	15.0	0
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	<u>2,557</u>	<u>2,077</u>		<u>2,085</u>
Total Wastewater	<u>1,989</u>	<u>1,989</u>	1.0	<u>1,989</u>

\*Single family equivalents

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

Gallons pumped into system (unaudited): 75,831  
 Gallons billed to customers (unaudited): 68,636

Water Accountability Ratio  
 (Gallons billed/ gallons pumped): 91%

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

Does the District have Debt Service standby fees? Yes  No

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

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

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

See accompanying independent auditor's report.



CANEY CREEK MUNICIPAL UTILITY DISTRICT

EXPENDITURES

FOR THE YEAR ENDED APRIL 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CURRENT</b>				
Personnel salaries and benefits:				
Salaries	\$ 508,394	\$	\$	\$ 508,394
Payroll taxes	35,907			35,907
Health and life insurance and other	123,360			123,360
	<u>667,661</u>	<u>0</u>	<u>0</u>	<u>667,661</u>
Professional fees:				
Auditing	16,580			16,580
Legal	5,844	7,030		12,874
Engineering	15,500			15,500
	<u>37,924</u>	<u>7,030</u>	<u>0</u>	<u>44,954</u>
Contracted services:				
Tax collector	19,963			19,963
Central appraisal district	11,377			11,377
Contract labor	9,450			9,450
	<u>40,790</u>	<u>0</u>	<u>0</u>	<u>40,790</u>
Utilities	<u>70,008</u>	<u>0</u>	<u>0</u>	<u>70,008</u>
Repairs, maintenance and other operating expenditures:				
Repairs and maintenance	252,712			252,712
Chemicals	38,665			38,665
Laboratory costs	9,205			9,205
Rents and leases	17,577			17,577
TCEQ assessment	5,950			5,950
Other	9,125			9,125
	<u>333,234</u>	<u>0</u>	<u>0</u>	<u>333,234</u>
Administrative expenditures:				
Office supplies and postage	20,770			20,770
Insurance	51,640			51,640
Telephone	22,596			22,596
Permit fees	8,738			8,738
Other	50,338			50,338
	<u>154,082</u>	<u>0</u>	<u>0</u>	<u>154,082</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICTEXPENDITURES (Continued)FOR THE YEAR ENDED APRIL 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>CAPITAL OUTLAY</b>				
Authorized expenditures	<u>\$ 28,400</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,400</u>
<b>DEBT SERVICE</b>				
Principal retirement	<u>410,000</u>	<u>91,000</u>	<u>0</u>	<u>501,000</u>
Interest and fees	<u>506,302</u>	<u>144,375</u>	<u>0</u>	<u>650,677</u>
<b>TOTAL EXPENDITURES</b>	<u><u>\$ 2,248,401</u></u>	<u><u>\$ 242,405</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 2,490,806</u></u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN DEPOSITS AND TEMPORARY INVESTMENTS  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED APRIL 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
<b>SOURCES OF DEPOSITS</b>				
Cash receipts from revenues excluding maintenance taxes	\$ 1,374,521	\$ 267,974	\$ 1,949	\$ 1,644,444
Maintenance tax receipts		801,009		801,009
Transfer of maintenance taxes	805,569			805,569
Increase in customer deposits	<u>1,800</u>			<u>1,800</u>
<b>TOTAL DEPOSITS PROVIDED</b>	<u>2,181,890</u>	<u>1,068,983</u>	<u>1,949</u>	<u>3,252,822</u>
<b>APPLICATIONS OF DEPOSITS</b>				
Cash disbursements for:				
Current expenditures	1,312,841	7,030		1,319,871
Capital outlay	28,400			28,400
Debt service	916,302	235,375		1,151,677
Maintenance tax transfers		<u>805,569</u>		<u>805,569</u>
<b>TOTAL DEPOSITS APPLIED</b>	<u>2,257,543</u>	<u>1,047,974</u>	<u>0</u>	<u>3,305,517</u>
<b>INCREASE (DECREASE) IN DEPOSITS</b>	(75,653)	21,009	1,949	(52,695)
<b>DEPOSITS BALANCES, BEGINNING OF YEAR</b>	<u>1,239,918</u>	<u>170,742</u>	<u>269,518</u>	<u>1,680,178</u>
<b>DEPOSITS BALANCES, END OF YEAR</b>	<u>\$ 1,164,265</u>	<u>\$ 191,751</u>	<u>\$ 271,467</u>	<u>\$ 1,627,483</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICTSCHEDULE OF CERTIFICATES OF DEPOSITAPRIL 30, 2019

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Year End Balance</u>	<u>Accrued Interest Receivable</u>
GENERAL FUND				
Certificates of Deposit				
No. 290011706	1.40%	10/18/19	\$ 78,739	\$
No. 290012189	1.15%	8/12/19	41,465	
No. 290012059	1.15%	9/27/19	36,827	
No. 290012088	1.51%	6/11/19	107,800	
No. 290012282	1.15%	10/20/19	41,216	
No. 290012308	0.75%	10/18/19	9,353	
No. 290012089	1.15%	6/11/19	<u>26,042</u>	
			<u>\$ 341,442</u>	<u>\$ 0</u>
DEBT SERVICE FUND				
Certificates of Deposit				
No. 720010870	1.41%	6/08/19	<u>\$ 52,134</u>	<u>\$ 0</u>
Total – All Funds			<u>\$ 393,576</u>	<u>\$ 0</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED APRIL 30, 2019

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 111,141	\$ 39,231
Additions and corrections to prior year taxes	<u>(6,643)</u>	<u>(457)</u>
Adjusted receivable, beginning of year	104,498	38,774
2018 ADJUSTED TAX ROLL	<u>813,397</u>	<u>246,374</u>
Total to be accounted for	917,895	285,148
Tax collections: Current tax year	(752,644)	(227,972)
Prior tax years	<u>(48,365)</u>	<u>(16,371)</u>
RECEIVABLE, END OF YEAR	<u>\$ 116,886</u>	<u>\$ 40,805</u>
RECEIVABLE, BY TAX YEAR		
2008 and prior	\$ 8,380	\$ 3,306
2009	2,077	1,139
2010	2,352	1,196
2011	2,546	1,279
2012	2,765	1,411
2013	3,235	1,522
2014	4,629	1,954
2015	6,675	2,696
2016	7,344	2,620
2017	16,130	5,280
2018	<u>60,753</u>	<u>18,402</u>
RECEIVABLE, END OF YEAR	<u>\$ 116,886</u>	<u>\$ 40,805</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED APRIL 30, 2019

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Land	\$ 141,609,922	\$ 141,410,642	\$ 137,808,063	\$ 137,060,093
Improvements	146,783,428	139,357,516	129,031,277	111,159,465
Personal property	1,206,900	1,064,160	844,340	831,720
Less exemptions	<u>(24,786,044)</u>	<u>(25,125,991)</u>	<u>(23,838,853)</u>	<u>(21,404,952)</u>
 TOTAL PROPERTY VALUATIONS	 <u>\$ 264,814,206</u>	 <u>\$ 256,706,327</u>	 <u>\$ 243,844,827</u>	 <u>\$ 227,646,326</u>
 TAX RATES PER \$100 VALUATION				
Debt service tax rates	\$ 0.09301	\$ 0.09597	\$ 0.10221	\$ 0.11332
Maintenance tax rates*	<u>0.30707</u>	<u>0.29321</u>	<u>0.28644</u>	<u>0.28055</u>
 TOTAL TAX RATES PER \$100 VALUATION	 <u>\$ 0.40008</u>	 <u>\$ 0.38918</u>	 <u>\$ 0.38865</u>	 <u>\$ 0.39387</u>
 TAX ROLLS	 <u>\$ 1,059,771</u>	 <u>\$ 999,973</u>	 <u>\$ 948,326</u>	 <u>\$ 897,665</u>
 PERCENT OF TAXES COLLECTED TO TAXES LEVIED	 <u>92.5 %</u>	 <u>97.9 %</u>	 <u>99.0 %</u>	 <u>99.0 %</u>

\*Maximum tax rate approved by voters on November 3, 1981: \$0.50

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2003</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 35,000	\$ 25,675	\$ 60,675
2021	35,000	23,645	58,645
2022	35,000	21,598	56,598
2023	40,000	19,532	59,532
2024	40,000	17,153	57,153
2025	45,000	14,752	59,752
2026	45,000	12,052	57,052
2027	50,000	9,353	59,353
2028	50,000	6,352	56,352
2029	<u>55,000</u>	<u>3,328</u>	<u>58,328</u>
TOTALS	<u>\$ 430,000</u>	<u>\$ 153,440</u>	<u>\$ 583,440</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)  
APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2005A</u>		
	<u>Principal Due March 15</u>	<u>Interest Due September 15, March 15</u>	<u>Total</u>
2020	\$ 41,000	\$ 84,780	\$ 125,780
2021	43,000	82,935	125,935
2022	45,000	81,000	126,000
2023	47,000	78,975	125,975
2024	49,000	76,860	125,860
2025	52,000	74,655	126,655
2026	54,000	72,315	126,315
2027	57,000	69,885	126,885
2028	59,000	67,320	126,320
2029	62,000	64,665	126,665
2030	65,000	61,875	126,875
2031	68,000	58,950	126,950
2032	71,000	55,890	126,890
2033	75,000	52,695	127,695
2034	78,000	49,320	127,320
2035	82,000	45,810	127,810
2036	86,000	42,120	128,120
2037	90,000	38,250	128,250
2038	94,000	34,200	128,200
2039	99,000	29,970	128,970
2040	103,000	25,515	128,515
2041	108,000	20,880	128,880
2042	113,000	16,020	129,020
2043	119,000	10,935	129,935
2044	124,000	5,580	129,580
TOTALS	<u>\$ 1,884,000</u>	<u>\$ 1,301,400</u>	<u>\$ 3,185,400</u>

See accompanying independent auditor's report.



CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2005B</u>		
	<u>Principal Due March 15</u>	<u>Interest Due September 15, March 15</u>	<u>Total</u>
2020	\$ 4,000	\$ 8,730	\$ 12,730
2021	4,000	8,550	12,550
2022	5,000	8,370	13,370
2023	5,000	8,145	13,145
2024	5,000	7,920	12,920
2025	5,000	7,695	12,695
2026	6,000	7,470	13,470
2027	6,000	7,200	13,200
2028	6,000	6,930	12,930
2029	6,000	6,660	12,660
2030	7,000	6,390	13,390
2031	7,000	6,075	13,075
2032	7,000	5,760	12,760
2033	8,000	5,445	13,445
2034	8,000	5,085	13,085
2035	8,000	4,725	12,725
2036	9,000	4,365	13,365
2037	9,000	3,960	12,960
2038	10,000	3,555	13,555
2039	10,000	3,105	13,105
2040	11,000	2,655	13,655
2041	11,000	2,160	13,160
2042	12,000	1,665	13,665
2043	12,000	1,125	13,125
2044	13,000	585	13,585
TOTALS	<u>\$ 194,000</u>	<u>\$ 134,325</u>	<u>\$ 328,325</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2007</u>		
	<u>Principal Due March 15</u>	<u>Interest Due September 15, March 15</u>	<u>Total</u>
2020	\$ 18,000	\$ 46,522	\$ 64,522
2021	19,000	45,585	64,585
2022	20,000	44,730	64,730
2023	21,000	43,830	64,830
2024	22,000	43,003	65,003
2025	23,000	41,895	64,895
2026	24,000	40,860	64,860
2027	25,000	39,780	64,780
2028	26,000	38,761	64,761
2029	27,000	37,485	64,485
2030	28,000	36,270	64,270
2031	29,000	35,010	64,010
2032	31,000	33,797	64,797
2033	32,000	32,310	64,310
2034	33,000	30,870	63,870
2035	35,000	29,385	64,385
2036	36,000	27,886	63,886
2037	38,000	26,190	64,190
2038	40,000	24,480	64,480
2039	41,000	22,680	63,680
2040	43,000	20,892	63,892
2041	45,000	18,900	63,900
2042	47,000	16,875	63,875
2043	49,000	14,760	63,760
2044	51,000	12,589	63,589
2045	53,000	10,260	63,260
2046	56,000	7,875	63,875
2047	58,000	5,355	63,355
2048	61,000	2,753	63,753
TOTALS	<u>\$ 1,031,000</u>	<u>\$ 831,588</u>	<u>\$ 1,862,588</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2007A</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 25,000	\$ 40,627	\$ 65,627
2021	25,000	39,372	64,372
2022	25,000	38,092	63,092
2023	25,000	36,787	61,787
2024	30,000	35,470	65,470
2025	30,000	33,859	63,859
2026	30,000	32,233	62,233
2027	35,000	30,577	65,577
2028	35,000	28,627	63,627
2029	35,000	26,678	61,678
2030	40,000	24,728	64,728
2031	40,000	22,480	62,480
2032	45,000	20,232	65,232
2033	45,000	17,703	62,703
2034	50,000	15,174	65,174
2035	50,000	12,364	62,364
2036	55,000	9,554	64,554
2037	55,000	6,463	61,463
2038	60,000	3,372	63,372
TOTALS	<u>\$ 735,000</u>	<u>\$ 474,392</u>	<u>\$ 1,209,392</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2007B</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 31,000	\$ 78,063	\$ 109,063
2021	32,000	76,455	108,455
2022	34,000	75,015	109,015
2023	35,000	73,485	108,485
2024	37,000	72,107	109,107
2025	38,000	70,245	108,245
2026	40,000	68,535	108,535
2027	42,000	66,735	108,735
2028	43,000	65,022	108,022
2029	45,000	62,910	107,910
2030	47,000	60,885	107,885
2031	49,000	58,770	107,770
2032	51,000	56,720	107,720
2033	54,000	54,270	108,270
2034	56,000	51,840	107,840
2035	58,000	49,320	107,320
2036	61,000	46,838	107,838
2037	64,000	43,965	107,965
2038	66,000	41,085	107,085
2039	69,000	38,115	107,115
2040	72,000	35,106	107,106
2041	75,000	31,770	106,770
2042	79,000	28,395	107,395
2043	82,000	24,840	106,840
2044	86,000	21,208	107,208
2045	90,000	17,280	107,280
2046	94,000	13,230	107,230
2047	98,000	9,000	107,000
2048	102,000	4,603	106,603
TOTALS	<u>\$ 1,730,000</u>	<u>\$ 1,395,812</u>	<u>\$ 3,125,812</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2008</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 10,000	\$ 15,119	\$ 25,119
2021	10,000	14,673	24,673
2022	10,000	14,222	24,222
2023	10,000	13,771	23,771
2024	10,000	13,315	23,315
2025	10,000	12,854	22,854
2026	15,000	12,388	27,388
2027	15,000	11,682	26,682
2028	15,000	10,975	25,975
2029	15,000	10,261	25,261
2030	15,000	9,539	24,539
2031	15,000	8,818	23,818
2032	15,000	8,089	23,089
2033	20,000	7,360	27,360
2034	20,000	6,388	26,388
2035	20,000	5,416	25,416
2036	20,000	4,444	24,444
2037	20,000	3,472	23,472
2038	25,000	2,480	27,480
2039	25,000	1,240	26,240
TOTALS	<u>\$ 315,000</u>	<u>\$ 186,506</u>	<u>\$ 501,506</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2008A</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 27,000	\$ 65,931	\$ 92,931
2021	28,000	64,750	92,750
2022	29,000	63,525	92,525
2023	30,000	62,256	92,256
2024	32,000	60,944	92,944
2025	33,000	59,544	92,544
2026	34,000	58,100	92,100
2027	36,000	56,612	92,612
2028	38,000	55,038	93,038
2029	39,000	53,375	92,375
2030	41,000	51,669	92,669
2031	43,000	49,875	92,875
2032	45,000	47,994	92,994
2033	47,000	46,025	93,025
2034	49,000	43,969	92,969
2035	51,000	41,825	92,825
2036	53,000	39,594	92,594
2037	55,000	37,275	92,275
2038	58,000	34,869	92,869
2039	60,000	32,331	92,331
2040	63,000	29,706	92,706
2041	66,000	26,950	92,950
2042	69,000	24,062	93,062
2043	72,000	21,044	93,044
2044	75,000	17,894	92,894
2045	78,000	14,612	92,612
2046	81,000	11,200	92,200
2047	85,000	7,656	92,656
2048	90,000	3,938	93,938
TOTALS	<u>\$ 1,507,000</u>	<u>\$ 1,182,563</u>	<u>\$ 2,689,563</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2009</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 20,000	\$ 26,178	\$ 46,178
2021	20,000	25,187	45,187
2022	20,000	24,158	44,158
2023	20,000	23,107	43,107
2024	25,000	22,028	47,028
2025	25,000	20,652	45,652
2026	25,000	19,228	44,228
2027	25,000	17,765	42,765
2028	30,000	16,290	46,290
2029	30,000	14,505	44,505
2030	30,000	12,705	42,705
2031	30,000	10,890	40,890
2032	35,000	9,045	44,045
2033	35,000	6,875	41,875
2034	35,000	4,687	39,687
2035	40,000	2,500	42,500
TOTALS	<u>\$ 445,000</u>	<u>\$ 255,800</u>	<u>\$ 700,800</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	<u>Series 2010</u>		
	<u>Principal Due March 1</u>	<u>Interest Due September 1, March 1</u>	<u>Total</u>
2020	\$ 130,000	\$ 231,116	\$ 361,116
2021	135,000	225,734	360,734
2022	140,000	219,876	359,876
2023	145,000	213,590	358,590
2024	155,000	206,862	361,862
2025	160,000	199,592	359,592
2026	170,000	191,768	361,768
2027	175,000	183,285	358,285
2028	185,000	174,378	359,378
2029	195,000	164,868	359,868
2030	205,000	154,748	359,748
2031	215,000	144,006	359,006
2032	225,000	132,632	357,632
2033	235,000	120,617	355,617
2034	245,000	107,834	352,834
2035	255,000	94,506	349,506
2036	265,000	80,634	345,634
2037	280,000	66,218	346,218
2038	295,000	50,985	345,985
2039	305,000	34,937	339,937
2040	320,000	17,888	337,888
TOTALS	<u>\$ 4,435,000</u>	<u>\$ 3,016,074</u>	<u>\$ 7,451,074</u>

See accompanying independent auditor's report.



CANEY CREEK MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS (Continued)

APRIL 30, 2019

<u>Due During Fiscal Years Ending April 30</u>	Annual Requirements for All Series		
	Total Principal Due	Total Interest Due	Total
2020	\$ 341,000	\$ 622,741	\$ 963,741
2021	351,000	606,886	957,886
2022	363,000	590,586	953,586
2023	378,000	573,478	951,478
2024	405,000	555,662	960,662
2025	421,000	535,743	956,743
2026	443,000	514,949	957,949
2027	466,000	492,874	958,874
2028	487,000	469,693	956,693
2029	509,000	444,735	953,735
2030	478,000	418,809	896,809
2031	496,000	394,874	890,874
2032	525,000	370,159	895,159
2033	551,000	343,300	894,300
2034	574,000	315,167	889,167
2035	599,000	285,851	884,851
2036	585,000	255,435	840,435
2037	611,000	225,793	836,793
2038	648,000	195,026	843,026
2039	609,000	162,378	771,378
2040	612,000	131,762	743,762
2041	305,000	100,660	405,660
2042	320,000	87,017	407,017
2043	334,000	72,704	406,704
2044	349,000	57,856	406,856
2045	221,000	42,152	263,152
2046	231,000	32,305	263,305
2047	241,000	22,011	263,011
2048	253,000	11,294	264,294
TOTALS	\$ 12,706,000	\$ 8,931,900	\$ 21,637,900

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT  
FOR THE YEAR ENDED APRIL 30, 2019

	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>(4)</u>
Bond Series:	2002	2003	2005A	2005B
Interest Rate:	Not Applicable	5.80% to 6.05%	4.50%	4.50%
Dates Interest Payable:	Not Applicable	September 1/ March 1	September 15/ March 15	September 15/ March 15
Maturity Dates:	Not Applicable	March 1, 2020/2029	March 1, 2020/2044	March 1, 2020/2044
Bonds Outstanding at Beginning of Current Year	\$ 30,000	\$ 460,000	\$ 1,923,000	\$ 198,000
Less Retirements	<u>(30,000)</u>	<u>(30,000)</u>	<u>(39,000)</u>	<u>(4,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 0</u>	<u>\$ 430,000</u>	<u>\$ 1,884,000</u>	<u>\$ 194,000</u>
Current Year Interest Paid:	<u>\$ 1,725</u>	<u>\$ 27,385</u>	<u>\$ 86,535</u>	<u>\$ 8,910</u>

Bond Descriptions and Original Amount of Issue

- (1) Caney Creek Municipal Utility District Unlimited Tax Refunding Bonds, Series 2002 (\$414,968)
- (2) Caney Creek Municipal Utility District Water Distribution System Revenue Bonds, Series 2003 (\$765,000)
- (3) Caney Creek Municipal Utility District Unlimited Tax Bonds, Series 2005A (\$2,274,000)
- (4) Caney Creek Municipal Utility District Unlimited Tax Bonds, Series 2005B (\$234,000)

Paying Agent/Registrar

- (1) (2) (3) (4) Amegy Bank, N.A., Houston, Texas

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)  
FOR THE YEAR ENDED APRIL 30, 2019

	<u>(5)</u>	<u>(6)</u>	<u>(7)</u>	<u>(8)</u>
Bond Series:	2007	2007A	2007B	2008A
Interest Rate:	4.50%	5.02% to 5.62%	4.50%	4.46% to 4.96%
Dates Interest Payable:	September 15/ March 15	September 1/ March 1	September 1/ March 1	September 1/ March 1
Maturity Dates:	March 1, 2020/2048	March 1, 2020/2038	March 1, 2020/2048	March 1, 2020/2039
Bonds Outstanding at Beginning of Current Year	\$ 1,049,000	\$ 760,000	\$ 1,759,000	\$ 1,533,000
Less Retirements	<u>(18,000)</u>	<u>(25,000)</u>	<u>(29,000)</u>	<u>(26,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 1,031,000</u>	<u>\$ 735,000</u>	<u>\$ 1,730,000</u>	<u>\$ 1,507,000</u>
Current Year Interest Paid:	<u>\$ 47,295</u>	<u>\$ 41,870</u>	<u>\$ 79,155</u>	<u>\$ 67,069</u>

Bond Descriptions and Original Amount of Issue

- (5) Caney Creek Municipal Utility District Unlimited Tax Bonds, Series 2007 (\$1,177,000)
- (6) Caney Creek Municipal Utility District Waterworks and Sanitary Sewer System Revenue Bonds, Series 2007A (\$915,000)
- (7) Caney Creek Municipal Utility District Waterworks and Sanitary Sewer System Revenue Bonds, Series 2007B (\$1,975,000)
- (8) Caney Creek Municipal Utility District Waterworks and Sanitary Sewer System Revenue Bonds, Series 2008A (\$1,720,000)

Paying Agent/Registrar

- (5) (6) (7) (8) Amegy Bank, N.A., Houston, Texas

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT (Continued)  
FOR THE YEAR ENDED APRIL 30, 2019

	<u>(9)</u>	<u>(10)</u>	<u>(11)</u>	<u>Totals</u>
Bond Series:	2008B	2009	2010	
Interest Rate:	4.375%	4.95% to 6.25%	4.14% to 5.59%	
Dates Interest Payable:	September 1/ March 1	September 1/ March 1	September 1/ March 1	
Maturity Dates:	March 1, 2020/2048	March 1, 2020/2035	March 1, 2020/2040	
Bonds Outstanding at Beginning of Current Year	\$ 325,000	\$ 465,000	\$ 4,555,000	\$ 13,057,000
Less Retirements	<u>(10,000)</u>	<u>(20,000)</u>	<u>(120,000)</u>	<u>(351,000)</u>
Bonds Outstanding at End of Current Year	<u>\$ 315,000</u>	<u>\$ 445,000</u>	<u>\$ 4,435,000</u>	<u>\$ 12,706,000</u>
Current Year Interest Paid:	<u>\$ 15,560</u>	<u>\$ 27,087</u>	<u>\$ 235,605</u>	<u>\$ 638,196</u>

Bond Descriptions and Original Amount of Issue

- (9) Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2008B (\$390,000)
- (10) Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2009 (\$590,000)
- (11) Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2010 (\$5,270,000)

Paying Agent/Registrar

- (9) (10) (11) Amegy Bank, N.A., Houston, Texas

Net Debt Service Fund deposits and investments balances as of April 30, 2019: \$181,448  
Average annual debt service payment for remaining term of all debt: 746,134

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
GENERAL FUND

FOR YEARS ENDED APRIL 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
REVENUES										
Property taxes	\$ 801,009	\$ 755,356	\$ 689,864	\$ 633,614	\$ 609,557	36.8 %	35.5 %	33.5 %	31.5 %	33.1 %
Penalty and interest	23,270	26,405	29,869	30,020	28,923	1.1	1.2	1.4	1.5	1.6
Service revenue	1,155,540	1,147,552	1,111,921	1,090,548	1,036,401	53.0	53.9	53.9	53.9	56.4
Tap connection and sewer inspection fees	117,375	149,107	173,100	139,800	140,171	5.4	7.0	8.4	6.9	7.6
Interest on deposits	5,585	2,762	1,717	1,382	1,239	0.3	0.1	0.1	0.1	0.1
Miscellaneous	75,159	49,034	54,840	123,803	22,138	3.4	2.3	2.7	6.1	1.2
TOTAL REVENUES	<u>2,177,938</u>	<u>2,130,216</u>	<u>2,061,311</u>	<u>2,019,167</u>	<u>1,838,429</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Current:										
Personnel	667,661	620,567	563,559	461,496	371,652	30.7	29.1	27.3	22.9	20.2
Professional fees	37,924	48,229	36,108	34,375	39,359	1.7	2.3	1.8	1.7	2.1
Purchased and contracted services	40,790	51,781	62,290	52,650	50,784	1.9	2.4	3.0	2.6	2.8
Administrative and other	557,324	536,754	443,148	480,213	406,351	25.6	25.2	21.5	23.8	22.1
Capital outlay	28,400	88,988	75,708	314,535	62,051	1.3	4.2	3.7	15.6	3.4
Debt service principal and interest	916,302	914,027	874,116	840,839	809,552	42.0	42.9	42.4	41.6	44.0
TOTAL EXPENDITURES	<u>2,248,401</u>	<u>2,260,346</u>	<u>2,054,929</u>	<u>2,184,108</u>	<u>1,739,749</u>	<u>103.2</u>	<u>106.1</u>	<u>99.7</u>	<u>108.2</u>	<u>94.6</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ (70,463)</u>	<u>\$ (130,130)</u>	<u>\$ 6,382</u>	<u>\$ (164,941)</u>	<u>\$ 98,680</u>	<u>(3.2) %</u>	<u>(6.1) %</u>	<u>0.3 %</u>	<u>(8.2) %</u>	<u>5.4 %</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>2,077</u>	<u>2,091</u>	<u>2,024</u>	<u>1,973</u>	<u>2,354</u>					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>1,989</u>	<u>1,957</u>	<u>1,957</u>	<u>1,881</u>	<u>1,834</u>					

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,  
DEBT SERVICE FUND  
FOR YEARS ENDED APRIL 30

	<u>AMOUNT</u>					<u>PERCENT OF TOTAL REVENUES</u>				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
REVENUES										
Property taxes	\$ 244,343	\$ 238,388	\$ 261,066	\$ 257,891	\$ 260,783	93.4 %	97.5 %	97.5 %	97.7 %	96.7 %
Penalty and interest	15,638	5,423	6,276	5,542	8,031	6.0	2.2	2.3	2.1	3.0
Interest on deposits	<u>1,525</u>	<u>636</u>	<u>452</u>	<u>407</u>	<u>935</u>	<u>0.6</u>	<u>0.3</u>	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>
TOTAL REVENUES	<u>261,506</u>	<u>244,447</u>	<u>267,794</u>	<u>263,840</u>	<u>269,749</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
EXPENDITURES										
Debt service:										
Principal retirement	91,000	98,000	96,000	137,000	165,668	34.8	40.1	35.8	51.9	61.4
Interest, fees and other	<u>151,405</u>	<u>149,740</u>	<u>154,105</u>	<u>161,573</u>	<u>90,000</u>	<u>57.9</u>	<u>61.3</u>	<u>57.5</u>	<u>61.2</u>	<u>33.4</u>
TOTAL EXPENDITURES	<u>242,405</u>	<u>247,740</u>	<u>250,105</u>	<u>298,573</u>	<u>255,668</u>	<u>92.7</u>	<u>101.4</u>	<u>93.3</u>	<u>113.1</u>	<u>94.8</u>
EXCESS REVENUES (EXPENDITURES)	<u>\$ 19,101</u>	<u>\$ (3,293)</u>	<u>\$ 17,689</u>	<u>\$ (34,733)</u>	<u>\$ 14,081</u>	<u>7.3 %</u>	<u>(1.4) %</u>	<u>6.7 %</u>	<u>(13.1) %</u>	<u>5.2 %</u>

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

APRIL 30, 2019

Complete District Mailing Address: Caney Creek Municipal Utility District  
405 County Road 298  
Sargent, Texas 77414

District Business Telephone No.: 979-245-0245

Submission date of the most recent District Registration Form: May 22, 2018

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Doug Harris P.O. Box 4108 Sargent, Texas 77404	Elected 5/05/18- 5/07/22	\$ 6,600	\$ 0	President
Larry Page P.O. Box 4108 Sargent, Texas 77404	Elected 5/07/16- 5/02/20	6,600	0	Vice President
William Smith, Jr. P.O. Box 4108 Sargent, Texas 77404	Elected 5/07/16- 5/02/20	6,600	0	Secretary/ Treasurer
Rose Mary Holley P.O. Box 4108 Sargent, Texas 77404	Elected 5/05/18- 5/07/22	6,050	0	Director
John McLaughlin P.O. Box 4108 Sargent, Texas 77404	Elected 5/05/18- 5/07/22	6,050	0	Director

See accompanying independent auditor's report.

CANEY CREEK MUNICIPAL UTILITY DISTRICT

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

APRIL 30, 2019

CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Smith, Murdaugh, Little & Bonham, L.L.P. 2727 Allen Parkway, Suite 1100 Houston, Texas 77019	08/08	\$ 14,208	Attorney
Civil Land Group, LLC 206 West Main Street, #101 Round Rock, Texas 778664	Replaced 5/08/19	0	Engineer
Ward, Getz & Associates, LLP 2500 Tanglewilde, Suite 301 Houston, Texas 77063	5/08/19	0	Engineer
Cristyn E. Hallmark/Matagorda County 1700 Seventh Street, #203 Bay City, Texas 77414		11,377	Tax Assessor- Collector
Matagorda County Appraisal District 2225 Avenue G Bay City, Texas 77414	Legislative Action	19,963	Central Appraisal District
U.S. Capital Advisors, LLC 4444 Westheimer, Suite G500 Houston, Texas 77027		0	Financial Advisor
Curtis T. Craig, CPA 9422 Harmony Lake Lane Rosenberg, Texas 77469	Replaced 5/08/19	15,750	Independent Auditor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	5/08/19	0	Independent Auditor

See accompanying independent auditor's report.



**APPENDIX D**

**FORM OF OPINION OF BOND COUNSEL**

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# DRAFT

October 21, 2020

We have examined originals or certified copies of the proceedings by the Board of Directors of Caney Creek Municipal Utility District, Matagorda County, Texas (the “District”), authorizing the issuance of the following described bonds (the “Bonds”):

\$9,445,000 Utility System Revenue Refunding Bonds, Series 2020, dated October 1, 2020, ordered to be issued by a bond order adopted on July 8, 2020 and a corresponding Approval Certificate dated September 22, 2020 bearing interest as provided in said Approval Certificate which is payable on March 1, 2021, and semiannually thereafter on September 1 and March 1 of each year until the Bonds are paid.

The Bonds mature on March 1 of each year and bear interest as follows:

### Series 2020 Serial Bonds

Year	Amount	Rate
2021	\$350,000	5.000%
2022	\$345,000	5.000%
2023	\$365,000	5.000%
2024	\$390,000	5.000%
2025	\$405,000	5.000%
2026	\$430,000	5.000%
2027	\$460,000	5.000%
2028	\$485,000	5.000%
2029	\$505,000	5.000%
2030	\$470,000	5.000%
2031	\$490,000	2.000%
2032	\$505,000	2.125%
2033	\$510,000	2.250%
2034	\$520,000	2.250%
2035	\$525,000	2.500%
2036	\$495,000	2.500%
2037	\$505,000	2.500%
2038	\$520,000	2.625%
2039	\$465,000	2.750%

### Series 2020 Term Bond

2042	\$705,000	2.750%
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# DRAFT

The Bonds are fully registered in multiples of \$5,000. The Bonds that mature on or after March 1, 2030, are subject to redemption prior to maturity, in whole or in part, at the option of the District on March 1, 2029 or on any date thereafter at a price of par plus accrued interest to the date fixed for redemption.

The Term Bonds are subject to mandatory redemption (“Mandatory Redemption”) at a price equal to 100% of the principal amount thereof plus accrued interest to the redemption date from amounts which are required to be deposited in the District’s Bond Fund, as defined in the Bond Order, in amounts sufficient to redeem the Bonds on March 1 in the years and principal amounts shown on the following schedule:

<u>Year</u>	<u>Principal Amount</u>
2040	\$450,000
2041	\$125,000
2042 (Maturity)	\$130,000

The Bond Order provides that the District reserves the right to issue additional bonds, including additional parity bonds, and when issued, said additional parity bonds will be in all respects on a parity with the Bonds and any outstanding bonds. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Matagorda County, Texas or any other entity.

WE HAVE EXAMINED Bond No. IB-1 of said series and find same to be in due form and properly executed. We have not been requested to examine, and have not investigated or verified any original proceedings, records, data or other material but have relied upon the certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the District’s Official Statement prepared in connection with the sale of the Bonds has been limited as described therein.

In connection with the issuance of the Bonds, we have reviewed the following:

(a) the Bond Order dated June 18, 2003 and amended and supplemented on August 3, 2003, for the Caney Creek Municipal Utility District Water Distribution System Revenue Bonds, Series 2003 (the “Series 2003 Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

(b) the Bond Order dated September 3, 2007, for the Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2007A (the “Series 2007A Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

## DRAFT

(c) the Bond Order dated May 30, 2008, for the Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2007B (the “Series 2007B Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

(d) the Bond Order dated May 30, 2008, for the Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2008A (the “Series 2008A Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

(e) the Bond Order dated October 8, 2008, for the Caney Creek Municipal Utility District Water and Sewer System Revenue Bonds, Series 2008B (the “Series 2008B Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

(f) the Bond Order dated April 8, 2009, for the Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2009 (the “Series 2009 Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

(g) the Bond Order dated September 8, 2010, for the Caney Creek Municipal Utility District Water and Sanitary Sewer System Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), authorizing the issuance and sale of certain outstanding bonds to be refunded with the proceeds of the Bonds;

(h) the Bond Order of the District dated July 8, 2020 authorizing the issuance and sale of the Bonds;

(i) the Bond Register, Paying Agency and Transfer Agency Agreement dated July 8, 2020 by and between the District and Zions Bancorporation, National Association;

(j) the Approval Certificate dated September 22, 2020; and

(k) such other documents as we deem relevant and necessary in rendering this opinion.

BASED ON SAID EXAMINATION, it is our opinion that the proceedings authorizing the issuance of the Bonds show lawful authority for such issuance under the Constitution and laws of the State of Texas.

WE ARE ALSO OF THE OPINION that:

(1) The Bonds constitute legal, valid and binding obligations of the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors or the exercise

## DRAFT

of judicial discretion in accordance with general principles of equity, and that the payment of said principal and interest on the Bonds is also secured by a pledge of the net revenues from the District's water, sanitary sewer and drainage system, as provided in Texas Water Code Section 54.503(2).

(2) Firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to the Bond Order, the Approval Certificate, the Deposit Agreement between the District and Zions Bancorporation, National Association, and the Bond Register, Paying Agency and Transfer Agency Agreement between the District and Zions Bancorporation, National Association, and therefore, such bonds are deemed to be fully paid and no longer outstanding.

### WE ARE FURTHER OF THE OPINION THAT:

(1) The interest on the Bonds is excludable from gross income of the owners of the Bonds for federal income tax purposes under existing law.

(2) The Bonds are not specified "private activity bonds," and accordingly, the interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN RENDERING SUCH OPINIONS, we have relied upon certain representations of the District and have assumed continuing compliance with the covenants of the District in the Bond Order and in other collateral documents relating to certain sections of the Code which affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes. In the event that such covenants and representations are determined to be inaccurate or incomplete, or the District fails to comply with such representations and covenants, the interest on the Bonds could become includable in the gross income of the owners of the Bonds retroactive to the date of issuance and delivery of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds.

WE EXPRESS NO OPINION as to and bear no responsibility with respect to (i) non-compliance by the District as to representations and covenants in the Bond Order and other collateral documents relating to certain sections of the Code which affect the exclusion of interest on the Bonds from gross income of the owners of the Bonds for federal income tax purposes or (ii) any act of the District subsequent to the issuance of the Bonds which results in the loss of the exclusion of interest on the Bonds from gross income of the owners of the Bonds for federal income tax purposes.

Respectfully,



**USCA MUNICIPAL ADVISORS, LLC**

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*Financial Advisor to the District*



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