NEW ISSUE - BOOK-ENTRY-ONLY

Enhanced/Unenhanced Rating: S&P: "A+/AA"
(See "OTHER PERTINENT INFORMATION - RATING"
and "BOND INSURANCE" herein.)

OFFICIAL STATEMENT
Dated November 17, 2020

In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

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

$3,780,000
EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
(in Medina County, Texas)
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2020

Dated Date: November 1, 2020 (interest to accrue from the date of initial delivery) **Due: July 1, as shown on following page**

The $3,780,000 East Medina County Special Utility District (the "Issuer" or "District") Waterworks System Revenue Bonds, Series 2020 (the "Bonds") are being issued pursuant to the laws of the State of Texas, including Chapters 49 and 65, Texas Water Code, as amended, Chapter 1201, Texas Government Code, as amended, and a resolution (the "Resolution") adopted by the Board of Directors of the Issuer. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds constitute special obligations of the Issuer and are payable both as to principal and interest, solely from, and are equally and ratably secured by, an irrevocable lien on and pledge of the Pledged Revenues (as defined in the Resolution), including the Gross Revenues derived from the operation of the Issuer's Waterworks System (the "System"). The Bonds are a series of Additional Bonds payable from the Pledged Revenues on a parity with the lien on and pledge of the Pledged Revenues securing payment of the District's outstanding Previously Issued Parity Bonds (as defined in the Resolution). The District has not covenanted and obligated itself to pay the Bonds from money raised or to be raised from taxation. (See "THE BONDS - Security for the Bonds" herein.)

Interest on the Bonds will accrue from the date of initial delivery and will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2021, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued only as fully registered obligations in the denomination of $5,000 for any one stated maturity. The Bonds will be issued in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof.

Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially UMB Bank, N.A., Austin, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of making certain renovations, repairs, extensions and improvements to the System, and to pay costs of issuance relating to the Bonds (See "THE BONDS - Use of Bond Proceeds" herein.)

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

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

BAM
BUILD AMERICA MUTUAL

The Bonds are offered for delivery, when, as and if issued and received by the Purchaser and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" herein). It is expected that the Bonds will be available for delivery through the services of DTC on or about December 17, 2020.

$3,780,000
EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
(in Medina County, Texas)
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2020

STATED MATURITY SCHEDULE
(Due July 1)
CUSIP Prefix No. 273644

$380,000 SERIAL BONDS

Stated Maturity	Principal Amount*($)	Rate (%)	Yield (%)	CUSIP Suffix[1]
7/1/2022	40,000	5.000	0.600	CY8
7/1/2023	40,000	5.000	0.700	CZ5
7/1/2024	45,000	5.000	0.800	DA9
7/1/2025	50,000	5.000	0.900	DB7
7/1/2026	50,000	5.000	1.000	DC5
7/1/2027	50,000	5.000	1.050	DD3
7/1/2028	55,000	5.000	1.100	DE1
7/1/2029	50,000	5.000	1.150	DF8

$3,400,000 TERM BONDS

$170,000 5.000% Term Bond due July 1, 2032 and priced to yield 1.200%[2] – CUSIP No. Suffix DG6[1]

$290,000 5.000% Term Bond due July 1, 2034 and priced to yield 1.250%[2] – CUSIP No. Suffix DH4[1]

$485,000 2.000% Term Bond due July 1, 2036 and priced to yield 1.800%[2] – CUSIP No. Suffix DJ0[1]

$505,000 2.000% Term Bond due July 1, 2038 and priced to yield 1.950%[2] – CUSIP No. Suffix DK7[1]

$525,000 2.000% Term Bond due July 1, 2040 and priced to yield 2.050% – CUSIP No. Suffix DL5[1]

$1,425,000 2.125% Term Bond due July 1, 2045 and priced to yield 2.200% – CUSIP No. Suffix DM3[1]

(Interest to accrue from the Delivery Date)

The Issuer reserves the right to redeem the Bonds maturing on or after July 1, 2032 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on July 1, 2030, or any date thereafter at the redemption price of par plus accrued interest. Additionally, the Term Bonds are subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein

(1) CUSIP numbers are included solely for the convenience of the owner of the Bonds. 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 Services. None of the District, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on July 1, 2031, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the redemption date.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

PO BOX 628
Devine, Texas 78016
(830) 709-3879 (Phone)
(830) 772-4082 (Fax)

BOARD OF DIRECTORS

Name	Years of Service	Term Expires (August)	Primary Occupation
Ms. Gina Mangold President	3	2023	EVP/COO NEXT Oncology
Ms. Caroline A. Nentwich Vice President	16	2021	Retired /Bank Officer
Mr. Richard L. Sultenfuss 2nd Vice President	27	2022	Retired/A/C Technician
Ms. JoNell M. Tarvin Secretary/Treasurer	21	2023	Retired/SW Bell Executive
Vacant	N/A	N/A	N/A
Mr. Hector De La Fuente Director	10	2023	Chevon Oronite
Mr. Roy J. Tschirhart, Jr. Director	10	2021	Retired

ADMINISTRATIVE OFFICIALS

Name	Position	Length of Service Years With the District
Mr. Bruce A. Alexander	Superintendent	12
Ms. Debora Lynne Dubose	Business Manager	17
Ms. Lauren Evans	Assistant Business Manager	1

CONSULTANTS AND ADVISORS

Bond Counsel..McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants ....ABIP, PC
San Antonio, Texas

Financial Advisor .... Frost Bank Capital Markets
San Antonio, Texas

For Additional Information Please Contact:

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Superintendent
East Medina County Special Utility District
P.O. Box 628
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Devine, Texas 78016
Phone: (830) 709-3879
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balexander@emcsud.dst.tx.us

Mr. Duncan Morrow, CFA
Frost Bank Capital Markets
111 W. Houston Street (T-8)
San Antonio, Texas 78205
Phone: (210) 220-5711
Facsimile: (210) 220-4111
duncan.morrow@frostbank.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE OBLIGATIONS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.
The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

None of the District, the Financial Advisor, nor the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System, or with respect to Build America Mutual Assurance Company (the "Insurer") or its municipal bond insurance policy as described herein under the caption "BOND INSURANCE", as such information has been provided by DTC and the Insurer, respectively.

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The East Medina County Special Utility District (the "District" or "Issuer") is a political subdivision of the State of Texas organized under Chapters 49 and 65 of the Texas Water Code, for the purpose of furnishing potable water service to the southeast area of Medina County. The District's service area is located approximately 25 miles west of the City of San Antonio, Texas. The District is governed by a seven-member Board of Directors (the "Board") whose members are elected by the voters in the District for three-year terms, or in the event of vacancy, appointed by the remaining members to fill the unexpired term. (See Appendix B – "General Information Regarding the District and Medina County, Texas" herein.)
The Bonds	The Bonds are being issued pursuant to the laws of the State of Texas, including Chapters 49 and 65, Texas Water Code, as amended, Chapter 1201, Texas Government Code, as amended, and a resolution (the "Resolution") adopted by the Board of Directors of the Issuer. (See "THE BONDS – Authority for Issuance" herein.) The Bonds will be dated as of November 1, 2020, with interest to accrue from the date of initial delivery and to be payable on July 1, 2021, and semiannually on each January 1 and July 1 thereafter until the earlier of maturity or prior redemption.
Paying Agent/Registrar	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
Security	The Bonds constitute special obligations of the Issuer and are payable both as to principal and interest, solely from, and are equally and ratably secured by, an irrevocable lien on and pledge of the Pledged Revenues (as defined in the Resolution), including the Gross Revenues derived from the operation of the Issuer's Waterworks System (the "System"). The Bonds are a series of Additional Bonds payable from the Pledged Revenues on a parity with the lien on and pledge of Pledged Revenues securing payment of the District's outstanding Previously Issued Parity Bonds (as defined in the Resolution). The District has not covenanted and obligated itself to pay the Bonds from money raised or to be raised from taxation. (See "THE BONDS- Security for the Bonds" herein.)
Redemption Provision of the Bonds	The Issuer reserves the right to redeem the Bonds maturing on or after July 1, 2032 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on July 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest. (See "THE BONDS – Redemption Provisions of the Bonds" herein.) In addition, the Bonds maturing in the years 2032, 2034, 2038, 2040 and 2045 are subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions of the Bonds – Mandatory Sinking Fund Redemption" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ('BAM")**. See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.

Ratings	The Bonds have an underlying rating of "A+" with a stable outlook by S&P and an enhanced rating of "AA" with a stable outlook by S&P based on the municipal bond insurance policy to be provided by Build America Mutual Assurance Company. (See "OTHER PERTINENT INFORMATION – Rating" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS". (See "Tax MATTERS" and Appendix D – "Form of Opinion of Bond Counsel" herein.)
Qualified Tax Exempt Obligations	The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax Exempt Obligations" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of making certain renovations, repairs, extensions and improvements to the System, and to pay costs of issuance relating to the Bonds (See "THE BONDS – Use of Bond Proceeds" herein.)
Payment Record	The District does not expect to issue any additional indebtedness in the next 12 months.
Delivery	When issued, anticipated on or about December 17, 2020.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas.

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Gross Revenues, Expenses, Net Revenues and Historical Debt Service

	Fiscal Year Ended December 31				
	12/31/2019	**12/31/2018**	**12/31/2017**	**12/31/2016**	**12/31/2015**
Gross Revenues	$2,235,116	$2,517,210	$2,224,704	$2,050,860	$1,916,280
Expenses[(1)]	1,562307	1,385,900	1,236,099	1,251,969	1,233,420
Net Operating Revenue	$672,809	$1,131,310	$988,605	$799,164	$682,860
Debt Service	$424,433	$419,146	$424,771	$429,480	$429,767
Coverage of Gross Revenues	5.266x	6.006x	5.237x	4.775x	4.459x
Coverage of Net Revenues	1.585x	2.699x	2.327x	1.861x	1.589x

[(1)]*Excludes depreciation and amortization.*

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$3,780,000

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
(in Medina County, Texas)
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2020

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the East Medina County Special Utility District (the "District" or the "Issuer") of its $3,780,000 Waterworks System Revenue Bonds, Series 2020 (the "Bonds"). The Issuer is a political subdivision of the State of Texas organized under Chapters 49 and 65 of the Texas Water Code, for the purpose of furnishing potable water service to the southeast area of Medina County. The Bonds are issued pursuant to the laws of the State of Texas, including Chapters 49 and 65, Texas Water Code, as amended, Chapter 1201, Texas Government Code, as amended, and a resolution (the "Resolution") adopted by the Board of Directors of the Issuer.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution to be adopted by the Board of the Directors authorizing the issuance of the Bonds (the "Resolution"). (See Appendix C attached to this Official Statement, which contains excerpts of certain provisions of the Resolution. *Also note that the term "Bonds" is defined in the Resolution to collectively mean the Previously Issued Parity Bonds, the Series 2020 Bonds being issued as described in this Official Statement, and any Additional Bonds issued in the future by the Issuer. The term "Bonds" as used in this Official Statement (other than in Appendix C) is defined only to mean the Series 2020 Bonds being issued by the Issuer as described in this Official Statement*.)

Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the Issuer or the Financial Advisor by electronic mail or upon payment of reasonable mailing, 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 this Official Statement will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

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, which has been subsequently extended and is still in effect. 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. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on September 17, 2020 of Executive Order GA-30, which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, local government operations, youth camps, recreational programs, schools, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-30 permits visits to nursing homes, state supported living centers, assisted living facilities, or long-term care facilities as determined through the guidance from the Texas Health and Human Services Commission. Executive Order GA-30 remains in place until amended, rescinded, or superseded by the Governor. For the full text of the Governor's executive orders, see: https://lrl.texas.gov/legeLeaders/governors/displayDocs.cfm?govdoctypeID=5&governorID=45. Neither the information on (nor accessed through) such website is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the District. These negative impacts may reduce or otherwise negatively affect revenues which are pledged as security for the Bonds. The District, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the District.

Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the District. As the Bonds are secured with the Gross Revenues of the District's Waterworks System, a reduction by customers in the use of services provided by the District may negatively impact the District's operating budget and its overall financial condition and may require an increase in water rates to generate sufficient revenues required to pay the Bonds and the District's operations and maintenance expenses.

The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the District.

The District continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the Pandemic upon the District. While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have a material adverse effect on the District's operations and financial condition

THE BONDS

General Description

The Bonds will be dated November 1, 2020, and will mature on the dates and in the principal amounts and will bear interest at the rates set forth on the inside cover of this Official Statement. The Bonds will be issued only in fully registered form and in principal denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest from the delivery date thereof, or from the most recent date to which interest has been paid or duly provided for, and will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2021. Principal of, premium, if any, and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas, as the initial Paying Agent/Registrar, as of the 15th day of the month next preceding such interest payment date, by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at the designated office of the Paying Agent/Registrar.

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

Authority for Issuance

The Bonds are being issued pursuant to the laws of the State of Texas, including Chapters 49 and 65, Texas Water Code, as amended, Chapter 1201, Texas Government Code, as amended, and the Resolution.

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the purpose of making certain renovations, repairs, extensions and improvements to the System, and to pay costs of issuance relating to the Bonds.

Sources and Uses of Bond Proceeds

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

Sources:		
	Principal Amount of Bonds	$3,780,000.00
	Net Reoffering Premium	218,774.90
	Total Sources of Funds	**$3,998,774.90**
Uses:	Project Fund Deposits	$3,854,000.00
	Cost Issuance and Purchaser's Discount	144,617.34
	Additional Proceeds	157.56
	Total Uses of Funds	**$3,998,774.90**

Security for the Bonds

Pledged Revenues. The Bonds, together with the outstanding Previously Issued Parity Bonds and any Additional Bonds of the Issuer hereafter issued in accordance with the Resolution, are special obligations of the District payable both as to principal and interest solely from, and equally and ratably secured by an irrevocable lien on and pledge of the Pledged Revenues (as defined in the Resolution), including the Gross Revenues derived from the operation of the System. In the Resolution, the Issuer has reserved the right to issue Additional Bonds payable from the Pledged Revenues on a parity with the lien on and pledge of Pledged Revenues securing payment of the outstanding Previously Issued Parity Bonds and the Bonds. Pledged Revenues are defined as the Gross Revenues of the System, and any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds, the Previously Issued Parity Bonds, and any Additional Bonds. **The District has not covenanted and obligated itself to pay the Bonds from money raised or to be raised from taxation.** The Resolution does not create a lien or mortgage on the System, except the Pledged Revenues, and any judgment against the District may not be enforced by levy and execution against any property owned by the District.

Rate Covenant. The Issuer has covenanted that at all times it will fix, maintain, charge, and collect for services rendered by the System, rates and charges which will produce Gross Revenues not less than 1.25 times the amount required to pay all principal and interest requirements plus 1.00 times the amount required to pay all operation and maintenance expenses and make all other deposits now or hereafter required to be made into the Funds created or maintained by the Resolution in connection with the Bonds, the outstanding Previously Issued Parity Bonds, and any Additional Bonds. If the Issuer's annual audit shows that the Gross Revenues of the System for the Fiscal Year covered thereby were less than the amount described in the preceding sentence, the Board of Directors within thirty (30) days after receipt of such report will review the operation of the System and the rates and charges for services rendered by the System and will make the necessary adjustments or revisions to the rates and charges in order that the Gross Revenues will be sufficient to meet the requirements described in the preceding sentence for the following Fiscal Years.

Revenue Fund. All Gross Revenues of the Waterworks System shall be deposited from day to day as received into the Revenue Fund. The funds on deposit in the Revenue Fund shall be transferred or used in the following order of priority: first, transferred to the Interest and Sinking Fund in the manner and amounts described below; second, transferred to the Reserve Fund in the manner and amounts described below; third, used to pay Operation and Maintenance Expenses; and fourth, transferred to the Capital Improvement Fund in the manner and amounts described below.

Interest and Sinking Fund. There shall be deposited into the Interest and Sinking Fund the following: (a) all accrued interest from the proceeds from the sale and delivery of the Bonds and any Additional Bonds, if any; (b) on or before the 25th day of the month following delivery of the Bonds and any Additional Bonds, and on or before the 25th day of each month thereafter, approximately equal monthly installments in an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the interest scheduled to come due on the Previously Issued Parity Bonds, the Bonds, and any Additional Bonds on the next interest payment date; (c) on or before the 25th day of each month, commencing with the twelfth (12^{th}) month preceding the first principal payment date for the Bonds and any Additional Bonds (or commencing with the month immediately following the issuance of such Bonds if delivery of such Bonds is made less than twelve months preceding the first principal payment date for such Bonds), approximately equal monthly installments in an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the principal of the Previously Issued Parity Bonds, the Bonds and any Additional Bonds scheduled to mature on the next succeeding maturity date; and (d) on or before any optional redemption date for any Bonds, Previously Issued Parity Bonds, or Additional Bonds, an amount as will be sufficient to pay the principal of, premium, if any, and interest on such Bonds scheduled to be redeemed on such optional redemption date.

Reserve Fund. As additional security, the Bonds, together with the Previously Issued Parity Bonds, are secured by the Reserve Fund. The Resolution requires the District to maintain in the Reserve Fund an amount equal to the Required Reserve, which is defined in the Resolution to mean the maximum annual Principal and Interest Requirements on all outstanding Bonds, Previously Issued Parity Bonds and Additional Bonds, with such amount to be determined annually as of the end of each Fiscal Year and on the date of issuance and delivery of a series of Additional Bonds. Upon the issuance of the Bonds, the initial Required Reserve will increase to $476,215. The amount on deposit in the Reserve Fund on the date of issuance of the Bonds will be not less than $440,048. Such amount is $36,167 less than the initial Required Reserve (the "Initial Deficiency"). Therefore, in order to comply with the provisions of the resolutions authorizing the issuance of the Previously Issued Parity Bonds, the District will make monthly deposits into the Reserve Fund in an amount not less than $602.79, which is at least equal to 1/60th of the Initial Deficiency, commencing on or before the 25th day of the month following the date of issuance of the Bonds and continuing until the amount on deposit in the Reserve Fund is at least equal to the Required Reserve at such time as required by this Resolution. (For purposes of clarity, the District notes that, beginning with its 2022 Fiscal Year, the Required Reserve is expected to decrease to $356,840 ; therefore, as permitted by the terms of the Resolution, the District expects that, in or after January 2022, it will (i) cease making the monthly deposits described in the preceding sentence, and (ii) reduce the amount on deposit in the Reserve Fund by transferring all or a portion of the excess therein to the Interest and Sinking Fund.)

Capital Improvement Fund. On the date of issuance of the Bonds, there will be on deposit in the Capital Improvement Fund an amount not less than $100,000. The Capital Improvement Fund shall be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the Waterworks System, or for paying the costs of unexpected or extraordinary repairs or replacements or extraordinary expenses of operation and maintenance of the Waterworks System for which Waterworks System funds are not otherwise available. When and so long as the money and investments in the Capital Improvement Fund total not less than $100,000, no deposits need be made to the credit of the Capital Improvement Fund; but when and if the Capital Improvement Fund at any time contains less than $100,000, the Issuer covenants and agrees to cure the deficiency in the

Capital Improvement Fund within sixty (60) months from the date the deficiency in funds occurred by making monthly deposits on or before the 25th day of each month following the month such deficiency first occurred of not less than 1/60th of the amount of such deficiency.

Additional Bonds

The Issuer has reserved the right to issue Additional Bonds which shall be payable from and secured by a first lien on and pledge of the Pledged Revenues in the same manner and to the same extent as the Bonds and the Previously Issued Parity Bonds upon satisfying certain covenants contained in the Resolution. (See "Selected Provisions of the Resolution" in Appendix C herein.)

Redemption Provisions of the Bonds

Optional Redemption

The Issuer reserves the right to redeem the Bonds maturing on or after July 1, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on July 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest.

Mandatory Sinking Fund Redemption

The Bonds maturing July 1 in the years 2032, 2034, 2036, 2038, 2040 and 2045 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity in part by lot, at a price equal to the principal amount hereof plus accrued interest to the date of redemption, in the respective years and principal amounts show below.

$170,000 Term Bond Maturing on July 1, 2032

Mandatory Redemption Dates	Principal Amounts
July 1, 2030	$55,000
July 1, 2031	55,000
July 1, 2032*	60,000

$290,000 Term Bond Maturing on July 1, 2034

Mandatory Redemption Dates	Principal Amounts
July 1, 2033	$ 60,000
July 1, 2034*	230,000

$485,000 Term Bond Maturing on July 1, 2036

Mandatory Redemption Dates	Principal Amounts
July 1, 2035	$240,000
July 1, 2036*	245,000

$505,000 Term Bond Maturing on July 1, 2038

Mandatory Redemption Dates	Principal Amounts
July 1, 2037	$250,000
July 1, 2038*	255,000

$525,000 Term Bond Maturing on July 1, 2040

Mandatory Redemption Dates	Principal Amounts
July 1, 2039	$260,000
July 1, 2040*	265,000

$1,425,000 Term Bond Maturing on July 1, 2045

Mandatory Redemption Dates	Principal Amounts
July 1, 2041	$275,000
July 1, 2042	280,000
July 1, 2043	285,000
July 1, 2044	290,000
July 1, 2045*	295,000

*Stated maturity.

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

If less than all of the Bonds of any maturity are to be redeemed, the District shall determine the amounts of each maturity or maturities to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select by lot the Bonds, or portions thereof, within such maturity or maturities to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

Not less than 30 days prior to an optional redemption date for the Bonds, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice. The notice with respect to an optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) 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 an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE SO MAILED WILL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION WILL 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 WILL CEASE TO ACCRUE.

Redemption through the Depository Trust Company

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption with regard to the Bonds, notice of proposed amendment to the Resolution, or other notices with respect to the Bonds only to DTC (defined herein). Any failure by DTC to advise any DTC Participant, or of any DTC Participant or Indirect Participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then DTC Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (See "BOOK-ENTRY-ONLY SYSTEM" herein).

Payment Record

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

Amendments

The Issuer has reserved the right to amend the Resolution in the manner provided in Section 28 of the Resolution. For more information, see Appendix C - "Selected Provisions of the Resolution."

Defeasance of Bonds

The Resolution provides for the defeasance of the Bonds when payment of the principal amounts of the Bonds, as applicable, plus accrued interest on the Bonds to their due date (whether such due date be by reason of maturity or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and when proper arrangements have been made by the District for payment of the services of the paying agent for the Bonds until the defeased Bonds shall have become due and payable, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent or other authorized escrow agent for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent or other authorized escrow agent to receive payment when due on the Defeasance Securities. The Resolution provides that Defeasance Securities means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The District has additionally reserved the right in the Resolution, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, the Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that, the District's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defaults and Bondholder's Remedies

The Resolution provides that, in addition to all other rights and remedies of any Registered Owner provided by the laws of the State, in the event the District defaults in the observance or performance of any covenant in the Resolution including payment when due of the principal of and interest on the Bonds, any Registered Owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Resolution provides no additional remedies to a Registered Owner. Specifically, the Resolution does not provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Resolution may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in any improvements or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision or by a state statute reasonably required to attain an important public purpose.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the District for breach of the Bonds or Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. 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.

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151- 160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers districts, such as the District, and relates to contracts entered into by these districts for providing goods or services to these districts. The District is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments, such as the District, that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

As noted above, the Resolution provides that registered owners may exercise the remedy of mandamus to enforce the obligations of the District under the Resolution. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of $5,000 of principal amount. If the Bonds are no longer held in the Book-Entry-Only System, interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books on the Record Date hereinafter defined.

If the Bonds are no longer held in the Book-Entry-Only System, principal of the Bonds will be payable at stated maturity upon presentation and surrender thereof at a designated office of the Paying Agent/Registrar. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM."

Successor Paying Agent/Registrar

Provision is made in the Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Bonds to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on such Bond or by such other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the principal corporate office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the Owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar will be required to issue, transfer, or exchange any Bonds during a (i) period beginning at the close of business on any Record Date and ending with the next interest payment date or, (ii) with respect to any Bond called for redemption, within 30 days of the date fixed for redemption, provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

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 surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar a certificate to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. The Policy will be purchased by the Purchaser for the benefit of the holders of the Bonds.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.3 million, $158.1 million and $347.2 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

The following are risk factors relating to bond insurance. In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy issued by Insurer for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with any mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer’s consent may be required in connection with amendments to any applicable Bond documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds will be payable solely from the moneys received pursuant to the applicable Bond documents. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer and its claims paying ability. The Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "OTHER PERTINENT INFORMATION - Rating" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the District nor the Purchaser will make an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer will be given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein.

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

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

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

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

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 to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT POLICIES

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

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States, (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities, (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent, (6) (a) certificates of deposit and share certificates issued by a depository institution that has its main office or branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or are secured as to principal by obligations described in clauses (1) through (5) and clause (13) or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through (i) a broker that has its main office or branch office in this state and is selected from a list adopted by the District; (ii) a depository institution that has a main office or branch office in this state and that is selected by the District; (b) the broker or depository institution selected by the District arranges for the deposit of funds in one or more federally insured depository institutions, wherever located; (c) the certificates of deposit are insured by the United States or an instrumentality of the United States; and (d) the District appoints the depository institution acts as a custodian for the District with respect to the certificates of deposit, an entity described by 2257.041(d) Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R., section 240.15c3-3), (7) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1) and require the security being purchased by the District to be pledged to the District, held in the District's name and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (8) bankers' acceptances with the remaining term of 270 days or less from the date of issuance, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (9) commercial paper with the remaining term of 270 days or less from the date of issuance that is rated at least "A-1" or "P-1" or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (10) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (11) no-load mutual fund registered with the United States Securities and Exchange Commission that: have an average weighted maturity of less than two years; invest exclusively in obligations described in the preceding clauses and clause (13), and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, (12) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days, and bonds issued, assumed or guaranteed by the State of Israel. Texas law also permits the District to invest bond proceeds in a guaranteed investment contract subject to the limitations set forth in Chapter 2256, as amended, Texas Government Code.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (4) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (9) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer. (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments **TABLE 1**

As of August 31, 2020 the Issuer's investable funds in the amount of $102,043 were invested in the following categories:

Description	Amount
TexSTAR Investment Fund	$102,043

____

Source: The Issuer's Interim Financial Report dated August 31, 2020.

EDWARDS AQUIFER MANAGEMENT

General

The District obtains nearly all of its water from the Edwards Aquifer. The Edwards Aquifer lies beneath an area approximately 3,600 square miles in size. Including its recharge zone, it underlies all or part of 13 counties, varying from five to 30 miles in width, and stretching over 175 miles in length, beginning in Brackettville, Kinney County, Texas, in the west and stretching to Kyle, Hays County, Texas, in the east. The Edwards Aquifer receives most of its water from rainfall runoff, rivers, and streams flowing across the 4,400 square miles of drainage basins located above it.

Much of the Edwards Aquifer region consists of agricultural land, but it also includes areas of population ranging from communities with only a few hundred residents to the City of San Antonio and its surrounding metropolis, which serves as a home for nearly two million residents. Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed by Edwards Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

The Edwards Aquifer is recharged by seepage from streams and by precipitation infiltrating directly into the cavernous, honeycombed, limestone outcroppings in its north and northwestern area. Practically continuous recharge is furnished by spring fed streams, with storm water runoff adding additional recharge. The historical annual recharge, from 1934 to the present, to the reservoir is approximately 684,700 acre-feet. The average annual recharge over the last four decades is approximately 797,900 acre-feet. The lowest recorded recharge was 43,000 acre-feet in 1956, while the highest was 2,485,000 acre-feet in 1992. Recharge has been increased by the construction of recharge dams over an area of the Edwards Aquifer exposed to the surface known as the recharge zone. The recharge dams, or flood-retarding structures, slow floodwaters and allow much of the water that would have otherwise bypassed the recharge zone to infiltrate the Edwards Aquifer.

Regulation by Edwards Aquifer Authority

In 1993, the Texas Legislature adopted the Edwards Aquifer Authority Act. This act created the Edwards Aquifer Authority ("EAA" or "Edwards Aquifer Authority") as a conservation and reclamation district under Article XVI, Section 59, of the Texas Constitution. The EAA is governed by a 15 member Board of Directors elected from single member districts roughly drawn by the legislature to reflect regional interests rather than traditional voting rights concerns. The EAA has broad powers to manage, conserve, preserve, and protect the Edwards Aquifer and to increase the recharge of, and prevent the waste or pollution of water in, the aquifer. Among other charges, the EAA was directed to limit groundwater withdrawals from the Edwards Aquifer through a permitting system. The EAA was also directed by the Texas Legislature to ensure that, not later than December 31, 2012, the continuous minimum springflows of the Comal Springs (in New Braunfels) and the San Marcos Springs (in San Marcos) are maintained to protect endangered and threatened species to the extent required by federal law and to achieve other purposes of the EAA Act. To date, the EAA's exercise of power has been primarily limited to managing Edward Aquifer withdrawals, although the EAA has initiated efforts in recent years to regulate water quality.

As a consequence of the EAA's permitting regime, the System's access to Edwards Aquifer supplies is now limited to its highest, pre-1991 annual historic use plus any additional permitted withdrawal rights that the System can acquire by lease or purchase. As of December 31, 2019, through permitting, purchases, and leases, the District has access to 2059.512 acre-feet of Edwards Aquifer groundwater withdrawal rights. All Edwards Aquifer permitted withdrawal rights are subject to on-going regulation by the EAA, with more stringent use limitations applied during periods of drought.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement as Table 1, in Appendix A (Tables 1-6) and in Appendix E. The District will update and provide this information within six months after the end of each Fiscal Year ending in or 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 EMMA Internet Website 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 information by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix E or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the District (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Resolution make any provisions for liquidity enhancement or credit enhancement (unless the Purchaser elects to purchase a municipal bond insurance policy). In the Resolution, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports."

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

Availability of Information

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) the Issuer's federal tax certificate and (b) representations of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds, and certain other matters. Failure of the Issuer to comply with these representations could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds. Bond Counsel's opinion is not binding on the Internal Revenue Service. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer 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.

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.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is 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 Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

State, Local and Foreign Taxes

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

Qualified Tax-Exempt Obligations

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

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

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Though it represents the Purchaser and the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information appearing in this Official Statement under the captions "THE BONDS", "TAX MATTERS", “LEGAL MATTERS - Legal Opinions and No-Litigation Certificate and Legal Investments and Eligibility to Secure Public Funds in Texas”, "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale", and Appendix C attached hereto, to determine whether such information fairly summarizes the material and documents referred to therein and is correct as to matters of law. Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer 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. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on definitive bonds in the event of discontinuance of the Book-Entry-Only System and the form of such opinion is attached hereto as Appendix D.

Legal Opinions

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

Litigation

On the date of delivery of the Bonds to the Purchaser, the District will execute and deliver to the Purchaser a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to sure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

Rating

S&P Global Ratings ("S&P") has assigned a municipal bond rating on the Bonds of “AA” (stable outlook) based upon the municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM”) at the time of delivery of the Bonds. The Bonds have an underlying rating of “A+” with a stable outlook by S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that such a ratings will continue for any given period of time, or that they will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

Financial Advisor

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

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

Winning Bidder

On Tuesday, November 17, 2020, the Bonds will be awarded to a purchaser or group of purchasers managed by SAMCO Capital Markets, Inc. (previously defined and referred to herein as the "Purchaser") following the receipt of competitive bids. The initial reoffering yields were provided to the District by the Purchaser. The initial reoffering yields shown on the inside cover page will produce compensation to the Purchaser of approximately $43,817.34.

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

Other Matters

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Certification of the Official Statement

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

Authorization of the Official Statement

This Official Statement was approved as to form and content and the use thereof in the offering of the Bonds was authorized, ratified and approved by the Board of Directors on the date of sale, and the Purchaser will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Resolution also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorized its further use and distribution in the reoffering of the Bonds by the Purchaser in accordance with the provisions of the Rule.

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT

/s/ Gina Mangold
President, Board of Directors
East Medina County Special Utility District

/s/ JoNell M. Tarvin
Secretary/Treasurer, Board of Directors
East Medina County Special Utility District

APPENDIX A

Financial Information for the East Medina County Special Utility District

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FINANCIAL INFORMATION OF THE ISSUER

REVENUE BOND DEBT DATA **TABLE 1**

(As of August 1, 2020)

Revenue Debt Outstanding

Waterworks System Revenue Bonds, Series 2009	$838,000
Waterworks System Revenue Refunding Bonds, Series 2013	207,000
Waterworks System Revenue Bonds, Series 2014	1,610,000
The Bonds	3,780,000
Total Gross Revenue Debt Outstanding	$6,435,000

REVENUE DEBT SERVICE REQUIREMENTS **TABLE 2**

FYE	Existing	The Bonds			Combined
12/31	Debt Service	Principal	Interest	Debt Service	Debt Service
2020	$ 422,381.16	$ -	$ -	$ -	$ 422,381.16
2021	420,935.18	-	55,279.90	55,279.90	476,215.08
2022	211,493.75	40,000.00	102,581.26	142,581.26	354,075.01
2023	211,293.75	40,000.00	100,581.26	140,581.26	351,875.01
2024	213,228.66	45,000.00	98,581.26	143,581.26	356,809.92
2025	209,816.11	50,000.00	96,331.26	146,331.26	356,147.37
2026	210,500.00	50,000.00	93,831.26	143,831.26	354,331.26
2027	211,543.75	50,000.00	91,331.26	141,331.26	352,875.01
2028	212,405.59	55,000.00	88,831.26	143,831.26	356,236.85
2029	217,445.61	50,000.00	86,081.26	136,081.26	353,526.87
2030	217,168.75	55,000.00	83,581.26	138,581.26	355,750.01
2031	216,606.25	55,000.00	80,831.26	135,831.26	352,437.51
2032	215,294.19	60,000.00	78,081.26	138,081.26	353,375.45
2033	218,607.25	60,000.00	75,081.26	135,081.26	353,688.51
2034	51,550.00	230,000.00	72,081.26	302,081.26	353,631.26
2035	51,412.50	240,000.00	60,581.26	300,581.26	351,993.76
2036	51,263.07	245,000.00	55,781.26	300,781.26	352,044.33
2037	51,976.10	250,000.00	50,881.26	300,881.26	352,857.36
2038	51,693.75	255,000.00	45,881.26	300,881.26	352,575.01
2039	51,337.50	260,000.00	40,781.26	300,781.26	352,118.76
2040	51,962.07	265,000.00	35,581.26	300,581.26	352,543.33
2041	51,427.47	275,000.00	30,281.26	305,281.26	356,708.73
2042	51,918.75	280,000.00	24,437.50	304,437.50	356,356.25
2043	51,300.00	285,000.00	18,487.50	303,487.50	354,787.50
2044	51,653.44	290,000.00	12,431.26	302,431.26	354,084.70
2045	51,873.96	295,000.00	6,268.76	301,268.76	353,142.72
2046	51,050.00	-	-	-	51,050.00
2047	51,168.75	-	-	-	51,168.75
2048	51,205.75	-	-	-	51,205.75
2049	51,140.81	-	-	-	51,140.81
	$ 4,232,653.92	$ 3,780,000.00	$ 1,584,480.12	$ 5,364,480.12	$ 9,597,134.04

GROSS REVENUES, EXPENSES, NET REVENUES AND DEBT SERVICE — TABLE 3

	Fiscal Year Ended December 31				
	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Gross Revenues	$2,235,116	$2,517,210	$2,224,704	$2,050,860	$1,916,280
Expenses[1]	1,562,307	1,385,900	1,236,099	1,251,696	1,233,420
Net Operating Revenue	$672,809	$1,131,310	$988,605	$799,164	$682,860
Debt Service	$424,433	$419,146	$424,771	$429,480	$429,767
Coverage of Gross Revenues	5.266x	6.006x	5.237x	4.775x	4.459x
Coverage of Net Revenues	1.585x	2.699x	2.327x	1.861x	1.589x

[1] *Excludes depreciation and amortization.*

REVENUE BONDS AUTHORIZED BUT UNISSUED — TABLE 4

-NONE-

REVENUE FUND BALANCES[1] — TABLE 5

(As of July 31, 2020)

Reserve Fund	$440,048
Interest and Sinking Fund	$214,908
Capital Improvement Fund	$102,029

[1] *Unaudited. Information provided by the Issuer*

OPERATING LEASES — TABLE 6

The District currently has no outstanding operating leases.

Source: Issuer's Annual Financial Report dated December 31, 2019

ANNUAL REPORT OF GALLONS PUMPED AND SOLD — TABLE 7

	2019	2018	2017	2016	2015
Annual Gallons Pumped	384,412,000	324,856,000	330,436,000	293,053,000	298,911,000
Annual Gallons Sold	200,225,400	186,932,100	197,166,800	180,137,800	180,428,100
Annual Gallons Lost	151,116,710	97,027,250	91,193,410	78,988,450	98,427,030
Percent of Gallons Sold	52.09%	57.54%	59.67%	61.47%	60.36%

Source: The Issuer's Annual Financial Report dated December 31, 2015-2019.

MONTHLY WATER RATES — TABLE 8

Retail Rates Based on 5/8" Meter beginning December 1, 2019:

Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 100 Gallons Over Minimum	Usage Levels
$28.42	N/A	Y	$0.19	100 to 2,000
			0.50	2,001 to 10,000
			0.55	10,001 to 20,000
			0.60	20,001 to 30,000
			0.70	30,001 to 40,000
			0.75	40,001 to 50,000
			0.80	50,001 and above

Commercial, industrial, and agricultural accounts: $5.00 extra per month

fee is calculated on the water usage charge and is included in the rate charts.

District employees' winter averaging for wastewater usage: N/A

Total water charges per 10,000 gallons usage (including surcharges): N/A

Source: The Issuer's Annual Financial Report dated December 31, 2019.

CUSTOMERS BY TYPE — TABLE 9

	Connections
Single Family	2,843
Multi Family	0
Commercial, Agricultural, and Industrial	101
Other - Recreational Centers, Governmental and Volunteer Fire Department	0
Total	2,944

TOP TEN WATER CUSTOMERS — TABLE 10

Name	Type of Customer	Ave. Monthly Usage In Gallons	Ave. Monthly Revenues	% Operating Income
Natural Shrimp	Commercial	113,800	$821.61	0.58%
Robert Hildt	Residential	83,000	560.73	0.39%
SGGR	Commercial	61,600	447.48	0.31%
ADB	Commercial	61,000	421.02	0.30%
Henry Lee Keller	Commercial	52,800	340.17	0.24%
Ray & Carolyn Doyon	Commercial	47,900	295.43	0.21%
Lawrence & Dorothy Wood	Residential	45,800	287.53	0.20%
Cynthia Pagliara	Residential	37,200	283.86	0.20%
Miguel Lozano	Residential	41,800	254.86	0.18%
Ralph Garza	Commercial	21,900	364.00	0.26%

Source: Information provided by the Issuer.

CONDENSED FINANCIAL INFORMATION — TABLE 11

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

	Fiscal Year Ended December 31,				
	2019	2018	2017	2016	2015
Revenues:					
Water Sales-Net of Bad Debt Expense	$1,701,971	$1,613,625	$1,652,637	$1,558,576	$1,550,419
Late Fees and Reconnection Charges	116,351	133,535	123,820	113,976	114,216
Customer Deposits	18,686	14,961	13,423	12,924	14,397
Connection Fees, net of expense	151,741	69,884	81,035	75,944	37,302
Water Acquisition Fees	151,617	91,669	94,203	76,697	90,874
Lease Income	26,325	72,225	72,225	61,727	66,475
Interest Income	43,699	43,678	22,868	15,368	5,556
Other Income	26,448	477,633	151,986	123,693	37,041
Gain (loss) on Disposal of Assets	(1,722)	0	12,507	11,955	0
Total Revenues	$2,235,116	$2,517,210	$2,224,704	$2,050,860	$1,916,280
Expenses:					
Salaries	$611,558	$538,175	$475,866	$501,732	$468,464
Utilities	145,554	130,135	124,882	112,108	111,674
Repairs and Maintenance	208,619	180,954	171,551	179,793	134,593
Vehicle Expense	51,644	43,308	25,648	30,898	39,844
Insurance	103,621	90,151	97,605	106,930	105,892
Payroll Taxes	52,937	41,747	37,866	34,428	42,191
Professional Services	98,932	108,842	64,625	57,936	72,731
Retirement Plan Expense	21,958	21,803	21,220	12,082	30,938
Edwards Aquifer Authority Water Management Fee	101,789	99,154	85,711	94,410	123,099
Other Administrative Expenses	165,695	131,631	131,125	121,379	103,994
Depreciation	483,640	537,063	512,902	481,963	431,193
Interest Expense	133,914	108,110	125,860	118,430	11,604
Bond Issuance Cost	0	0	0	0	0
Total Expenses(1)	$1,562,307	$1,385,900	$1,236,099	$1,251,696	$1,233,420
Net Operating Revenue(1)	$672,809	$1,131,310	$988,605	$799,164	$682,860
Customer Count	2,944	2,880	2,842	2,812	2,775

Source: The Issuer's Annual Financial Reports dated December 31, 2015-2019.

(1) Depreciation and amortization excluded from net operating revenue.

APPENDIX B

General Information Regarding the District and Medina County, Texas

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GENERAL INFORMATION REGARDING THE EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT AND MEDINA COUNTY, TEXAS

The District is the successor to the East Medina County Water Supply Corporation (the "Corporation"). The Corporation was originally created upon filing its Articles of Incorporation in 1967 as a non-profit, member-owned, water supply corporation operating under the provisions of Article 1434a, Vernon's Texas Revised Civil Statutes. The Corporation was established to construct and operate a rural water system for the purpose of providing potable water to the rural areas in Medina County, Texas bordered by the communities of Devine, Biry, Dunlay, Castroville, LaCoste, Lytle and Natalia (the "Service Area"). The Service Area is located approximately 25 miles west of the City of San Antonio. The Corporation went into full operation in 1971.

The Corporation received a Certificate of Convenience and Necessity from the Texas Water Commission (the predecessor agency to the Texas Natural Resource Conservation Commission, also referred to herein as the "TNRCC") which granted it the exclusive right to provide water to residents and business located within its Service Area. Individuals were permitted to drill water wells for their own use and the Board of Director's granted permission to several subdivisions to pump and sell water to residents within such subdivision, but no other water supply corporation or other water purveyor was permitted to supply and sell water to residents in the Corporation's Service Area.

On January 3, 1995, the Corporation filed a petition with the TNRCC seeking to convert to a special utility district. The Corporation's request was granted and the District was created by Resolution of the TNRCC, dated April 10, 1996, pursuant to the provisions of Chapter 65 of the Texas Water Code (the "District Act"). Creation of the District was confirmed by the registered voters within the District at an election held on August 10, 1996, by a vote of 64 "for" to 11 "against". On September 17, 1996 the District acquired the Corporation's System and assumed the Corporation's contracts and obligations and all other assets and liabilities of the Corporation pursuant to Section 65.22, Texas Water Code. The Corporation has since been dissolved.

In connection with the District's acquisition of the Corporation's assets, the District acquired the Corporation's Certificate of Convenience and Necessity No. 10217, as amended (the "CCN"). The CCN, as amended, which was issued by the TNRCC, authorized and required the District to provide potable water within an area located in the rural areas of Medina County, with the exception of the areas included in the following CCN entities:

Old Highway 90 Water Service	CCN No. 12620
Cattleman's Crossing Water System*	CCN No. 12672
City of LaCoste	CCN No. 11004
City of Lytle	CCN No. 11007
Benton City Water Supply Corporation	CCN No. 12587

*Ownership of the Cattleman's Crossing Water System, CCN No. 12672, was transferred to the District on December 31, 2003.

The District has since been operating and existing as a special utility district and political subdivision of the State of Texas having all powers possessed by conservation districts authorized under Article 16, Section 59 of the Texas Constitution. The District is presently functioning under the general laws of the State of Texas and the District Act, and is authorized to issue bonds and finance public works projects.

Powers

The purposes for which a special utility district may be formed include: (i) to acquire sources of water supply; build, operate and maintain facilities for the transportation of water and sell water to other political subdivisions, private entities and individuals; (ii) establish, operate and maintain fire-fighting facilities and perform fire-fighting activities within the district; and (iii) protect, preserve and restore the purity and sanitary condition of water within the District. In furtherance of such purposes, the District is granted the functions, powers, authority and rights under the District Act to purchase, construct, acquire, own, operate, maintain, repair, improve, or extend inside and outside its boundaries any works, improvements, facilities, plants, equipment, and appliances necessary to accomplish the purposes for which it was created, including works, improvements, facilities, plant equipment, and appliances incident, helpful, or necessary to: (1) supply water for municipal, domestic, power and commercial, and other beneficial uses, purposes or controls; (2) collect, transport, process, dispose of, store, and control domestic, industrial, or commercial fluid, solid or composite wastes; (3) gather, conduct, divert, and control local storm water or other local harmful excesses of water; (4) irrigate the land in the District; (5) alter land elevation where it is needed; and (6) provide fire-fighting services for inhabitants of the District.

Additionally, the District may assume the contracts and obligations of its predecessor water supply corporation and perform the obligations of such corporation in the same manner and to the same extent that any other purchaser or assignee would be bound. It may establish, adopt, maintain, revise, charge, collect and enforce necessary rates, B-2 fees, rentals, tolls or other charges, including standby charges, fees, or rentals for providing for the use of any District facilities or services and may discontinue a facility or service to prevent abuse or enforce payment or an unpaid charge, fee, or rental due to the District. Finally, the District may, by condemnation, acquire any land, easement, or other property inside the District or, for sewer, water storm drainage and flood drainage connections outside the District.

The District may issue its bonds or notes, payable from and secured by all or any part of the designated revenues resulting from the ownership or operation of the District's works, improvements, facilities, plants, equipment, appliances or under specific contracts, for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending District works, improvements, facilities, plants, equipment, and appliances needed to accomplish the purposes listed in the District Act.

The District Act does not authorize the imposition of an ad valorem tax for any purpose. However, Chapter 49 of the Water Code, also applicable to the District, authorizes the District to levy and collect an ad valorem tax for the operation and maintenance purposes only after it has been approved by the voters of the District at an election called for such purpose.

Board of Directors

The District is governed by a seven-member Board of Directors whose members are elected by the voters of the District for three-year terms, or in the event of vacancy, appointed by the remaining members of the Board to fill the unexpired term. The current members of the Board of Directors are listed on page (3) of this Official Statement.

Employees

The District employs a total of twelve full-time employees and, currently, one part-time employee. The District's Superintendent functions as the General Manager. The Field Manager plus five employees primarily work in the field to monitor, maintain and repair the system. The Business Manager plus four full-time employees and one part-time employee are responsible for maintaining all financial and informational records of the District.

Medina County, TX

Medina County, Texas (the "County") was formed on February 12, 1848, using land taken from Bexar County. The County was named after the river that flows through it, the Medina River, and has a total area of 1,334 square miles. The County is a rural county, but is a part of the San Antonio-New Braunfels Metropolitan Statistical Area. The San Antonio-New Braunfels Metro area is an eight-county metropolitan area that includes South Texas and Central Texas. In 2000 the U.S. Census estimated the metropolitan's population at 1,711,103; for 2018 that estimate grew up to 2,518,036.

The County is home to the Medina Dam, the fourth largest at its completion in 1913, which created Medina Lake. Medina Lake is a large reservoir for boating and fishing. It is a 6,060-acre reservoir on the Medina Lake. Castroville Regional Park has 126 riverside acres with hiking trails and a swimming pool. The Hill Country State Natural Area is home to a large park with rugged terrain offering 40 miles of multiuse trails, campgrounds and primitive sites.

Historic sites include the Alsatian Steinbach House Park, St. Louis Catholic Church and the Landmark Inn State Historic Site. The surrounding cities also offer a wide variety of antique shops.

Labor Force Statistics[1]

	2019	2018	2017	2016
Civilian Labor Force	21,828	21,595	21,304	21,000
Total Employed	21,142	20,849	20,477	20,077
Total Unemployed	686	746	827	923
% Unemployment	3.1	3.5	3.5	3.5
Texas Unemployment	3.5	3.9	4.3	4.6

[1]Source: St. Louis Federal Reserve, average annual statistics.

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APPENDIX C

Selected Provisions of the Resolution

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APPENDIX C

SELECTED PROVISIONS OF THE RESOLUTION

SECTION 7. **DEFINITIONS.** Unless the context or use indicates another meaning or intent, the following words and terms used in this Resolution shall have the following meanings.

"***Additional Bonds***" shall mean the additional parity revenue bonds which the Issuer reserves the right to issue and deliver in the future, as provided by this Resolution.

"***Additional Security***" means assets of the Issuer pledged by the Issuer as additional security for any Bonds, including a mortgage of the Facilities; provided however, that additional sources of payment obtained by the Issuer for the payment of Additional Bonds, including, but not limited to, letters of credit and payment guaranty insurance policies, shall not constitute Additional Security.

"***Bond Counsel***" shall mean McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, or any other firm of nationally-recognized bond counsel selected by the Issuer.

"***Bonds***" shall mean collectively the Previously Issued Parity Bonds, the Series 2020 Bonds authorized to be issued and delivered by this Resolution, and any Additional Bonds.

"***Fiscal Year***" shall mean the twelve-month period commencing on the first day of January of any year and ending on the last day of December of such calendar year, or such other period commencing on the date designated by the Issuer and ending one year later.

"***Gross Revenues of the Waterworks System***" or "***Gross Revenues***" shall mean all of the revenues and income of every nature received or derived by the Issuer from the operation and/or ownership of the Waterworks System (exclusive of restricted gifts, grants, requests, donations and contributions), including the interest income from the investment or deposit of money in any Fund created by this Resolution.

"***Issuer***" shall mean the EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT, a special utility district operating pursuant to Chapter 65, Texas Water Code, and other applicable laws of the State of Texas.

"***Operation and Maintenance Expenses***" shall mean all reasonable and necessary expenses required for the efficient operation and maintenance of the Waterworks System, including, without limitation, insurance premiums, paying agent/registrar charges in connection with the Bonds, administrative expenses, salaries, labor, fees, materials, contractual and professional services, keeping the Waterworks System in good condition and working order, making all needed repairs, and providing for all needed periodic and non-recurring items of maintenance.

"***Pledged Revenues***" means the Gross Revenues of the Waterworks System, and any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds.

"***Previously Issued Parity Bonds***" shall mean, collectively, the Series 2009 Bonds, the Series 2013 Bonds, and the Series 2014 Bonds.

"***Principal and Interest Requirements***" shall mean for any Fiscal Year the amount required to pay the interest on and principal of (whether pursuant to a maturity principal installment or redemption requirements applicable thereto) all outstanding Bonds becoming due in such Fiscal Year. In calculating Principal and Interest Requirements the principal and interest coming due in any Fiscal Year on any such Bonds which bear interest at a variable rate which cannot be predetermined shall be assumed to be that which would come due if (i) the interest rate on such Bonds for the applicable period was the interest rate that was in effect on the last day of the immediately preceding Fiscal Year (or, if such Bonds were issued during the current Fiscal Year, then the first interest rate in effect for such Bonds) and (ii) the principal amortization schedule would be that which would result in substantially level debt service throughout the remaining term of such Bonds assuming such interest rate. In calculating Principal and Interest Requirements if any such outstanding Bonds do not pay current interest during the term to maturity thereof, but rather accrete in value according to a schedule, the principal and interest coming due on any such Bonds shall be calculated as equal to the accreted value attributable to such Bonds during such Fiscal Year.

"***Required Reserve***" is an amount equal to the maximum annual Principal and Interest Requirements on all outstanding Bonds, such amount to be determined annually as of the end of each Fiscal Year and on the date of issuance and delivery of a series of Additional Bonds.

"***Series 2009 Bonds***" shall mean the *East Medina County Special Utility District Waterworks System Revenue Bonds, Series 2009*, dated as of July 1, 2009, originally authorized to be issued up to the aggregate principal amount of *$975,000.*

"***Series 2013 Bonds***" shall mean the *East Medina County Special Utility District Waterworks System Revenue Refunding Bond, Series 2013*, dated as of April 1, 2013, originally issued in the aggregate principal amount of *$1,566,000.*

"***Series 2014 Bonds***" shall mean the *East Medina County Special Utility District Waterworks System Revenue Bonds, Series 2014*, dated as of January 1, 2014, originally issued in the aggregate principal amount of *$2,250,000.*

"***Waterworks System***" shall mean the Issuer's entire Waterworks System, together with future improvements, extensions, enlargements and additions thereto, and replacements thereof.

SECTION 8. CUMULATIVE EFFECT OF RESOLUTION; PLEDGE OF PLEDGED REVENUES (a) Cumulative Effect of Resolution. The Series 2020 Bonds are "Additional Bonds" issued pursuant to applicable sections of the resolutions authorizing the issuance of the outstanding Previously Issued Parity Bonds, and are in all respects on a parity with the outstanding Previously Issued Parity Bonds. Sections 8 through 28 of this Resolution substantially restate, and are supplemental to and cumulative of, Sections 8 through 28 of the resolutions authorizing the issuance of the Previously Issued Parity Bonds so that Sections 8 through 28 of this Resolution are applicable to all Bonds and any future Additional Bonds and state all requirements with respect thereto (except for Section 16 of the respective resolutions authorizing the issuance of the Outstanding Series 2009 Bonds and Series 2014 Bonds relating to the establishment of separate Construction Funds created in connection with the issuance of such Series of Bonds).

(b) Pledge of Pledged Revenues. The Bonds, and the interest thereon, are and shall be payable from and secured by a first lien on and pledge of the Pledged Revenues, and said Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Sinking Fund and Reserve Fund hereinafter created. The Bonds and the interest thereon constitute and shall be special obligations of the Issuer payable solely from the Pledged Revenues, and the owner or owners thereof shall never have the right to demand payment thereof out of funds raised or to be raised from taxes. The Issuer has no taxing power.

(c) Security Interest. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Series 2020 Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 9. RATE COVENANT. The Issuer covenants and agrees with the holders of the Bonds as follows:

(a) It will at all times fix, maintain, charge, and collect for services rendered by the Waterworks System, rates and charges which will produce Gross Revenues not less than 1.25 times the amount required to pay all Principal and Interest Requirements plus 1.00 times the amount required to pay all Operation and Maintenance Expenses and make all other deposits now or hereafter required to be made into the Funds created or maintained by this Resolution in connection with the Bonds.

(b) If the report by a certified public accountant required by Section 25 of this Resolution reflects that the Gross Revenues of the System for the Fiscal Year covered thereby were less than the amount required by subsection (a) above, the Board of Directors within thirty (30) days after receipt of such report will review the operation of the

Waterworks System and the rates and charges for services rendered by the Waterworks System and will make the necessary adjustments or revisions to the rates and charges in order that the Gross Revenues will be sufficient to meet the requirement of subsection (a) above for the following Fiscal Years.

(c) If the System should become legally liable for any other obligations or indebtedness, the Issuer shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

SECTION 10. FUNDS. The following special Funds have been created and established and shall be maintained by the Paying Agent/Registrar or at an official depository of the Issuer, so long as any of the Bonds are outstanding and unpaid:

(a) *East Medina County Special Utility District Revenue Bonds Revenue Fund*, hereinafter called the "***Revenue Fund***";

(b) *East Medina County Special Utility District Revenue Bonds Interest and Sinking Fund*, hereinafter called the "***Interest and Sinking Fund***";

(c) *East Medina County Special Utility District Revenue Bonds Reserve Fund*, hereinafter called the "***Reserve Fund***"; and

(d) *East Medina County Special Utility District Revenue Bonds Capital Improvement Fund*, hereinafter called the "***Capital Improvement Fund***.

SECTION 11. REVENUE FUND; PRIORITY OF PAYMENT. All Gross Revenues of the Waterworks System shall be deposited from day to day as received into the Revenue Fund. The funds on deposit in the Revenue Fund shall be transferred or used in the following order of priority:

First: Transfer to the Interest and Sinking Fund in the manner and amounts hereinafter provided;

Second: Transfer to the Reserve Fund in the manner and amounts hereinafter provided;

Third: Pay Operation and Maintenance Expenses; and

Fourth: Transfer to the Capital Improvement Fund in the manner and amounts hereinafter provided.

SECTION 12. INTEREST AND SINKING FUND. There shall be deposited into the Interest and Sinking Fund the following:

(a) immediately after the delivery of any of the Bonds all accrued interest from the proceeds from the sale and delivery of the Bonds shall be deposited to the credit of the Interest and Sinking Fund.

(b) on or before the 25th day of the month following delivery of any of the Bonds, and on or before the 25th day of each month thereafter, there shall be deposited into the Interest and Sinking Fund in approximately equal monthly installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the interest scheduled to come due on the Bonds on the next interest payment date.

(c) on or before the 25th day of each month, commencing with the twelfth (12th) month preceding the first principal payment date for a series of Bonds, or commencing with the month immediately following the issuance of any series of Bonds if delivery of such series of bonds is made less than twelve months preceding the first principal payment date for such series of Bonds, there shall be deposited into the Interest and Sinking Fund in approximately equal monthly installments an amount as will be sufficient, together with other amounts, if any, then on deposit therein and available for such purpose, to pay the principal of the Bonds scheduled to mature on the next succeeding maturity date.

(d) on or before any optional redemption date set by the Issuer for any Bonds, there shall be deposited into the Interest and Sinking Fund an amount as will be sufficient to pay the principal of, premium, if any, and interest on the Bonds scheduled to be redeemed on such optional redemption date.

The Interest and Sinking Fund shall be used solely to pay the principal of and interest on the Bonds when due, and the chief financial officer of the Issuer are hereby authorized to cause funds to be transferred from the Interest and Sinking Fund to the Paying Agent/Registrar at the times and in the amounts to pay Principal and Interest Requirements.

SECTION 13. RESERVE FUND. The Bonds are secured by the Reserve Fund and upon the issuance of the Series 2020 Bond the initial Required Reserve shall be $476,215. The Issuer certifies that the amount that will be on deposit in the Reserve Fund on the date of issuance of the Series 2020 Bonds will be not less than *$440,048*, which is *$36,167* less than the initial Required Reserve after giving effect to the issuance of the Series 2020 Bonds (the "***Initial Deficiency***"). Therefore, in order to comply with the provisions of the resolutions authorizing the issuance of the Previously Issued Parity Bonds, the District shall make monthly deposits in the Reserve Fund in an amount not less than *$602.79*, which is at least equal to 1/60th of the Initial Deficiency, commencing on or before the 25th day of the month following the date of issuance of the Series 2020 Bonds and continuing until the amount on deposit in the Reserve Fund is at least equal to the Required Reserve at such time as required by this Resolution. For purposes of clarity, the District notes that, beginning with the District's 2022 Fiscal Year, the Required Reserve is scheduled to decrease from the initial Required Reserve as of the date of issuance of the Series 2020; therefore, in accordance with the terms of this Resolution, beginning in January 2022, the District will be authorized to (i) cease making the monthly deposits described in the preceding sentence, and (ii) reduce the amount on deposit in the Reserve Fund by transferring all or any portion of the excess therein to the Interest and Sinking Fund.

As and when Additional Bonds are delivered, the Required Reserve shall be increased, if required, to an amount equal to the Required Reserve calculated to take into account the issuance of the Additional Bonds. Any additional amount required shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Bonds, or by the deposit of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in monthly installments, made on or before the 25th day of each month following the delivery of the then proposed Additional Bonds, of not less than 1/60th of said required additional amount (or 1/60 of the balance of said required additional amount not deposited in cash as permitted above). The Reserve Fund shall be used to pay the principal of or interest on the Bonds at any time when there is not sufficient money available in the Interest and Sinking Fund for such purpose, or to pay the principal of or interest on the last maturing Bonds.

For the purpose of determining the amount on deposit to the credit of the Reserve Fund investments in which money in such account shall have been invested shall be computed at the market value of such investment. The amount on deposit to the credit of the Reserve Fund shall be computed by the Issuer at least annually, and shall be computed immediately upon any withdrawal from the Reserve Fund.

At the end of each Fiscal Year, the Issuer shall determine the amount required to be on deposit in the Reserve Fund for the ensuing Fiscal Year as the Required Reserve. When and so long as the money and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund, and any excess therein shall be transferred to the Interest and Sinking Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve (other than during the build-up period permitted as the result of the issuance of Additional Bonds as provided in this Section), the Issuer covenants and agrees to cure the deficiency in the Required Reserve within twelve (12) months from the date the deficiency in funds occurred.

SECTION 14. CAPITAL IMPROVEMENT FUND. On the date of issuance of the Series 2020 Bonds to the initial purchaser thereof, there will be on deposit in the Capital Improvement Fund an amount not less than $100,000. The Capital Improvement Fund shall be used for the purpose of paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the Waterworks System, or for paying the costs of unexpected or extraordinary repairs or replacements of the Waterworks System for which Waterworks System funds are not available, or for paying unexpected or extraordinary expenses of operation and maintenance of the Waterworks System for which Waterworks System funds are not otherwise available.

When and so long as the money and investments in the Capital Improvement Fund total not less than $100,000, no deposits need be made to the credit of the Capital Improvement Fund; but when and if the Capital Improvement Fund at any time contains less than $100,000, the Issuer covenants and agrees to cure the deficiency in the Capital

Improvement Fund within sixty (60) months from the date the deficiency in funds occurred by making monthly deposits on or before the 25th day of each month following the month such deficiency first occurred of not less than 1/60th of the amount of such deficiency.

SECTION 15. EXCESS GROSS REVENUES. Subject to paying all current Operation and Maintenance Expenses and making the deposits into the Interest and Sinking Fund, the Reserve Fund and the Capital Improvement Fund when and as required by the terms of this Resolution, the excess funds on deposit in the Revenue Fund may be used for any other lawful purpose.

SECTION 16. CONSTRUCTION FUND. In addition to the Funds created by Section 10 of this Resolution, there is hereby created and established in a depository of the Issuer a fund to be called the *East Medina County Special Utility District Series 2020 Construction Fund* (herein called the "***Construction Fund***"). All proceeds from the sale and installment delivery of the Series 2020 Bonds shall be deposited in the Construction Fund. Money in the Construction Fund shall be subject to disbursements by the Issuer for payment of all costs incurred in carrying out the purpose for which the Series 2020 Bonds are issued, including but not limited to costs for construction, engineering, architecture, financing, financial consultants and legal services related to the project being financed with proceeds of the Series 2020 Bonds. All funds remaining on deposit in the Construction Fund upon completion of the projects being financed with the proceeds from the Series 2020 Bonds, if any, shall be deposited into the Interest and Sinking Fund.

SECTION 17. INVESTMENTS. Money in every Fund created by this Resolution shall be secured by the financial institution maintaining such Fund in the manner and to the extent required by law to secure other public funds of the Issuer and may be invested from time to time in any investment authorized in the Public Funds Investment Act (Chapter 2256, Texas Government Code) and the Issuer's investment policy adopted in accordance with the provisions of the Public Funds Investment Act at the direction of the chief financial officer of the Issuer; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date for which such funds are required, and investments purchased for and held in the Construction Fund shall have a final maturity of not later than the date the Issuer reasonably expects the funds from such investments will be required to pay costs of the projects for which the Bonds were issued. Interest and income derived from such deposits and investments shall be credited to the Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such Fund is required or permitted to be used, except for interest and income derived from deposits or investments in (i) the Reserve Fund, which, to the extent such interest or income exceeds the Required Reserve, and (ii) the Capital Improvement Fund, to the extent such interest or income exceeds the amount required to be on deposit therein, may be transferred to the Revenue Fund or the Interest and Sinking Fund. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds. In addition, any such income and profits from investments in the Construction Fund may be withdrawn by the Issuer and deposited in the Interest and Sinking Fund to pay all or a portion of the interest next coming due on the Bonds. It is further provided, however, that any interest earnings on Bond proceeds which are required to be rebated to the United States of America pursuant to the applicable sections relating to federal tax-exemption covenants, if applicable, of the resolutions which authorized the issuance of such Bonds in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION 18. DEFICIENCIES IN FUNDS. If in any month the Issuer shall fail to deposit into the Interest and Sinking Fund, the Reserve Fund or the Capital Improvement Fund the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said Funds from the first available and unallocated Gross Revenues for the following month or months, and such payments shall be in addition to the amounts otherwise required to be paid into said Funds during such month or months. To the extent necessary, the Issuer shall increase the rates, fees, charges, and amounts for the services and operation of the Waterworks System to make up for any such deficiencies.

SECTION 19. FINAL PAYMENT. Whenever the total amount in the Interest and Sinking Fund and the Reserve Fund shall be equivalent to the aggregate principal amount of all Bonds outstanding, plus all interest accrued and to accrue on such Bonds, no further payments need be made into the Interest and Sinking Fund or the Reserve Fund, and said obligations shall not be regarded as being outstanding except for the purpose of being paid with the funds on hand.

SECTION 20. SECURITY FOR FUNDS. All Funds created by this Resolution shall be secured in the manner and to the fullest extent permitted or required by law, and such Funds shall be used only for the purposes and in the manner permitted or required by this Resolution.

SECTION 21. ADDITIONAL BONDS. The Issuer hereby reserves the right to issue additional revenue bonds on a parity, as to security and payment, with the Outstanding Bonds in as many separate installments or series as deemed advisable by the Board. No Additional Bonds may be issued unless:

(a) Except in connection with the issuance of refunding bonds to achieve a debt service savings or to cure a default, a certificate is executed by the chief financial officer of the Issuer to the effect that no default exists in connection with any of the covenants or requirements of this Resolution or resolutions authorizing the issuance of all then outstanding Bonds and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be on deposit therein.

(b) The chief financial officer of the Issuer signs a certificate to the effect that, based upon the best available information, during either the next preceding Fiscal Year of the Issuer, or any twelve (12) consecutive calendar month period ending not more than 90 days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the amount of the Pledged Revenues was at least equal to (i) the greater of 100% of maximum annual Principal and Interest Requirements or 125% of the average annual Principal and Interest Requirements of all then outstanding Bonds that were outstanding during such Fiscal Year or period, plus (ii) 100% of (i) the Operation and Maintenance Expenses of the Issuer in such Fiscal Year or period, and plus (iii) all required deposits into the Reserve Fund as set forth in this Resolution.

(c) The chief financial officer of the Issuer signs a certificate to the effect that, during either the next preceding Fiscal Year, or any twelve (12) consecutive calendar month period ending not more than ninety (90) days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the Pledged Revenues were at least equal to (i) the greater of 100% of maximum annual Principal and Interest Requirements or 125% of the average annual Principal and Interest Requirements of all then outstanding Bonds and Additional Bonds after giving effect to the Additional Bonds proposed for issuance, plus (ii) 100% of (i) the Operation and Maintenance Expenses of the Issuer in such Fiscal Year or period, and plus (iii) all required deposits into the Reserve Fund as set forth in this Resolution. However, in the event that (i) the certificate of the chief financial officer states that the Pledged Revenues for the period covered thereby were less than required above, and (ii) a change in the rates and charges for services rendered by the Issuer's Waterworks System went into effect after the first day, but prior to the last day, of the period covered by the certificate of the chief financial officer, and (iii) the chief financial officer will certify that, had such change in rates and charges been effective for the entire period covered by the certificate of the chief financial officer, the Pledged Revenues covered by the certificate of the chief financial officer would have been, in his or her opinion, equal to the amounts described above in this paragraph (calculated on a Fiscal Year basis), then in such event, the coverage specified in the first sentence of this paragraph (c) shall not be required for the period specified, and such certificate of the chief financial officer will be sufficient if accompanied by such additional chief financial officer's certificate to the above effect.

SECTION 22. INSURANCE. (a) The Issuer shall cause to be insured such parts of the Waterworks System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance also shall be carried. All insurance premiums shall be paid as an expense of operation of the Waterworks System. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Issuer shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the holders and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the Issuer shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the Issuer. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the Issuer for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be deposited in a special and separate trust fund, at an official depository of the Issuer, to be designated the Insurance Account. The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

(b) The annual audit hereinafter required shall contain a section commenting on whether or not the Issuer has complied with the requirements of this Section with respect to the maintenance of insurance, and shall state whether or not all insurance premiums upon the insurance policies to which reference is made have been paid.

SECTION 23. OPERATION AND MAINTENANCE. While any of the Bonds are outstanding the Issuer covenants and agrees to keep and cause to be kept all of the Waterworks System in good condition, repair, and working order, and to operate and maintain and cause to be operated and maintained the Waterworks System in an efficient manner so as to assure the receipt of Gross Revenues sufficient to meet all requirements of this Resolution.

SECTION 24. ACCOUNTS AND FISCAL YEAR. The Issuer shall keep proper books of records and accounts in which complete and correct entries shall be made of all transactions relating to the Pledged Revenues, and shall have said books audited once each fiscal year by a certified public accountant. The Issuer agrees to operate the Waterworks System and keep its books of records and accounts pertaining thereto on the basis of its current fiscal year; provided, however, that the Issuer may change such fiscal year by resolution duly adopted.

SECTION 25. ACCOUNTING REPORTS. The Issuer covenants that within 120 days after the close of each Fiscal Year, it will file with the rating agencies which have issued a rating on the Bonds, in such quantity as each may require, an audited financial statement prepared in accordance with generally accepted accounting principles for the preceding Fiscal Year, to include:

(a) a balance sheet,

(b) statement of income,

(c) statement of changes in member's equity,

(d) statement of changes in financial position,

(e) accompanying footnotes, and

(f) such other statements as may be considered to be in conformity with generally accepted accounting principles.

Such statements must be accompanied by a letter from the accountants wherein they describe the scope of their examination (to be performed in conformity with generally accepted auditing standards) and express their professional opinion as to the fairness with which such statements present the financial position of the Issuer for such year end.

As long as the Texas Water Development Board, the Texas Water Resources Finance Authority or the Rural Utilities Service is the registered owner of any then outstanding Bonds, the Issuer will furnish to such registered owner, without cost and without request, within 120 days after the close of each Fiscal Year, a copy of the Issuer's audit which shall contain a detailed statement of all Gross Revenues and all Operation and Maintenance Expenses for said period.

SECTION 26. INSPECTION. Any registered owner of any Bonds shall have the right at all reasonable times to inspect all financial records, accounts, and data of the Issuer relating to the Waterworks System.

SECTION 27. SPECIAL COVENANTS. The Issuer further covenants and agrees that:

(a) Encumbrance and Sale. (1) Other than with respect to the Bonds and except as provided in this Resolution, the Pledged Revenues have not in any manner been pledged to the payment of any debt or obligation of the Issuer, or otherwise; and while any of the Bonds are outstanding, the Issuer will not, except with respect to the Bonds and except as provided in this Resolution, additionally encumber the Pledged Revenues unless such encumbrance is made junior and subordinate in all respects to the Bonds and all liens, pledges, and covenants made in connection therewith.

(2) So long as the Bonds are outstanding, and except as hereinafter specifically permitted in subparagraph (3) below, the Issuer shall not mortgage, encumber, sell, lease, or otherwise dispose of the Waterworks System or any significant or substantial part thereof.

(3) Notwithstanding the provisions in Section 27(a)(2) hereof prohibiting the sale of any substantial part of the Waterworks System, the Issuer shall be authorized from time to time to sell any personal property of the Waterworks System if such personal property is no longer needed or is no longer useful, and the sale thereof will not adversely affect the Waterworks System or the operation and maintenance thereof; and, provided further, that the Issuer

retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the Waterworks System if (i) the chief financial officer of the Issuer delivers a certificate to the Board of Directors to the effect that, following such action by the Issuer, the Waterworks System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Bonds are to be outstanding to comply with the obligations of the Issuer contained in this Resolution and in the resolutions authorizing the issuance of Additional Bonds; (ii) the Board of Directors makes a finding and determination to the same effect as the certificate of the chief financial officer set forth in (i) above, and (iii) each national rating service then maintaining a rating on any Bonds, if any, delivers a letter to the Issuer to the effect that such sale, conveyance, mortgage, encumbrance, lease or other disposition will not cause the rating agency to withdraw or lower the rating then in effect. The proceeds from the sale of any property shall be used to replace or provide substitutes for the property sold, if, and to the extent, deemed necessary by the Issuer, and all such proceeds which are not so used shall be deposited into the Interest and Sinking Fund.

(b) Title. The Issuer lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its Waterworks System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the Waterworks System, that it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the Bonds against the claims and demands of all persons whomsoever, that is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds, in the manner prescribed herein, and has lawfully exercised such rights.

(c) Liens. The Issuer will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its Waterworks System, that it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its Waterworks System, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and that it will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Issuer.

(d) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Bonds, and in each and every Bond and from the Pledged Revenues the principal of and interest on every Bond on the dates and in the places and manner prescribed in such resolutions and Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any owner of the Bonds may require the Issuer, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Bonds, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Issuer, its officials, agents, and employees.

(e) Legal Authority. It is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Issuer in accordance with their terms.

(f) Budget. It will prepare, adopt, and place into effect an annual budget (the "***Annual Budget***") for operation and maintenance of the Waterworks System for each fiscal year, including in each Annual Budget such items as are customarily and reasonably contained in a waterworks system budget under generally accepted accounting procedures.

(g) Permits. It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the Waterworks System and which have been obtained from any governmental agency; and the Issuer has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the Waterworks System.

SECTION 28. AMENDMENT OF RESOLUTION. (a) The Issuer may, without the consent of or notice to any registered owners (but only after giving prior written notice to each entity that has provided a municipal bond insurance policy or other form of credit enhancement to further secure any Series of Bonds - a "***Credit Provider***"), amend, change, or modify this Resolution as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the owners of the Bonds.

(b) Subject to approval in writing by the owners of a majority in aggregate principal amount of the then outstanding Bonds and each Credit Provider, the Issuer shall have the right from time to time to adopt, execute, and make effective any amendment to this Resolution not otherwise permitted in Section 28(a) above which may be deemed necessary or desirable by the Issuer, provided, however, that nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions in the Resolution or in the Bonds so as to:

(1) Make any change in the maturities of the outstanding Bonds;

(2) Reduce the rate of interest borne by any of the outstanding Bonds;

(3) Reduce the amount of the principal payable on the outstanding Bonds;

(4) Modify the terms of payment of principal of or interest on the outstanding Bonds or impose any conditions with respect to such payment;

(5) Affect the rights of the owners of less than all of the Bonds then outstanding; or

(6) Change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

(c) If at any time the Issuer shall desire to amend the Resolution under Section 28(b) hereof, the Issuer shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Issuer for inspection by all owners of Bonds. Such publication is not required, however, if notice in writing is given to each owners of Bonds.

(d) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice the Issuer shall receive an instrument or instruments executed by the owners of a majority in aggregate principal amount of all Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which shall specifically consent to and approve such amendment in substantially the form of the copy thereof on file with the Issuer, the Issuer may pass the amendatory order in substantially the same form.

(e) Upon the passage of any amendatory resolution pursuant to the provisions of this Section, the Resolution shall be deemed to be amended in accordance with such amendatory resolution, and the respective rights, duties, and obligations under the Resolution of the Issuer and all the owners of the then outstanding Bonds and all future Additional Bonds shall thereafter be determined, exercised, and endorsed hereunder, subject in all respects to such amendments.

(f) Any consent given by the owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or giving of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication or giving of such notice by the owners who gave such consent, or by a successor in title, by filing notice thereof with the Issuer, but such revocation shall not be effective if the owners of a majority in aggregate principal amount of the then outstanding Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

* * * * *

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APPENDIX D

Form of Opinion of Bond Counsel

Proposed Form of Opinion of Bond Counsel

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

December __, 2020

EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT
WATERWORKS SYSTEM REVENUE BONDS, SERIES 2020
IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,780,000

AS BOND COUNSEL FOR THE EAST MEDINA COUNTY SPECIAL UTILITY DISTRICT (the "***Issuer***"), we have examined into the legality and validity of the Bonds described above (the "***Bonds***"), which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the resolution authorizing the issuance of the Bonds (the "***Resolution***"), (ii) on of the executed Bonds (Bond Number T-1), and (iii) the Issuer's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that except as the enforceability thereof may be limited by governmental immunity and bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding special obligations of the Issuer; that the Issuer has the legal authority to issue the Bonds and to repay the Bonds; and that the Bonds, together with the Issuer's outstanding Previously Issued Parity Bonds (as defined in the Resolution), are secured by and payable from a first lien on and pledge of the Pledged Revenues (as defined in the Resolution), including the gross revenues of the Issuer's Waterworks System. The owner of the Bonds shall never have the right to demand payment of the Bonds from money raised or to be raised by taxation or from any source whatsoever other than the Pledged Revenues described in the Resolution.

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Austin, Texas 78701
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Suite 900
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T 214.754.9200
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Houston, Texas 77002
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F 713.980.0510

700 N. St. Mary's Street
Suite 1525
San Antonio, Texas 78205
T 210.225.2800
F 210.225.2984

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IT IS FURTHER OUR OPINION that, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "***Code***"). In expressing the aforementioned opinions, we have relied on certain representations by the Issuer, the accuracy of which we have not independently verified, and assume compliance by the Issuer with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact if such representations are determined to be inaccurate, or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance 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, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

THE ISSUER HAS RESERVED THE RIGHT, subject to the restrictions stated in the Resolution, to issue Additional Bonds (as defined in the Resolution) which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues on a parity with the Previously Issued Parity Bonds and the Bonds.

THE ISSUER ALSO HAS RESERVED THE RIGHT, subject to the restrictions stated in the Resolution, to amend the Resolution with the consent, in certain cases, of at least a majority in aggregate principal amount of the Bonds and all outstanding Previously Issued Parity Bonds and Additional Bonds.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and we have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and we have relied solely on certificates executed by officials of the Issuer as to the Issuer's historical and projected Pledged Revenues. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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APPENDIX E

Excerpts from the Issuer’s Audited Financial Statements for the Year Ended December 31, 2019

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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS COUNTY OF Medina

I, Debora L. DuBose of the

(Name of Duly Authorized District Representative)

East Medina County Special Utility District

(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of the Directors of the District on the 21 st day of April 2020 its annual audit report for the fiscal year or period ended 2019 and those copies of the annual audit report have been filed in the district office, located at:

16313 FM 471 South, Devine, Texas 78016

(Address of District)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: 04/27/2020 By: Debora L. DuBose

(Signature of District Representative)

Debora L. DuBose, Business Manager

(Typed Name & Title of above District Representative)

Sworn to and Subscribed to before me by this 27 day of April, 2020

(SEAL)

LYNDA DARLENE OQUINN
Notary ID #126218243
My Commission Expires
August 14, 2023

NOTARY PUBLIC STATE OF TEXAS

Lynda D. O'Quinn

(Signature of Notary) Medina Co

My Commission Expires On: August 14, 2023

Notary Public in the State of Texas.

East Medina County Special Utility District

Financial Statements and Supplemental Schedules
(With Independent Auditor's Report Thereon)
December 31, 2019 and 2018

THE POWER OF BEING UNDERSTOOD
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RSM

Contents

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RSM US LLP

Independent Auditor's Report

Board of Directors
East Medina County Special Utility District

Report on the Financial Statements
We have audited the accompanying financial statements of East Medina County Special Utility District (the District) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District's internal control. Accordingly, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the District as of December 31, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 12, Schedule of Changes in Net Pension Liability (Asset) on page 46, Schedule of the District's Pension Contributions on page 47 and Notes to Required Supplementary Information on pages 48 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Schedules and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements as a whole. The accompanying supplementary schedules and other information are presented for purposes of additional analysis, as required by the Water District Financial Management Guide issued by the Texas Commission on Environmental Quality, and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

San Antonio, Texas
April 21, 2020

The management of East Medina County Special Utility District (the District) offers the readers of the District's basic financial statements this narrative overview and analysis of the financial performance of the District for the year ended December 31, 2019. Please read it in conjunction with the District's basic financial statements, which follow this section.

Financial Highlights

- The District's total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $10,313,404 ($10,258,149 in 2018). This amount represents net position of $8,389,647 ($8,142,554 in 2018) of net investment in capital assets, $524,132 ($524,132 in 2018) restricted for debt service and capital improvements and $1,399,625 ($1,591,463 in 2018) in unrestricted net position.

- The District's total assets totaled $14,549,096 ($13,840,913 in 2018); of this amount, $12,466,598 ($11,573,981 in 2018) represents net capital assets and $1,759,518 ($1,853,754 in 2018) represents cash and cash equivalents under both current and restricted assets.

- Deferred outflows of resources totaled $69,840 ($48,937 in 2018), which is the deferred charge on refunding and pension amounts.

- Liabilities for the District totaled $4,269,222 ($3,582,936 in 2018), of which $2,672,000 ($2,982,000 in 2018) accounts for obligations under long-term bonds payable.

- Deferred inflows of resources totaled $36,310 ($48,765 in 2018), which relate to pension amounts.

- Operating revenues for the District totaled $2,140,366 ($1,923,674 in 2018) and exceeded operating expenses by $94,419 ($711 in 2018). The major revenue source is water sales.

- Nonoperating expenses exceeded nonoperating revenues by $39,164 in 2019. Nonoperating revenues exceeded nonoperating expenses by $485,426 in 2018. This included interest expense that totaled $133,914 ($108,110 in 2018).

Overview of the financial statements: This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Three components comprise the District's basic financial statements: (1) business-type activities financial statements, (2) notes to financial statements and (3) required supplementary information. This report also contains supplementary schedules and other information, in addition to the basic financial statements themselves.

Enterprise funds: Enterprise funds are used to report the same functions presented as business-type activities in the basic financial statements. The District has only one major enterprise fund.

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

Statements of net position: The statements of net position for the District are similar in many ways to the balance sheets presented as basic financial statements for private-sector companies. The statements of net position include all the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources. A major function of the statements of net position is to measure the ability of the District to meet its current and long-term obligations. Perhaps the biggest difference between the statements of net position and the private-sector balance sheets is in the reporting of the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. In the balance sheets of a private-sector business, the difference between total assets and deferred outflows of resources and total liabilities and deferred inflows of resources is a measure of the value of the business that owners would realize if they sell their share.

Instead of measuring the owners' equity, state and local governments report the net value or net position in these major categories:

- Net investment in capital assets

- Restricted

- Unrestricted

Since the owners of the District are ultimately the citizens of the state of Texas and not an individual or group of investors, the Governmental Accounting Standards Board (GASB) believes it is more useful for the readers of the basic financial statements to know whether the net position of the District is invested in capital assets, is restricted for future use or if its future use is unrestricted.

Supplementary schedules and other information: The basic financial statements are followed by a section of supplementary information. This section includes a budgetary comparison schedule. It provides detailed comparisons of expenses. Comparisons can be made between the original budget, final budget and actual costs for the year.

Table A-1
The District's Net Position Information

	2019	2018	2017	Total Percentage Change 2019 to 2018	Total Percentage Change 2018 to 2017
Current assets	**$ 1,384,355**	$ 1,446,350	$ 1,676,684	(4.29%)	(13.74%)
Restricted assets	**698,143**	694,926	683,158	0.46%	1.72%
Noncurrent assets	**-**	125,656	-	100.00%	100.00%
Capital assets, net	**12,466,598**	11,573,981	11,181,150	7.71%	3.51%
Total assets	**$ 14,549,096**	$ 13,840,913	$ 13,540,992	5.12%	2.21%
Total deferred outflows of resources	**$ 69,840**	$ 48,937	$ 63,056	42.71%	(22.39%)
Current liabilities	**$ 404,435**	$ 205,405	$ 214,715	96.90%	(4.34%)
Current liabilities payable from restricted assets	**329,009**	322,294	309,556	2.08%	4.11%
Noncurrent liabilities	**3,535,778**	3,055,237	3,455,686	15.73%	(11.59%)
Total liabilities	**$ 4,269,222**	$ 3,582,936	$ 3,979,957	19.15%	(9.98%)
Total deferred inflows of resources	**$ 36,310**	$ 48,765	$ 26,104	(25.54%)	86.81%
Net position:					
Net investment in capital assets	**$ 8,389,647**	$ 8,142,554	$ 7,346,521	3.03%	10.84%
Restricted for debt service	**424,132**	424,132	418,802	0.00%	1.27%
Restricted for capital improvements	**100,000**	100,000	100,000	-	-
Unrestricted	**1,399,625**	1,591,463	1,732,664	(12.05%)	(8.15%)
Total net position	**$ 10,313,404**	$ 10,258,149	$ 9,597,987	0.54%	6.88%

- Current assets decreased by $61,995, which represents a 4.29% decrease from 2018 to 2019. This is mainly due to a certificate of deposit (CD) being short-term during fiscal year-end 2018 and reaching maturity during fiscal year-end 2019. Current assets decreased by $230,334, which represents a 13.74% decrease from 2017 to 2018. This is mainly due to a CD being long-term during fiscal year-end 2018 versus short-term in fiscal year-end 2017, as well as a receivable for construction outstanding at fiscal year-end 2017 that was paid during fiscal year 2018.

- Deferred outflows of resources increased by $20,903, which represents a 42.71% increase from 2018 to 2019 due to pension investment gains incurred by the Texas County and District Retirement System. Deferred outflows of resources decreased by $14,119, which represents a 22.39% decrease from 2017 to 2018 due to pension investment losses and accumulated amortization of pension investment losses incurred by the Texas County and District Retirement System.

- Total liabilities increased by $686,286, which is a 19.15% increase from 2018 to 2019. This is mainly due to a new note payable and capital lease obligation entered into during fiscal year 2019. Total liabilities decreased by $397,021, which is a 9.98% decrease from 2017 to 2018. The decrease in 2018 and 2017 is attributable to payments on long-term bonds, note payable and the completion of construction projects.

- Deferred inflows of resources decreased by $12,455, which represents a 25.54% decrease from 2018 to 2019. The decrease is due to the pension economic/demographic loss. Deferred inflows of resources increased by $22,661, which represents an 86.81% increase from 2017 to 2018. The increase is due to the pension economic/demographic gain.

Statements of revenues, expenses and changes in net position: The statements of revenues, expenses and changes in net position serve a similar function to the statements of income for private-sector businesses. Unlike private-sector businesses, the District does not seek to earn a profit in the long-term. However, the District must cover its operations, maintenance and other costs annually from fees and charges, since the District does not levy or collect any tax revenue. The statements of revenues, expenses and changes in net position measure how well annual costs are covered by fees and charges (see Table A-2).

Table A-2
Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018	2017	Total Percentage Change 2019 to 2018	Total Percentage Change 2018 to 2017
Revenues:					
Water sales, net of bad-debt expense	$ 1,701,971	$ 1,613,625	$ 1,652,637	5.48%	(2.36%)
Late fees and reconnection charges	116,351	133,535	123,820	(12.87%)	7.85%
Customer deposits	18,686	14,961	13,423	24.90%	11.46%
Connection fees, net of expense	151,741	69,884	81,035	117.13%	(13.76%)
Water acquisition fees	151,617	91,669	94,203	65.40%	(2.69%)
Interest income	43,699	43,678	22,868	0.05%	91.00%
Gain on sale of asset	-	-	12,507	0.00%	(100.00%)
Other income	26,448	477,633	151,986	(94.46%)	214.26%
Lease income	26,325	72,225	72,225	(0.6)	0.00%
Capital contributions	-	174,025	-	100.00%	-
Total revenues	2,236,838	2,691,235	2,224,704	(16.88%)	20.97%
Expenses:					
Salaries	611,558	538,175	475,866	13.64%	13.09%
Utilities	145,554	130,135	124,882	11.85%	4.21%
Repairs and maintenance	208,619	180,954	171,551	15.29%	5.48%
Vehicle expense	51,644	43,308	25,648	19.25%	68.86%
Insurance	103,621	90,151	97,605	14.94%	(7.64%)
Payroll taxes	52,937	41,747	37,866	26.80%	10.25%
Professional services	98,932	108,842	64,625	(9.10%)	68.42%
Retirement plan expense	21,958	21,803	21,220	0.71%	2.75%
Edwards Aquifer Authority management fee	101,789	99,154	85,711	2.66%	15.68%
Other administrative expenses	165,695	131,631	131,125	25.88%	0.39%
Depreciation	483,640	537,063	512,902	(9.95%)	4.71%
Loss on sale of asset	1,722	-	-	100.00%	0.00%
Interest expense	133,914	108,110	125,860	23.87%	(14.10%)
Total expenses	2,181,583	2,031,073	1,874,861	7.41%	8.33%
Change in net position	55,255	660,162	349,843	(91.63%)	88.70%
Net position at beginning of year	10,258,149	9,597,987	9,248,144	6.88%	3.78%
Net position at end of year	$ 10,313,404	$ 10,258,149	$ 9,597,987	0.54%	6.88%

Financial Analysis

The District uses the accrual basis of accounting to ensure and demonstrate compliance with finance-related legal requirements.

- Total revenues decreased by $454,397, or 16.88%, from 2018 to 2019, and increased by $466,531, or 20.97% from 2017 to 2018, due to a fluctuations in other income and capital contributions.

- Other income revenues decreased by $451,185, or 94.46%, from 2018 to 2019 and increased by $325,647, due to the Southwest Gulf Railroad Agreement, which was completed during fiscal year 2018.

- Capital contributions decreased by $174,025 from 2018 to 2019 and increased by $174,025 from 2017 to 2018, because of development agreements that were entered into during fiscal year 2018 that resulted in construction costs being reimbursed were completed in 2018.

- Total expenses increased by $150,510, or 7.41%, from 2018 to 2019, primarily due to increased salaries, repairs and maintenance and other administrative expenses. Total expenses increased by $156,212, or 8.33%, from 2017 to 2018, primarily due to increased salaries, professional services, vehicle expense and depreciation expense.

Capital Assets and Debt Administration

Capital assets: The District's investment in capital assets totaled $12,466,598 ($11,573,981 in 2018). This investment in capital assets includes land, land improvements, water allotments, construction in progress, buildings, building improvements, machinery and equipment and plants and distribution system. Capital assets of the District were 85.69% (83.62% in 2018) of total assets (see Table A-3). More information about the District's capital assets is presented in the notes to financial statements.

Table A-3
Capital Assets

				Total Percentage Change	
	2019	2018	2017	2019 to 2018	2018 to 2017
Land	**$ 61,599**	$ 61,599	$ 61,599	0.00%	0.00%
Land improvements	**8,376**	8,376	8,376	0.00%	100.00%
Water allotments	**2,790,543**	1,958,350	1,958,350	42.49%	0.00%
Water allotments—leased to others	**693,975**	956,475	956,475	(27.44%)	0.00%
Construction in progress	**74,833**	46,885	119,432	59.61%	(60.74%)
Buildings	**362,557**	388,840	388,840	(6.76%)	0.00%
Building improvements	**35,863**	31,080	-	15.39%	0.00%
Machinery and equipment	**1,416,003**	805,052	671,372	75.89%	19.91%
Plants and distribution system	**15,597,991**	15,466,126	14,628,445	0.85%	5.73%
	21,041,740	19,722,783	18,792,889	6.69%	4.95%
Less accumulated depreciation	**(8,575,142)**	(8,148,802)	(7,611,739)	5.23%	7.06%
	$ 12,466,598	$ 11,573,981	$ 11,181,150	7.71%	3.51%

Long-term debt: The District had $2,982,000 ($3,285,000 in 2018) in bonds outstanding as shown in Table A-4. More detailed information about the District's debt is presented in the notes to financial statements.

Table A-4
Long-Term Debt

	2019	2018	2017	Total Percentage Change 2019 to 2018	Total Percentage Change 2018 to 2017
Bonds payable	**$ 2,982,000**	$ 3,285,000	$ 3,575,000	(9.22%)	(8.11%)
Notes payable, net of unamortized discount	**528,477**	151,987	227,981	247.71%	(33.33%)
Capital lease obligation	**570,180**	-	-	100.00%	0.00%
Total long-term debt—including current maturities	**$ 4,080,657**	$ 3,436,987	$ 3,802,981	18.73%	(9.62%)

Economic Factors and Next Year's Budget

District staff will present an updated Capital Improvement Plan (CIP) to the Operations Committee and Board of Directors for review and approval in early 2020. Following Board approval of the updated CIP, a package of projects will be submitted to the Texas Commission on Environmental Quality for construction and funding approval. The approval process is scheduled to be completed by the end of 2020. Following approval, the projects are anticipated to be funded through bonds issued in early 2021.

The District will retire bond debt originally issued in 2001 to fund elevated storage tanks and more than 20 miles of system improvements in 2021. The Board of Directors (the Board) will be asked to consider the issuance of up to $5 million in new debt in late 2020 to support the CIP.

The District will continue to lease water rights for a payment of $16,725 for 300-acre feet of water entered into the Edwards Aquifer Authority (EAA) Voluntary Irrigation Suspension Program Option (VISPO) component of the Edwards Aquifer Habitat Conservation Program (HCP) in 2020.

The District will receive a payment of $9,600 from EAA in 2020 for the annual payment associated with the remainder of a seven-year lease for 60-acre feet of water in the Aquifer Storage and Recovery (ASR) Program.

The District will receive a payment of $10,000 from EAA beginning in 2020 for 100-acre feet of water leased to EAA for the ASR Program.

The District will receive a payment of $10,000 from Atascosa Rural Water Supply Corporation (ARWSC) for the lease of 100-acre feet of water in 2020.

The District will make the final payment for the purchase of 60-acre feet of unrestricted water rights on January 1, 2020. The District will make the second of five payments for the purchase of 118.071 acre-feet of unrestricted water rights in 2020. Each of these purchases were funded through the collection of water acquisition fees assessed to each new account.

The District increased the monthly service availability charge for each account and water usage rates to be effective on all services billed on January 1, 2020 for water usage in December 2019. This increase is designed to replace revenues from lost leases of water rights, the water tower lease for internet antennas and to support increases in the cost of providing service, maintaining regulatory compliance and to support new debt required to convert the District to radio-read meters.

The District completed the District-wide conversion to radio-read meters in late 2019. The completion of this project was funded through a $600,000 10-year installment loan approved by the Board in June 2019. The District fully converted to a new billing system in late 2019 that will permit customer online access to their accounts for review and payment of monthly service charges. Staff will begin using electronic work orders to better track customer service issues in early 2020.

The District will take action to change primary banks for daily business transactions (checking account) in early 2020. The move will be from Security Bank to Security State Bank, both with branch offices in Devine, Texas.

The District will enter into an agreement with the Medina County Elections Department to manage future elections for the District. The District will make required improvements to the auxiliary office building to ensure American Disability Act compliance for elections and classroom training programs for District staff.

The District will continue to work with the Medina County Emergency Services District (MCESD) to provide flush valves in the Natalia Volunteer Fire Department service area to improve fire protection in the rural areas of Natalia served by the District by upgrading locations where fire trucks can be filled for fighting fires. Funding for the required materials needed for designated truck fill locations has been requested through the MCESD. A new fire station has been established at FM 463 and CR 570 with water service provided by the District.

The District has entered into an Emergency Interconnect Agreement with the City of Natalia. The City of Natalia will fund the cost of construction of the interconnect. The interconnect is designed to provide service to the City of Natalia during a defined emergency. The interconnect is not to be used as an alternative water supply for the City of Natalia. Construction of this interconnect is pending funding by the City of Natalia. The District has no financial obligation for the costs associated with the construction of this emergency interconnect.

District staff will work with the District Engineer and ARWSC to develop an Emergency Interconnect Agreement at the request of ARWSC.

District staff will continue to work in 2020 to resolve issues of concern with the Yancey Water Supply Corporation (YWSC) amendment request to establish certificate of convenience and necessity service boundaries with the District. The District is an intervening party to the application currently before the Public Utility Commission of Texas.

The District will continue to work with engineering services to review and propose potential updates to the Board for review and consideration associated with the costs of development, rates and fees.

The District has established a leadership succession plan for key staff members.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: East Medina County Special Utility District, P.O. Box 628, Devine, Texas 78016.

Basic Financial Statements

East Medina County Special Utility District

Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Assets and Deferred Outflows of Resources		
Current assets:		
Cash and cash equivalents	$ 1,061,375	$ 1,158,828
Certificates of deposit	109,556	101,194
Accounts receivable, net of allowance of $5,000 for 2019 and 2018	164,985	135,152
Inventory	48,439	51,176
Total current assets	1,384,355	1,446,350
Noncurrent assets:		
Restricted cash equivalents—revenue bond covenant accounts	698,143	694,926
Net pension asset	-	18,039
Certificate of deposit	-	107,617
	698,143	820,582
Capital assets:		
Land	61,599	61,599
Land improvements	8,376	8,376
Water allotments	2,790,543	1,958,350
Water allotments—leased to others	693,975	956,475
Buildings	362,557	388,840
Building improvements	35,863	31,080
Machinery and equipment	1,416,003	805,052
Plants and distribution system	15,597,991	15,466,126
Less accumulated depreciation	(8,575,142)	(8,148,802)
	12,391,765	11,527,096
Construction in progress	74,833	46,885
Net capital assets	12,466,598	11,573,981
Total noncurrent assets	13,164,741	12,394,563
Total assets	14,549,096	13,840,913
Deferred outflows of resources:		
Deferred charge on refunding	3,706	5,560
Pension amounts	66,134	43,377
Total deferred outflows of resources	69,840	48,937
Total assets and deferred outflows of resources	$ 14,618,936	$ 13,889,850

See accompanying notes to financial statements.

	2019	2018
Liabilities, Deferred Inflows of Resources and Net Position		
Current liabilities:		
Accounts payable	**$ 49,883**	$ 20,460
Accrued liabilities	**61,486**	44,655
Due to customers	**46,668**	61,540
Current portion of capital lease obligation	**52,333**	-
Notes payable net of unamortized discount, current portion	**194,065**	78,750
Total current liabilities	**404,435**	205,405
Current liabilities payable from restricted assets:		
Interest payable	**19,009**	19,294
Current maturities of long-term bond payable	**310,000**	303,000
Total current liabilities payable from restricted assets	**329,009**	322,294
Noncurrent liabilities:		
Long-term bond payable, net of current maturities	**2,672,000**	2,982,000
Long-term portion of capital lease obligation	**517,847**	-
Notes payable net of unamortized discount, long-term portion	**334,412**	73,237
Net pension liability	**11,519**	-
Total noncurrent liabilities	**3,535,778**	3,055,237
Total liabilities	**4,269,222**	3,582,936
Deferred inflows of resources:		
Pension amounts	**36,310**	48,765
Total deferred inflows of resources	**36,310**	48,765
Total liabilities and deferred inflows of resources	**4,305,532**	3,631,701
Net position:		
Net investment in capital assets	**8,389,647**	8,142,554
Restricted for debt service	**424,132**	424,132
Restricted for capital improvements	**100,000**	100,000
Unrestricted	**1,399,625**	1,591,463
Total net position	**10,313,404**	10,258,149
Total liabilities, deferred inflows of resources and net position	**$ 14,618,936**	$ 13,889,850

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East Medina County Special Utility District

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenues:		
Water sales, net of bad-debt expense of $5,326 ($3,218 in 2018)	$ 1,701,971	$ 1,613,625
Late fees and reconnection charges	116,351	133,535
Customer deposits	18,686	14,961
Connection fees, net of expense	151,741	69,884
Water acquisition fees	151,617	91,669
Total operating revenues	2,140,366	1,923,674
Operating expenses:		
Salaries	611,558	538,175
Utilities	145,554	130,135
Repairs and maintenance	208,619	180,954
Vehicle expense	51,644	43,308
Insurance	103,621	90,151
Payroll taxes	52,937	41,747
Professional services	98,932	108,842
Retirement plan expense	21,958	21,803
Edwards Aquifer Authority management fee	101,789	99,154
Other administrative expenses	165,695	131,631
Depreciation	483,640	537,063
Total operating expenses	2,045,947	1,922,963
Net operating income	94,419	711
Nonoperating revenues (expenses):		
Interest income	43,699	43,678
Loss on sale of asset	(1,722)	-
Other income	26,448	477,633
Lease income	26,325	72,225
Interest expense	(133,914)	(108,110)
Total nonoperating revenues (expenses), net	(39,164)	485,426
Increase in net position, before capital contributions	55,255	486,137
Capital contributions	-	174,025
Change in net position	55,255	660,162
Net position at beginning of year	10,258,149	9,597,987
Net position at end of year	$ 10,313,404	$ 10,258,149

See accompanying notes to financial statements.

East Medina County Special Utility District

Statements of Cash Flows
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Cash received from customers	$ 2,095,661	$ 1,929,107
Cash paid to employees	(764,601)	(664,385)
Cash paid to suppliers	(777,407)	(731,094)
Net cash provided by operating activities	553,653	533,628
Cash flows from capital and related financing activities:		
Principal payments on bonds	(303,000)	(290,000)
Proceeds from equipment lease/purchase agreement	600,000	-
Notes payable payments	(196,821)	(78,750)
Payments on capital lease obligation	(29,820)	-
Purchase of capital assets	(631,915)	(164,760)
Upgrade to water distribution system	(119,750)	(305,507)
Construction of capital assets	(27,948)	(438,160)
Proceeds from sale of assets	4,800	-
Capital contributions	-	187,000
Proceeds from leases	26,325	72,225
Proceeds from water tower	-	46,670
Proceeds from other income	15,872	-
Reimbursement agreement—railroad	-	499,337
Interest paid	(132,345)	(127,985)
Net cash used in capital and related financing activities	(794,602)	(599,930)
Cash flows from investing activities:		
Certificate of deposit maturities	103,014	110,092
Purchase of certificates of deposit	-	(100,000)
Interest received	43,699	43,678
Net cash provided by investing activities	146,713	53,770
Net decrease in cash and cash equivalents	(94,236)	(12,532)
Cash and cash equivalents at beginning of year	1,853,754	1,866,286
Cash and cash equivalents at end of year—including restricted cash equivalents of $698,143 ($694,926 in 2018)	$ 1,759,518	$ 1,853,754

(Continued)

East Medina County Special Utility District

Statements of Cash Flows (Continued)
Years Ended December 31, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Net operating income	**$ 94,419**	$ 711
Adjustments to reconcile net operating income to net cash provided by operating activities:		
Depreciation	**483,640**	537,063
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	**(29,833)**	270
(Increase) decrease in inventory	**2,737**	(16,625)
(Increase) decrease in deferred outflows—pension	**(22,757)**	12,265
Increase in payables	**29,423**	12,363
(Decrease) increase in accrued liabilities	**16,831**	(749)
(Decrease) increase in due to customers	**(14,872)**	5,163
Decrease (increase) in net pension asset/liability	**6,520**	(39,494)
Increase (decrease) in deferred inflows—pension	**(12,455)**	22,661
Net cash provided by operating activities	**$ 553,653**	$ 533,628
Supplemental disclosures of cash flow information:		
Purchase of water rights with note payable	**$ 590,355**	$ -

See accompanying notes to financial statements.

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Note 1. Summary of Significant Accounting Policies

The financial statements of East Medina County Special Utility District (the District) have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the District's significant policies.

Reporting entity: The District was established on September 17, 1996. The District is the successor to the East Medina County Water Supply Corporation, which was incorporated in 1967. The District is a Political Subdivision of the state of Texas, organized under Chapters 49 and 65 of the Texas Water Code, for the purpose of furnishing potable water service to the southeast area of Medina County.

The District is governed by a seven-member Board of Directors (the Board) that is elected by the public. The District is not included in any other governmental reporting entity, as defined in Section 2100, *Codification of Governmental Accounting and Financial Reporting Standards*. In addition, there are no other entities which should be combined as a component unit to constitute the reporting entity.

Measurement focus and basis of accounting: The District accounts for its transactions as business-type activities. Operations are financed and operated in a manner similar to private business or where the Board has decided the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The financial statements of the District are prepared using the accrual basis of accounting with the economic resources measurement focus as prescribed by GASB. The District applies all applicable GASB pronouncements and presents its financial statements in accordance with GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. Under this approach, all assets, deferred outflows of resources, liabilities and deferred inflows of resources of the District are reported in the statements of net position, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Revenue recognition: The District recognizes operating revenues as they are earned. The District's primary revenues are from customer billings. On a monthly basis, customers read their meters and submit the information to the District, who then records the revenue. The District generally reads customer meters every year or soon thereafter and adjusts the customer account accordingly. Revenues earned after meters are read are estimated and accrued as unbilled revenues at the end of the fiscal year. Accounts receivable include unbilled water sales of $153,334 and $118,476 for fiscal years 2019 and 2018, respectively. Effective December 1, 2019, all customers had an automatic meter reader (AMR) installed. AMR is the technology of automatically collecting water usage, diagnostic and status data from water meter and transferring that data to a central database for billing, troubleshooting and analyzing. The unbilled amounts for these customers is also included as part of the unbilled water sales total at year-end.

Late fees and reconnect charges are recognized as operating revenues as they are earned. The revenue from late fees are penalties collected on customer accounts when monthly billings are not paid by specified dates stated in District policy. The revenue from reconnect charges are penalties collected to reconnect a customer account after service has been discontinued for nonpayment.

Connection fees are revenue collected from customers requesting water service from the District. The fees collected are generally recognized as operating revenue. Portions of the fees collected are to provide funding for system maintenance, operations and system development.

Water acquisition fees are revenues collected from customers requesting service from the District. These fees collected are for the purchase of Edwards Aquifer Water Rights as needed to meet system and operational demands for water and are generally recognized as operating revenue.

Note 1. Summary of Significant Accounting Policies (Continued)

The District records deposits received from new customers as operating revenue when received, as all deposits are considered to be nonrefundable to the customer.

Capital contributions: Capital contributions consist of reimbursements from developers for the construction and extension of the water system to provide potable water. Capital contributions are recognized in the statements of revenues, expenses and changes in net position, after total nonoperating revenues (expenses), when the related construction is incurred.

Revenue and expense classification: The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. The principal operating revenues of the District are charges to customers for water usage. Operating expenses include the cost of service, administrative expenses and depreciation of capital items. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Estimates and assumptions: The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents: For the purposes of the statements of cash flows, the District considers as cash and cash equivalents, including restricted, all cash on hand, demand deposits and external investment pools with original maturities of three months or less at the time of purchase with the exception of certificates of deposit (CDs).

Accounts receivable and unbilled revenue: The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. The accounts receivable balance also includes an accrual related to unbilled revenues, which reflects an estimate of revenues earned prior to year-end that have not been billed.

Inventory: Inventory is stated at the lower of cost (average cost) or market (net realizable value). Inventory includes pipes, meters, connectors and materials and supplies.

Capital assets: Property, plant and equipment are stated at cost. The District's policy is to capitalize purchases of assets if the asset has a useful life of more than one year and an individual value of $1,000 or greater. Depreciation is calculated on the straight-line method based on the following estimated useful lives: land improvements—10 years; buildings—8 to 40 years; building improvements—25 years; machinery and equipment—3 to 20 years and plants and distribution system—5 to 50 years.

Water allotments: Water allotments are water rights purchased by the District and are recorded at cost. Since water allotments are considered to have no evident limited life, no amortization is recognized.

Note 1. Summary of Significant Accounting Policies (Continued)

Compensated absences: The District pays any unused vacation leave time earned at the time an employee terminates employment with the District. The accrued vacation leave at December 31, 2019 and 2018, totaled $25,459 and $22,446, respectively, and is included in accrued liabilities. Sick leave does not vest or accrue; therefore, terminated employees are not paid for accumulated sick leave.

Net position: Net position represents the residual of assets and deferred outflows of resources less liabilities and deferred inflows of resources.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent borrowing proceeds, as applicable.

Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position represents the remaining portion of net position.

A summary of the net investment in capital assets is as follows:

	December 31	
	2019	2018
Total capital assets, net of accumulated depreciation	$ 12,466,598	$ 11,573,981
Total long-term bonds payable	(2,982,000)	(3,285,000)
Deferred charge on refunding	3,706	5,560
Notes payable—water rights	(528,477)	(151,987)
Capital lease obligation	(570,180)	-
Net investment in capital assets	$ 8,389,647	$ 8,142,554

Restricted and unrestricted resources: It is the District's policy to use restricted resources first when an allowable restricted expense is made for purposes for which both restricted and unrestricted resources are available.

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

Deferred outflows of resources/deferred inflow of resources: In addition to assets, the statements of net position will sometime report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses) until then. The District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second is contributions made to the pension plan during the fiscal year and other pension amounts.

Note 1. Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category. This item is the change in net pension asset/liability that is not immediately recognized in pension expense.

Current Year GASB Implementations: GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, issued March 2018. GASB Statement No. 88 clarifies which liabilities governments should include in their note disclosures related to debt. This statement defines debt that must be disclosed in the notes to financial statements as a liability that arises from a contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Governments must also disclose amounts of unused lines of credit, assets pledges as collateral for debt and the terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences and subjective acceleration clauses. Within the notes, governments should separate information regarding direct borrowings and direct placements of debt from other debt. The District has implemented GASB Statement No. 88 for fiscal year ended December 31, 2019; however, other than enhanced disclosures in Note 5, there was no impact to the financial statements from the adoption of this pronouncement.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, issued June 2018, will be effective for the District beginning with its fiscal year ending December 31, 2020. However, the District elected to early adopt this statement with its fiscal year ended December 31, 2019. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

Future GASB Statement implementations: GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the District beginning with its fiscal year ending December 31, 2020, with earlier adoption encouraged. GASB Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the District must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements) and leases with related parties.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the District beginning with its fiscal year ending December 31, 2021. This statement enhances comparability in accounting and financial reporting and improves the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics and includes specific provision about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports

Note 1. Summary of Significant Accounting Policies (Continued)

- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other postemployment benefit (OPEB) plan

- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,* as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* as amended, to reporting assets accumulated for postemployment benefits

- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities,* to postemployment benefit arrangements

- Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition

- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers

- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature

- Terminology used to refer to derivative instruments

Management is currently evaluating the impact, if any, on these pronouncements.

Note 2. Cash, Cash Equivalents and CDs

Cash and cash equivalents: The funds of the District must be deposited under the terms and contents of which are set out in the Texas Water Code No. 49.156. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At December 31, 2019 and 2018, the carrying amount of the District's deposits was $126,647 and $107,420, respectively, and the bank balance was $132,823 and $139,548, respectively. The District also had $700 in petty cash at December 31, 2019 and 2018. The District's cash deposits at December 31, 2019 and 2018, were entirely covered by FDIC insurance; except for one month during the fiscal year ended December 31, 2018, in which the District's deposit balance exceeded the FDIC insurance coverage by $1,000. Subsequent to year-end 2018, the bank pledged one municipal security as collateral against the District's cash deposits.

Investments: The District is required by Texas Government Code Chapter 2256, the Public Funds Investment Act (PFIA), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for CDs. PFIA determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the Treasury, certain United States agencies and the state of Texas; (2) CDs; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts and (10) common trust funds.

Note 2. Cash, Cash Equivalents and CDs (Continued)

Public funds investment pools: Public funds investment pools in Texas (Pools) are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and are subject to the provisions of PFIA, Chapter 2256 of the Texas Government Code. In addition to other provisions of PFIA designed to promote liquidity and safety of principal, it requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, (2) maintain a continuous rating of no lower than AAA or AAAm or an equivalent rating by at least one nationally recognized rating service and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and PFIA, Chapter 2256 of the Texas Government Code, and operates as a public funds investment pool under the PFIA. The fund is rated AAAm or equivalent rating from at least one nationally recognized rating agency. Class A Units of LOGIC I are currently rated "AAAm" by Standard & Poor's. The fund seeks to maintain a dollar-weighted average portfolio maturity that does not exceed 60 days (or fewer days if required to maintain its rating). The fund seeks to maintain a net asset value (NAV) of $1.00 per unit. The maximum final stated maturity is 397 days. Withdrawals from LOGIC and transfers to another pool may be made on any business day with deadlines and provisions. For liquidity and to respond to unusual market conditions, LOGIC may hold all or most of its total assets in cash for temporary defensive purposes. The District's investments managed through LOGIC are valued and recorded at amortized cost in accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* The carrying value of these investments at amortized cost totaled $1,530,577 in 2019 and $1,643,908 in 2018.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act specifically tailored to meet Texas state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund is rated AAAm by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of the Texas PFIA for local government investment pools. The portfolio is a government-repurchase agreement (REPO) pool, utilizing primarily United States Treasury securities, United States agency securities and REPO collateralized obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the United States or its agencies or its instrumentalities. Consistent with the investment pool, the District values and records these investments at fair value. The values of these investments are at NAV per share and totaled $101,594 and $101,726 as of December 31, 2019 and 2018, respectively.

Fair value measurements: The District categorizes its investments measured at fair value within the hierarchy established by U.S. GAAP. Investments valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input: Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input: Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input: Inputs that are unobservable for the asset or liability which are typically based upon the District's own assumptions as there is little, if any, related market activity.

Note 2. Cash, Cash Equivalents and CDs (Continued)

Hierarchy: The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

Inputs: If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways the District manages its exposure to interest rate risk is by investing in investment pools that have no stated maturity date; therefore, the funds are always available to meet operational needs.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the specific investments and their maturity:

Description	Maturity	Days of Maturity	NAV as of December 31 2019	NAV as of December 31 2018
TexSTAR investment fund	N/A	Daily	$ 101,594	$ 101,726
Total investments			$ 101,594	$ 101,726

Custodial credit risk for investments: Generally, custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. The District's investments held at TexSTAR and LOGIC are not exposed to custodial credit risk as of December 31, 2019 and 2018.

Concentration of credit risk: Generally, concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District did not hold any investments subject to concentration of credit risk.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required (where applicable) by the District's investment policy and PFIA. The actual rating as of year-end for these investments is as follows:

Description	Minimum Legal Rating	Investment Rating	Rating Organization	2019 NAV	2019 Percent Invested	2018 NAV	2018 Percent Invested
TexSTAR investment fund	AAA	AAAm	Standard & Poor's	$ 101,594	100.00%	$ 101,726	100.00%
Total investments				$ 101,594	100.00%	$ 101,726	100.00%

CDs: The District also invests in CDs. As of December 31, 2019, the District had one CD, which is participating and earning an interest rate of 1.79%. The CD is measured at fair value and classified as a Level 1 investment and matures on March 21, 2020, with a balance of $109,556 and $107,617 as of December 31, 2019 and 2018. The District also invested in a second CD, which was nonparticipating and earned an interest rate of 2.37%. The CD was carried at amortized cost and matured on September 22, 2019. The balance as of the CD as of December 31, 2018 was $101,194.

Note 3. Restricted Cash Equivalents

The District's bond agreements require the establishment and maintenance of several reserve funds. A description of these funds is as follows.

Bond Interest and Sinking Fund: The District is required to make monthly deposits into this fund in sufficient amounts to pay the semiannual interest and principal due on the long-term bonds payable. At December 31, 2019 and 2018, the balance of the fund totaled $174,011 and $170,794, respectively.

Reserve Fund: The District is required to maintain an amount equal to the maximum annual principal and interest requirements on all outstanding bonds. Amounts are to be used only if needed to meet debt service requirements of the long-term bonds payable. At December 31, 2019 and 2018, the balance of the fund totaled $424,132.

Capital Improvements Fund: Under the 2009 Bonds, the District is required to maintain an amount not less than $100,000 in the Capital Improvements Fund. Monies in this fund are to be used to pay for costs of improvements, enlargements, extensions, additions, replacements or other capital expenses of the District or for unexpected or extraordinary repairs or replacements and unexpected or extraordinary expenses of operations and maintenance for which other funds are not available. The balance of the fund at December 31, 2019 and 2018, totaled $100,000.

Components of restricted cash equivalents are as follows:

	December 31	
	2019	2018
Restricted for debt service:		
Bond Interest and Sinking Fund	$ 174,011	$ 170,794
Reserve Fund	424,132	424,132
	598,143	594,926
Restricted for capital improvements:		
Capital Improvements Fund—2009 Bonds	100,000	100,000
Total restricted cash equivalents	$ 698,143	$ 694,926

Note 4. Capital Assets

The following table summarizes the changes in the components of capital assets as of December 31, 2019:

	Balance at January 1, 2019	Additions	Deletions	Transfers	Balance at December 31, 2019
Capital assets not depreciated:					
Land	$ 61,599	$ -	$ -	$ -	$ 61,599
Water allotments	1,958,350	569,693	-	262,500	2,790,543
Water allotments—leased to others	956,475	-	-	(262,500)	693,975
Construction in progress	46,885	27,948	-	-	74,833
Total capital assets not depreciated	3,023,309	597,641	-	-	3,620,950
Capital assets being depreciated:					
Land improvements	8,376	-	-	-	8,376
Buildings	388,840	-	-	(26,283)	362,557
Building improvements	31,080	4,783	-	-	35,863
Machinery and equipment	805,052	660,606	(63,823)	14,168	1,416,003
Plants and distribution system	15,466,126	119,750	-	12,115	15,597,991
Total capital assets being depreciated	16,699,474	785,139	(63,823)	-	17,420,790
Accumulated depreciation:					
Land improvements	(1,910)	(838)	-	-	(2,748)
Buildings	(185,139)	(8,637)	-	-	(193,776)
Building improvements	(287)	(2,910)	-	-	(3,197)
Machinery and equipment	(408,737)	(88,261)	57,300	-	(439,698)
Plants and distribution system	(7,552,729)	(382,994)	-	-	(7,935,723)
Total accumulated depreciation	(8,148,802)	(483,640)	57,300	-	(8,575,142)
Total depreciable assets, net	8,550,672	301,499	(6,523)	-	8,845,648
Total capital assets, net	$ 11,573,981	$ 899,140	$ (6,523)	$ -	$ 12,466,598

Note 4. Capital Assets (Continued)

The following table summarizes the changes in the components of capital assets as of December 31, 2018:

	Balance at January 1, 2018	Additions	Deletions	Transfers	Balance at December 31, 2018
Capital assets not depreciated:					
Land	$ 61,599	$ -	$ -	$ -	$ 61,599
Water allotments	1,958,350	-	-	-	1,958,350
Water allotments—leased to others	956,475	-	-	-	956,475
Construction in progress	119,432	438,160	-	(510,707)	46,885
Total capital assets not depreciated	3,095,856	438,160	-	(510,707)	3,023,309
Capital assets being depreciated:					
Land improvements	8,376	-	-	-	8,376
Buildings	388,840	-	-	-	388,840
Building improvements	-	31,080	-	-	31,080
Machinery and equipment	671,372	133,680	-	-	805,052
Plants and distribution system	14,628,445	326,974	-	510,707	15,466,126
Total capital assets being depreciated	15,697,033	491,734	-	510,707	16,699,474
Accumulated depreciation:					
Land improvements	(698)	(1,212)	-	-	(1,910)
Buildings	(176,407)	(8,732)	-	-	(185,139)
Building improvements	-	(287)	-	-	(287)
Machinery and equipment	(342,799)	(65,938)	-	-	(408,737)
Plants and distribution system	(7,091,835)	(460,894)	-	-	(7,552,729)
Total accumulated depreciation	(7,611,739)	(537,063)	-	-	(8,148,802)
Total depreciable assets, net	8,085,294	(45,329)	-	510,707	8,550,672
Total capital assets, net	$ 11,181,150	$ 392,831	$ -	$ -	$ 11,573,981

Depreciation expense for the years ended December 31, 2019 and 2018, totaled $483,640 and $537,063, respectively.

Note 5. Long-Term Bonds Payable

The following is a summary of bond transactions for fiscal year 2019:

Bonds	Interest Rates	Original Issue	Balance at January 1, 2019	Additions	Deductions	Balance at December 31, 2019	Payable Within One Year
Series 2009-R	4.375%	$ 975,000	$ 882,000	$ -	$ 13,000	$ 869,000	$ 14,000
Series 2013	1.720%	1,566,000	608,000	-	200,000	408,000	201,000
Series 2014	3.250%-4.500%	2,250,000	1,795,000	-	90,000	1,705,000	95,000
			$ 3,285,000	$ -	$ 303,000	$ 2,982,000	$ 310,000

Note 5. Long-Term Bonds Payable (Continued)

The following is a summary of bond transactions for fiscal year 2018:

Bonds	Interest Rates	Original Issue	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018	Payable Within One Year
Series 2009-R	4.375%	$ 975,000	$ 894,000	$ -	$ 12,000	$ 882,000	$ 13,000
Series 2013	1.720%	1,566,000	801,000	-	193,000	608,000	200,000
Series 2014	3.250%-4.500%	2,250,000	1,880,000	-	85,000	1,795,000	90,000
			$ 3,575,000	$ -	$ 290,000	$ 3,285,000	$ 303,000

Long-term bonds payable is as follows:

	December 31 2019	2018
$975,000, Series 2009-R Waterworks System Revenue Bonds—serial bonds due in annual installments from $9,000 to $52,000 through July 1, 2049; bearing interest at 4.375%	$ 869,000	$ 882,000
$1,566,000, Series 2013 Waterworks System Revenue Refunding Bonds—serial bonds due in annual installments from $191,000 to $207,000 through July 1, 2021; bearing interest at 1.720%	408,000	608,000
$2,250,000, Series 2014 Waterworks System Revenue Bonds—serial bonds due in annual installments from $85,000 to $160,000 through July 1, 2033; bearing interest of 3.250% to 4.500%	1,705,000	1,795,000
	2,982,000	3,285,000
Less current maturities	310,000	303,000
	$ 2,672,000	$ 2,982,000

In 2009, the District was approved for a Rural Development loan from the United States Department of Agriculture (USDA) Rural Development Office. The USDA Rural Development Office funded the loan through the issuance of a direct borrowing in the amount of $975,000 for the purpose of constructing improvements and extensions to the District's existing waterworks system and to pay costs of issuance related to the bonds. The balance at December 31, 2019 and 2018, totaled $869,000 and $882,000, respectively.

On April 9, 2013, the District issued a direct borrowing in the amount of $1,566,000 in Waterworks System Revenue Refunding Bonds, Series 2013 with an interest rate of 1.72%. The bonds were issued to refund $1,685,000 in Waterworks System Revenue Bonds, Series 2001, which had interest rates of 3.20% to 3.70%. This refunding reduced its total debt service payments over the next eight years by $111,514 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $103,655. The balance at December 31, 2019 and 2018, totaled $408,000 and $608,000, respectively.

On January 7, 2014, the District issued a public sale of $2,250,000 in Waterworks System Revenue Refunding Bonds, Series 2014 with interest rates of 3.25% to 4.50%, with an overall average rate of 4.04%. The balance at December 31, 2019 and 2018, totaled $1,705,000 and $1,795,000, respectively.

Note 5. Long-Term Bonds Payable (Continued)

In accordance with the bond resolutions, the collateral for the bonds are the pledged revenues of the system. The District is required, at all times, to fix, maintain, charge and collect for services rendered by the District, rates and charges which will produce gross revenues not less than (i) 1.25 times the amount required to pay all principal and interest requirements for such fiscal year plus (ii) 1.00 times the amount required to pay all budgeted operations and maintenance expenses and to make all other deposits now or hereafter required to be made into the funds created by the bond resolutions. The District is required to adjust its rates if its annual audit shows that these covenants are not met. Additionally, the bonds do not include accelerated payment clauses.

Aggregate maturities of the bonds outstanding at December 31, 2019, are as follows:

	Principal	Interest	Total
Years ending December 31:			
2020	$ 310,000	$ 113,074	$ 423,074
2021	316,000	104,729	420,729
2022	115,000	96,281	211,281
2023	121,000	91,125	212,125
2024	126,000	87,013	213,013
2025-2029	700,000	365,306	1,065,306
2030-2034	715,000	208,819	923,819
2035-2039	150,000	114,144	264,144
2040-2044	190,000	78,094	268,094
2045-2049	239,000	32,331	271,331
	$ 2,982,000	$ 1,290,916	$ 4,272,916

Note 6. Notes Payable

The following is a summary of notes payable transactions for fiscal year 2019:

Notes Payable	Interest Rates	Original Issue	Balance at January 1, 2019	Additions	Deductions	Balance at December 31, 2019	Payable Within One Year
Water Rights-60 acre ft	3.500%	$ 315,000	$ 157,500	$ -	$ 78,750	$ 78,750	$ 78,750
Water Rights-118 acre ft	3.500%	590,355	-	590,355	118,071	472,284	118,071
			$ 157,500	$ 590,355	$ 196,821	$ 551,034	$ 196,821

The following is a summary of a note payable transaction for fiscal year 2018:

Note Payable	Interest Rates	Original Issue	Balance at January 1, 2018	Additions	Deductions	Balance at December 31, 2018	Payable Within One Year
Water Rights-60 acre ft	3.500%	$ 315,000	$ 236,250	$ -	$ 78,750	$ 157,500	$ 78,750
			$ 236,250	$ -	$ 78,750	$ 157,500	$ 78,750

Note 6. Notes Payable (Continued)

The District issued a note payable on August 2, 2016, with a face amount of $315,000 for the acquisition of water rights, as discussed in Note 8. The balance of this note payable is due in annual installments of $78,750 over a four-year period beginning January 5, 2017, and is secured by the related water rights ending on January 5, 2020. This note is noninterest-bearing and has been recorded, net of discount of $11,025, imputed at a rate of 3.5%. At December 31, 2019 and 2018, the carrying value of this note payable, net of the unamortized discount of $2,756 and $5,513, is $75,994 and $151,987, respectively.

The District issued a note payable on November 1, 2019, with a face amount of $590,355 for the acquisition of water rights. The balance of this note payable is due in annual installments of $118,071 over a five-year period beginning November 1, 2019. This note is noninterest-bearing and has been recorded, net of discount of $20,662, imputed at a rate of 3.5%. At December 31, 2019, the carrying value of this note payable, net of the unamortized discount of $19,801, is $452,483.

Aggregate maturities required on long-term debt at December 31, 2019, were as follows:

		Principal
Years ending December 31:		
2020	$	196,821
2021		118,071
2022		118,071
2023		118,071
		551,034
Less amount of unamortized discount on notes payable		(22,557)
Total notes payable, net of unamortized discount	$	528,477

Note 7. Leases

Capital lease: The District entered into a Municipal Equipment Lease/Purchase Agreement with a bank on June 20, 2019, with a face amount of $600,000 for the acquisition of water systems equipment. This agreement is recorded as a capitalized lease obligation in the accompanying financial statements. The balance of this capitalized lease obligation is due in monthly installments over a 10-year period beginning July 10, 2019. This obligation is interest-bearing at a rate of 3.31%. At December 31, 2019, the carrying value of this obligation, is $570,180.

The following is a summary of leased property under capital lease, by major class, included in capital assets in the accompanying statements of net position:

	December 31			
		2019		2018
Equipment—automatic meter reading (AMRs)	$	498,753	$	-
Less accumulated depreciation		(10,526)		-
Net equipment	$	488,227	$	-

Depreciation on leased equipment under the capital lease is included in depreciation expense in the accompanying statement of revenues, expenses and changes in net position.

Note 7. Leases (Continued)

Operating lease: The District leases copier equipment pursuant to noncancelable operating lease agreement expiring through 2022.

Future minimum lease payments under noncancelable operating lease and future minimum lease payments under a capital lease together as of December 31, 2019, are as follows:

	Capital Lease	Operating Lease
Years ending December 31:		
2020	$ 52,333	$ 4,188
2021	54,092	4,188
2022	55,909	3,839
2023	57,788	-
2024	59,730	-
Thereafter	290,328	-
Future minimum lease payments	570,180	$ 12,215
Less current portion of capitalized lease obligation	(52,333)	
Long-term portion of capitalized lease obligation	$ 517,847	

Note 8. Water Allotments Held for Lease to Others

Water allotments leased to others under both long-term and short-term agreements consist of the following at December 31, 2019 and 2018:

	Balance at January 1, 2019	Additions	Deletions	Balance at December 31, 2019
Water allotments leased	$ 956,475	$ -	$ 262,500	$ 693,975

	Balance at January 1, 2018	Additions	Deletions	Balance at December 31, 2018
Water allotments leased	$ 956,475	$ -	$ -	$ 956,475

The District is the lessor of water rights under agreements expiring in various years through 2026 as follows:

- Sixty acre-feet (a/f) per annum of unrestricted irrigation groundwater from Edwards Aquifer—The lease payments begin on January 5, 2017, and end on January 5, 2024. The aforementioned lease has a corresponding note payable discussed in Note 6. The lease is payable in annual installments of $9,600 over the remaining seven-year period. Lease payment received for the years ended December 31, 2019 and 2018, totaled $9,600.

Note 8. Water Allotments Held for Lease to Others (Continued)

- A Voluntary Irrigation Suspension Program Option (VISPO) wherein the District is compensated to forbear making withdrawals from the Edwards Aquifer during times of certain droughts—The District agrees to a forbearance of 150 a/f per annum of base irrigation groundwater and 150 a/f per annum of unrestricted irrigation groundwater. VISPO agreement was initiated in 2001 and ends on December 31, 2026. Lease payments received for each of the years ended December 31, 2019 and 2018, totaled $8,625. An additional VISPO agreement was initiated on January 1, 2019, and ends on January 1, 2024, with annual lease payments of $8,100.

- A VISPO to forbear withdrawing 150 a/f per annum of unrestricted irrigation groundwater—The VISPO agreement was initiated in 2003 and ended December 31, 2018. Lease payment received for the year ended December 31, 2018, totaled $18,000. The one-year HCP Aquifer Storage and Recovery (ASR) Program was renewed for 2018; however, it will not be available for renewal beyond 2018.

- In 2016, the District received a check in the amount of $36,000 for an annual renewable lease of 300 a/f of water rights to the EEA portion of the San Antonio Water System ASR. This one-year lease program was renewed for 2018; however, it will not be available for renewal beyond 2018.

At December 31, 2019, future minimum lease payments under leases to others are as follows:

Years ending December 31:		
2020	$	26,325
2021		26,325
2022		28,230
2023		28,230
2024		10,530
Thereafter		21,060
	$	140,700

Note 9. Retirement Plan

Texas County and District Retirement System (TCDRS): The District provides retirement, disability and death benefits for all its employees through a nontraditional defined benefit pension plan in the statewide TCDRS. The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system, which consists of 677 nontraditional defined benefit pension plans. TCDRS, in the aggregate, issues a Comprehensive Annual Financial Report (CAFR) on a calendar-year basis. The TCDRS CAFR can be downloaded at http://www.tcdrs.org.

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

Note 9. Retirement Plan (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 financed by the employer's commitment to contribute.

At retirement or death, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

In addition, the District offers the TCDRS group term life program, which provides a payment equal to the employee's final annual salary to his/her beneficiary.

Employees covered by benefit terms: At December 31, 2019 and 2018, the following employees were covered by the benefit terms:

	2019	2018
Inactive employees or beneficiaries currently receiving benefits	1	1
Inactive employees entitled to, but not yet receiving benefits	6	4
Active employees	13	13
Total	20	18

Contributions: Plan members and the District are required to contribute at a rate set by statute. The contribution requirements of plan members and the District are established and may be amended. For 2019 and 2018, the contribution rate for the plan members was 5.00% of gross pay. The District pays a matching portion to the pension plan totaling 4.08% of gross pay for 2019 and 4.70% of gross pay for 2018, which totaled $26,449 and $25,296, respectively.

Net pension asset/liability: The District's net pension asset/liability was measured as of December 31, 2018 and 2017, and the total pension liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date.

Actuarial assumptions: The actuarial assumptions that determined the total pension liability as of December 31, 2018 and 2017, were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB Statement No. 68.

The total pension liability in the December 31, 2018 and 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75% as of December 31, 2018 and 2017
Salary increase	3.25% (including inflation plus average merit of 1.6% and productivity of 0.5% for December 31, 2018 and 2017)
Investment rate of return	8.10% as of December 31, 2018 and 2017

Note 9. Retirement Plan (Continued)

Mortality rates were based on the following:

- Depositing members—90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2018 and 2017.
- Service retirees, beneficiaries and nondepositing members—130% of the RP-2014 Health Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2018 and 2017.
- Disabled retirees—130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014 for December 31, 2018 and 2017.

Long-term expected rate of return on assets for December 31, 2018: The long-term expected rate of return on TCDRS' assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2019 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	10.50%	5.40%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	18.00%	8.40%
Global Equities	MSCI World (net) Index	2.50%	5.70%
International Equities—Developed Markets	MSCI World Ex USA (net)	10.00%	5.40%
International Equities—Emerging Markets	MSCI Emerging Markets (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 (4)	2.00%	7.20%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 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 (5)	6.00%	6.30%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	13.00%	3.90%

(1) Target asset allocation adopted at the April 2019 TCDRS' board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.70%, per investment consultant's 2019 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Note 9. Retirement Plan (Continued)

Long-term expected rate of return on assets for December 31, 2017: The long-term expected rate of return on TCDRS' assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant. The numbers shown are based on January 2018 information for a 10-year time horizon. The valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017.

Asset Class	Benchmark	Target Allocation (1)	Geometric Real Rate of Return (2)
United States Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (3)	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities—Developed Markets	MSCI World Ex USA (net)	11.00%	4.55%
International Equities—Emerging Markets	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment—Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index (4)	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index plus 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (5)	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%

(1) Target asset allocation adopted at the April 2018 TCDRS' board meeting.

(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95%, per investment consultant's 2018 capital market assumptions.

(3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.

(4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.

(5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

Discount rate: The discount rate used to measure the total pension liability was 8.1%. In order to determine the discount rate to be used by the employer, the TCDRS used an alternative method to determine the sufficiency of the fiduciary net position in all future years. The alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act.

TCDRS has a funding policy where the unfunded actuarial accrued liability shall be amortized as a level percent of pay over 20-year closed layered periods. Under the TCDRS Act, the employer is legally required to make the contribution specified in the funding policy. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost. Any increased cost due to the adoption of a cost of living adjustment (COLA) is required to be funded over a period of 15 years, if applicable, for December 31, 2018 and 2017.

Note 9. Retirement Plan (Continued)

Based on these assumptions, 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 asset/liability of the employer is equal to the long-term assumed rate of return on investments, the municipal bond rate does not apply.

Sensitivity analysis: The following presents the net pension asset/liability of the District, calculated using the discount rate of 8.1%, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1.0 percentage point lower (7.1%) or 1.0 percentage point higher (9.1%) than the current rate:

	Discount Rate Sensitivity at December 31, 2019		
	1.0% Decrease	Current Discount Rate	1.0% Increase
	7.1%	8.1%	9.1%
Net pension liability (asset)	$ 65,811	$ 11,519	$ (34,288)

	Discount Rate Sensitivity at December 31, 2018		
	1.0% Decrease	Current Discount Rate	1.0% Increase
	7.1%	8.1%	9.1%
Net pension liability (asset)	$ 25,765	$ (18,039)	$ (54,986)

Note 9. Retirement Plan (Continued)

Changes in net pension liability (asset): The following represents a schedule of changes in the net pension liability (asset) based on the measurement date of December 31, 2018:

Changes in Net Pension Liability (Asset)

Changes in Net Pension Liability (Asset)	Increase (Decrease) Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Increase (Decrease) Net Pension Liability (Asset) (a)-(b)
Balances at beginning of the year	$ 302,472	$ 320,511	$ (18,039)
Changes for the year:			
Service cost	43,776	-	43,776
Interest on total pension liability (1)	28,000	-	28,000
Effect of plan changes (2)	-	-	-
Effect of economic/demographic (gains) or losses	5,846	-	5,846
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(1,172)	(1,172)	-
Administrative expenses	-	(295)	295
Member contributions	-	26,911	(26,911)
Net investment income	-	(5,401)	5,401
Employer contributions	-	25,296	(25,296)
Other (3)	-	1,553	(1,553)
Balances at end of the year	$ 378,922	$ 367,403	$ 11,519

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Note 9. Retirement Plan (Continued)

Changes in net pension liability: The following represents a schedule of changes in the net pension liability based on the measurement date of December 31, 2017:

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease) Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Increase (Decrease) Net Pension Liability (a)-(b)
Balances at beginning of the year	$ 287,902	$ 266,447	$ 21,455
Changes for the year:			
Service cost	43,338	-	43,338
Interest on total pension liability (1)	25,626	-	25,626
Effect of plan changes (2)	-	-	-
Effect of economic/demographic (gains) or losses	(25,210)	-	(25,210)
Effect of assumptions changes or inputs	1,136	-	1,136
Refund of contributions	(29,539)	(29,539)	-
Benefit payments	(781)	(781)	-
Administrative expenses	-	(213)	213
Member contributions	-	23,775	(23,775)
Net investment income	-	39,132	(39,132)
Employer contributions	-	21,492	(21,492)
Other (3)	-	198	(198)
Balances at end of the year	$ 302,472	$ 320,511	$ (18,039)

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items.

Pension expense and deferred inflows and outflows of resources related to pensions: For the fiscal year December 31, 2019, the District recognized pension expense of $20,793. At December 31, 2019, the deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$ 36,310	$ 16,824
Changes of assumptions	-	1,925
Net difference between projected and actual earnings	-	20,936
Subtotal	36,310	39,685
Contributions made subsequent to measurement date	N/A	26,449
Total	$ 36,310	$ 66,134

Note 9. Retirement Plan (Continued)

For the fiscal year December 31, 2018, the District recognized pension expense of $20,730. At December 31, 2018, the deferred inflows and outflows of resources related to pensions are as follows:

	Deferred Inflows of Resources		Deferred Outflows of Resources	
Differences between expected and actual experience	$	43,811	$	15,746
Changes of assumptions		-		2,335
Net difference between projected and actual earnings		4,954		-
Subtotal		48,765		18,081
Contributions made subsequent to measurement date		N/A		25,296
Total	$	48,765	$	43,377

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Years ended December 31:		
2019	$	4,669
2020		1,637
2021		969
2022		449
2023		(2,174)
Thereafter		(2,175)
	$	3,375

Note 10. 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; natural disasters and workers' compensation for which the District carries insurance. There have been no significant reductions in insurance coverage for these risks of loss since the prior year, and there have been no settlements in excess of the insurance coverage for any of the past three fiscal years.

The District utilizes TML Intergovernmental Risk Pool to provide for its workers' compensation, general and auto liability and property insurance coverage.

Note 11. Subsequent Event

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the District operates.

Note 11. Subsequent Event (Continued)

In light of the uncertain and rapidly evolving coronavirus situation, the District has taken precautionary measures intended to minimize the risk of the virus to its employees, customers and the communities in which the District operates. At the current time, the District is unable to quantify the potential effects of this pandemic on its future financial statements.

The District has evaluated subsequent events through April 21, 2020, the date the financial statements were available to be issued.

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Required Supplementary Information (Unaudited)

East Medina County Special Utility District

Schedule of Changes in Net Pension Liability (Asset)
Years Ended December 31,

	2019	2018	2017	2016	2015
Total pension liability:					
Service cost	$ 43,776	$ 43,338	$ 43,928	$ 34,349	$ 31,137
Interest on total pension liability	28,000	25,626	19,886	18,284	11,917
Effect of plan changes	-	-	-	(7,543)	14,605
Effect of assumption changes or inputs	-	1,136	-	2,146	-
Effect of economic/demographic (gains) or losses	5,846	(25,210)	122	(34,803)	31,317
Benefit payments	(1,172)	(30,320)	-	-	(4,208)
Net change in total pension liability	76,450	14,570	63,936	12,433	84,768
Total pension liability at beginning of year	302,472	287,902	223,966	211,533	126,765
Total pension liability at end of year (a)	378,922	302,472	287,902	223,966	211,533
Plan fiduciary net position:					
Employer contributions	25,296	21,492	26,353	24,464	16,558
Member contributions	26,911	23,775	25,340	23,299	21,902
Investment income (loss) net of investment expense	(5,401)	39,132	14,760	(1,044)	7,414
Refunds of contributions	(1,172)	(30,320)	-	-	(4,208)
Administrative expenses	(295)	(213)	(161)	(128)	(100)
Other	1,553	198	4,247	(15)	(9)
Net change in fiduciary net position	46,892	54,064	70,539	46,576	41,557
Fiduciary net position at beginning of year	320,511	266,447	195,908	149,332	107,775
Fiduciary net position at end of year (b)	367,403	320,511	266,447	195,908	149,332
Net pension liability (asset) at end of year = (a)-(b)	$ 11,519	$ (18,039)	$ 21,455	$ 28,058	$ 62,201
Fiduciary net position as a percentage of total pension liability	96.96%	105.96%	92.55%	87.47%	70.60%
Pensionable covered payroll	$ 538,225	$ 475,492	$ 506,794	$ 465,974	$ 438,030
Net pension (asset) liability as a percentage of covered payroll	2.14%	(3.79%)	4.23%	6.02%	14.20%

Per GASB Statement No. 68, the required supplementary information should include 10-year fiscal history built prospectively; historical information prior to implementation of GASB Statement No. 68 in 2015 is not available.

East Medina County Special Utility District
Required Supplemental Information—Pension Plan
For the Year Ended December 31, 2019

Schedule of Employer Contributions

Year Ending December 31,	Actuarially Determined Contribution (1)	Actual Employer Contribution (1)	Contribution Deficiency (Excess)	Pensionable Covered Payroll (2)	Actual Contribution as a Percentage of Covered Payroll
2011	$ 11,218	$ 11,265	$ (47)	$ 306,492	3.7%
2012	14,605	14,634	(29)	399,046	3.7%
2013	14,168	14,168	-	381,656	3.7%
2014	16,558	16,558	-	438,030	3.8%
2015	24,464	24,464	-	465,974	5.2%
2016	26,353	26,353	-	506,794	5.2%
2017	21,492	21,492	-	475,492	4.5%
2018	25,296	25,296	-	538,225	4.7%

(1) TCDRS calculates actuarially determined contributions on a calendar-year basis. GASB Statement No.68 indicates the employer should report employer contribution amount on a fiscal year basis.

(2) Payroll is calculated based on contributions as reported to TCDRS.

The District did not participate in TCDRS prior to fiscal year 2011; therefore, a 10-year fiscal history will be included prospectively.

East Medina County Special Utility District

Notes to Required Supplementary Information

Valuation date:	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	10.8 years (based on contribution rate calculated in 12/31/2018 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%
Salary increases	Varies by age and service; 4.90% average over career including inflation
Investment rate of return	8.00%, net of administrative and investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Health Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant 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*	2015: Employer contributions reflect that the current service matching rate was increased to 150% for future benefits
	2016: No changes in plan provisions were reflected in the schedule
	2017: New annuity purchase rates were reflected for benefits earned after 2017
	2018: No changes in plan provisions were reflected in the schedule

*Only changes that affect the benefit amount and are effective 2015 and later are shown in the notes to schedule.

Demographic Assumptions

Retirement Age

Annual Rates of Service Retirement*

Age	% Male	% Female	Age	% Male	% Female
40-44	4.5	4.5	62	20	20
45-49	9	9	63	15	15
50	10	10	64	15	15
51	9	9	65	25	25
52	9	9	66	25	25
53	9	9	67	22	22
54	10	10	68	20	20
55	10	10	69	20	20
56	10	10	70	22	22
57	10	10	71	22	22
58	12	12	72	22	22
59	12	12	73	22	22
60	12	12	74**	22	22
61	12	12			

* Deferred members are assumed to retire (100% probability) at the later of: (a) age 60 (b) earliest retirement eligibility

** For all eligible members ages 75 and later, retirement is assumed to occur immediately.

Other terminations of employment: The rate of assumed future termination from active participation in the plan for reasons other than death, disability or retirement are all set at 0% and the rates do not vary by length of service, entry-age group (age at hire) and gender. No termination after eligibility for retirement is assumed.

Withdrawals: Members who terminate may either elect to leave their account with TCDRS or withdraw their funds. The probability that a member elects a withdrawal varies by length of service and vesting schedule. Rates applied to the plan are shown in the table below. For nondepositing members who are not vested, 100% are assumed to elect a withdrawal.

Probability of Withdrawal

Years of Service	% Probability	Years of Service	% Probability
0	100	15	40
1	100	16	38
2	100	17	36
3	100	18	33
4	100	19	30
5	100	20	28
6	100	21	26
7	100	22	24
8	100	23	22
9	100	24	20
10	45	25	18
11	44	26	16
12	43	27	14
13	42	28	12
14	41	29*	10

*Members with more than 28 years of service are not assumed to refund.

Mortality rates:

- Depositing members—90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.

- Service retirees, beneficiaries and nondepositing members—130% of the RP-2014 Health Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

- Disabled retirees—130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

Supplementary Schedules and Other Information (Unaudited)

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East Medina County Special Utility District

Budgetary Comparison Schedule—Enterprise Fund (Unaudited)
Year Ended December 31, 2019

	Budgeted Amounts			
	Original	Final	Actual	Variance
Operating revenues:				
Water sales, net of bad-debt expense	$ 1,670,000	$ 1,670,000	$ 1,701,971	$ 31,971
Late fees and reconnection charges	105,000	105,000	116,351	11,351
Customer deposits	18,000	18,000	18,686	686
Connection fees, net of expense	51,000	51,000	151,741	100,741
Water acquisition fees	98,000	98,000	151,617	53,617
Total operating revenues	1,942,000	1,942,000	2,140,366	198,366
Operating expenses:				
Salaries	630,000	630,000	611,558	18,442
Utilities	138,000	138,000	145,554	(7,554)
Repairs and maintenance	242,000	242,000	208,619	33,381
Vehicle expense	58,000	58,000	51,644	6,356
Insurance	115,400	115,400	103,621	11,779
Payroll taxes	60,000	60,000	52,937	7,063
Professional services	200,000	200,000	98,932	101,068
Retirement plan expense	30,067	30,067	21,958	8,109
Edwards Aquifer Authority management fee	86,000	86,000	101,789	(15,789)
Other administrative expenses	193,100	193,100	165,695	27,405
Depreciation	512,902	512,902	483,640	29,262
Total operating expenses	2,265,469	2,265,469	2,045,947	219,522
Net operating income (loss)	(323,469)	(323,469)	94,419	417,888
Nonoperating revenues (expenses):				
Interest income	50,000	50,000	43,699	6,301
Loss on sale of asset	-	-	(1,722)	1,722
Other income	66,300	66,300	26,448	39,852
Lease income	18,225	18,225	26,325	(8,100)
Interest expense	(126,854)	(126,854)	(133,914)	7,060
Total nonoperating revenues (expenses), net	7,671	7,671	(39,164)	(46,835)
Change in net position	(315,798)	(315,798)	55,255	371,053
Net position at beginning of year	10,258,149	10,258,149	10,258,149	-
Net position at end of year	$ 9,942,351	$ 9,942,351	$ 10,313,404	$ 371,053

East Medina County Special Utility District

Schedule of Services and Rates (Unaudited)
Year Ended December 31, 2019

1. Services provided by the District: Retail Water

2a. Retail rates based on 5/8 meter from January 1, 2019 through November 30, 2019:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 100 Gallons Over Minimum	Usage Levels
Water *	$ 25.55	N/A	Y	$ 0.19	100 to 2,000
				0.44	2,100 to 10,000
				0.49	10,100 to 20,000
				0.54	20,100 to 30,000
				0.64	30,100 to 40,000
				0.69	40,100 to 50,000
				0.74	50,100 and above

*Includes the Texas Commission on Environment Quality 0.5% of 1.0% regulatory fee.

Retail rates based on 5/8 meter beginning December 1, 2019:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 100 Gallons Over Minimum	Usage Levels
Water	$ 28.42	N/A	Y	$ 0.19	100 to 2,000
				0.50	2,001 to 10,000
				0.55	10,001 to 20,000
				0.60	20,001 to 30,000
				0.70	30,001 to 40,000
				0.75	40,001 to 50,000
				0.80	50,001 and above

Commercial, industrial and agricultural accounts: $5.00 extra per month

All customers will be assessed the Texas Commission on Environmental Quality 0.5 of 1.0% customer assessment fee. This fee is calculated on the water usage charge and is included in the rate charts.

District employs winter averaging for wastewater usage: N/A

Total water charges per 10,000 gallons usage (including surcharges): N/A

2b. Retail service providers: Number of retail water connections within the District as of year-end. Provide actual numbers as noted:

	Active Connections
Single family	2,843
Multi-family	-
Commercial, agricultural, and industrial	101
Other—recreational centers, government and Volunteer Fire Department	-
Total	2,944

3. Total water consumption during the fiscal year:

Gallons pumped into system: 384,412,000
Gallons billed to customers: 200,225,400
Gallons used for flushing and unmetered water: 2,898,450
Water loss: 151,116,710
Percent of loss: 39.31%
Water accountability ratio: 52.09%

4. Standby fees: Does the District assess standby fees? No

Debt service	Total levy	N/A
	Total collected	N/A
	Percentage collected	N/A
Operation and maintenance	Total levy	N/A
	Total collected	N/A
	Percentage collected	N/A

Have standby fees been levied in accordance with Water Code Section 49.231, thereby constituting a lien on property? N/A

5. Location of District:

County in which District is located: Medina County

Is the District located entirely within one county? Yes

Is the District located within a city? No

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

ETJs in which the District is located: Castroville, Devine, La Coste, Lytle and Natalia

Are board members appointed by an office outside the District? No

If Yes, by whom? N/A

Number of persons employed by the District: 12 full-time; 1 part-time.

East Medina County Special Utility District

Schedule of Enterprise Fund Expenses (Unaudited)
Year Ended December 31, 2019

Operating expenses:		
Personnel	$	686,453
Utilities		145,554
Repairs and maintenance		208,619
Vehicle expense		51,644
Insurance		103,621
Professional services:		
Auditing		43,500
Engineering		37,427
Legal		16,505
Financial advisor		1,500
Edwards Aquifer Authority management fee		101,789
Other administrative expenses		165,695
Depreciation		483,640
Total operating expenses	$	2,045,947

East Medina County Special Utility District

Schedule of Temporary Investments (Unaudited)
Year Ended December 31, 2019

Type	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year
Certificate of deposit	Community National Bank	1.79%	March 21, 2020	$ 109,556

East Medina County Special Utility District

Schedule of Long-Term Debt Service Requirements—By Years (Unaudited)
Series 2009-R
December 31, 2019

	Series 2009-R		
Due During the Fiscal Years Ending	Principal Due July 1	Interest Due January 1 and July 1	Total
2020	$ 14,000	$ 38,018	$ 52,018
2021	14,000	37,405	51,405
2022	15,000	36,794	51,794
2023	16,000	36,138	52,138
2024	16,000	35,438	51,438
2025	17,000	34,738	51,738
2026	18,000	33,994	51,994
2027	19,000	33,206	52,206
2028	20,000	32,375	52,375
2029	21,000	31,500	52,500
2030	22,000	30,580	52,580
2031	23,000	29,619	52,619
2032	24,000	28,613	52,613
2033	25,000	27,563	52,563
2034	26,000	26,469	52,469
2035	27,000	25,331	52,331
2036	29,000	24,150	53,150
2037	30,000	22,881	52,881
2038	31,000	21,569	52,569
2039	33,000	20,213	53,213
2040	34,000	18,769	52,769
2041	36,000	17,281	53,281
2042	38,000	15,706	53,706
2043	40,000	14,044	54,044
2044	42,000	12,294	54,294
2045	43,000	10,456	53,456
2046	46,000	8,575	54,575
2047	48,000	6,562	54,562
2048	50,000	4,462	54,462
2049	52,000	2,276	54,276
	$ 869,000	$ 717,019	$ 1,586,019

East Medina County Special Utility District

Schedule of Long-Term Debt Service Requirements—By Years (Unaudited)
Series 2013
December 31, 2019

	Series 2013		
Due During the Fiscal Years Ending	Principal Due July 1	Interest Due January 1 and July 1	Total
2020	$ 201,000	$ 7,018	$ 208,018
2021	207,000	3,560	210,560
	$ 408,000	$ 10,578	$ 418,578

East Medina County Special Utility District

Schedule of Long-Term Debt Service Requirements—By Years (Unaudited)
Series 2014
December 31, 2019

	Series 2014		
Due During the Fiscal Years Ending	Principal Due July 1	Interest Due January 1 and July 1	Total
2020	$ 95,000	$ 68,038	$ 163,038
2021	95,000	63,763	158,763
2022	100,000	59,488	159,488
2023	105,000	54,987	159,987
2024	110,000	51,575	161,575
2025	110,000	48,000	158,000
2026	115,000	44,425	159,425
2027	120,000	40,256	160,256
2028	125,000	35,906	160,906
2029	135,000	30,906	165,906
2030	140,000	25,506	165,506
2031	145,000	19,906	164,906
2032	150,000	13,563	163,563
2033	160,000	7,000	167,000
	$ 1,705,000	$ 563,319	$ 2,268,319

East Medina County Special Utility District

Schedule of Long-Term Debt Service Requirements—By Years (Unaudited)
All Bonded Debt
December 31, 2019

Due During the Fiscal Years Ending	Principal Due July 1	Interest Due January 1 and July 1	Total
2020	$ 310,000	$ 113,074	$ 423,074
2021	316,000	104,728	420,728
2022	115,000	96,282	211,282
2023	121,000	91,125	212,125
2024	126,000	87,013	213,013
2025	127,000	82,738	209,738
2026	133,000	78,419	211,419
2027	139,000	73,462	212,462
2028	145,000	68,281	213,281
2029	156,000	62,406	218,406
2030	162,000	56,086	218,086
2031	168,000	49,525	217,525
2032	174,000	42,176	216,176
2033	185,000	34,563	219,563
2034	26,000	26,469	52,469
2035	27,000	25,331	52,331
2036	29,000	24,150	53,150
2037	30,000	22,881	52,881
2038	31,000	21,569	52,569
2039	33,000	20,213	53,213
2040	34,000	18,769	52,769
2041	36,000	17,281	53,281
2042	38,000	15,706	53,706
2043	40,000	14,044	54,044
2044	42,000	12,294	54,294
2045	43,000	10,456	53,456
2046	46,000	8,575	54,575
2047	48,000	6,562	54,562
2048	50,000	4,462	54,462
2049	52,000	2,276	54,276
	$ 2,982,000	$ 1,290,916	$ 4,272,916

East Medina County Special Utility District

Schedule of Changes in Long-Term Bonded Debt (Unaudited)
Year Ended December 31, 2019

	Series 2009-R	Series 2013	Series 2014	Total
Interest rate	4.375%	1.720%	3.250%-4.500%	N/A
Dates interest payable	1/1;7/1	1/1;7/1	1/1;7/1	N/A
Maturity dates	7/01/2049	7/01/2021	7/01/2033	N/A
Beginning bonds outstanding	$ 882,000	$ 608,000	$ 1,795,000	$ 3,285,000
Bonds sold during the fiscal year	-	-	-	-
Bonds retired during the fiscal year	13,000	200,000	90,000	303,000
Ending bonds outstanding	$ 869,000	$ 408,000	$ 1,705,000	$ 2,982,000
Interest paid during the fiscal year	$ 38,587	$ 10,458	$ 72,087	$ 121,132

Paying agent's name and city:

Series 2009-R	Wells Fargo Bank Texas, N.A.	Austin, Texas
Series 2013	BB&T Governmental Finance	Charlotte, North Carolina
Series 2014	Bank of Texas Corporate Trust	Austin, Texas

Bond authority:	Revenue Bonds	Refunding Bonds
Amount authorized	$ 3,225,000	$ 1,566,000
Amount issued	3,225,000	1,566,000
Remaining to be issued	$ -	$ -

Restricted cash and cash equivalent balances as of December 31, 2019, are as follows: $698,143

Average annual debt service payment (principal and interest) for remaining term of all debt: $141,393

East Medina County Special Utility District

Comparative Schedules of Revenues and Expenses—Enterprise Fund—Five Years (Unaudited)
Years Ended December 31,

	Amounts				
	2019	2018	2017	2016	2015
Operating revenues:					
Water sales, net of bad-debt expense	**$ 1,701,971**	$ 1,613,625	$ 1,652,637	$ 1,558,576	$ 1,550,419
Late fees and reconnection charges	**116,351**	133,535	123,820	113,976	114,216
Customer deposits	**18,686**	14,961	13,423	12,924	14,397
Connection fees	**236,639**	121,074	126,685	99,474	146,418
Connection cost	**(84,898)**	(51,190)	(45,650)	(23,530)	(109,116)
Water acquisition fees	**151,617**	91,669	94,203	76,697	90,874
Total operating revenues	**2,140,366**	1,923,674	1,965,118	1,838,117	1,807,208
Operating expenses:					
Salaries	**611,558**	538,175	475,866	501,732	468,464
Utilities	**145,554**	130,135	124,882	112,108	111,674
Repairs and maintenance	**208,619**	180,954	171,551	179,793	134,593
Vehicle expense	**51,644**	43,308	25,648	30,898	39,844
Insurance	**103,621**	90,151	97,605	106,930	105,892
Payroll taxes	**52,937**	41,747	37,866	34,428	42,191
Professional services	**98,932**	108,842	64,625	57,936	72,731
Retirement plan expense	**21,958**	21,803	21,220	12,082	30,938
Edwards Aquifer Authority management fee	**101,789**	99,154	85,711	94,410	123,099
Other administrative expenses	**165,695**	131,631	131,125	121,379	103,994
Depreciation	**483,640**	537,063	512,902	481,963	431,193
Total operating expenses	**2,045,947**	1,922,963	1,749,001	1,733,659	1,664,613
Net operating income	**94,419**	711	216,117	104,458	142,595
Nonoperating revenues (expenses):					
Interest income	**43,699**	43,678	22,868	15,368	5,556
Gain (loss) on sale of asset	**(1,722)**	-	12,507	11,955	-
Other income	**26,448**	477,633	151,986	123,693	37,041
Lease income	**26,325**	72,225	72,225	61,727	66,475
Bond issuance cost	**-**	-	-	-	-
Interest expense	**(133,914)**	(108,110)	(125,860)	(118,430)	(11,604)
Total nonoperating revenues (expenses), net	**(39,164)**	485,426	133,726	94,313	97,468
Increase in net position, before capital contributions	**55,255**	486,137	349,843	198,771	240,063
Capital contributions	**-**	174,025	-	-	-
Change in net position	**$ 55,255**	$ 660,162	$ 349,843	$ 198,771	$ 240,063

Percent of Total Revenues				
2019	2018	2017	2016	2015
79.52	83.88	84.10	84.79	85.79
5.44	6.94	6.30	6.20	6.32
0.87	0.78	0.68	0.70	0.80
11.06	6.29	6.45	5.41	8.10
(3.97)	(2.66)	(2.32)	(1.28)	(6.04)
7.08	4.77	4.79	4.17	5.03
100.00	100.00	100.00	100.00	100.00
28.57	27.98	24.22	27.30	25.92
6.80	6.76	6.35	6.10	6.18
9.75	9.41	8.73	9.78	7.45
2.41	2.25	1.31	1.68	2.20
4.84	4.69	4.97	5.82	5.86
2.47	2.17	1.93	1.87	2.33
4.62	5.66	3.29	3.15	4.02
1.03	1.13	1.08	0.66	1.71
	-			
4.76	5.15	4.36	5.14	6.81
7.74	6.84	6.67	6.60	5.75
22.60	27.92	26.10	26.22	23.86
95.59	99.96	89.00	94.32	92.11
4.41	0.04	11.00	5.68	7.89
2.04	2.27	1.16	0.84	0.31
(0.08)	-	0.64	0.65	-
1.24	24.83	7.73	6.73	2.05
1.23	3.75	3.68	3.36	3.68
-	-	-	-	-
(6.26)	(5.62)	(6.40)	(6.44)	(0.64)
(1.83)	25.23	6.80	5.13	5.39
2.58	25.27	17.80	10.81	13.28
-	9.05	-	-	-
2.58	34.32	17.80	10.81	13.28

East Medina County Special Utility District

Schedule of Board Members, Key Administrative Personnel and Consultants (Unaudited)
Year Ended December 31, 2019

Complete district mailing address:	East Medina County Special Utility District P.O. Box 628 Devine, Texas 78016
District business telephone number:	(830) 709-3879
Submission date of the most recent district registration form (TWC Sections 36.054 and 49.954):	August 27, 2019
Limit on fees of office that a director may receive during a fiscal year: (Set by board resolution—TWC Section 49.060)	Zero

Name and Address	Term of Office (Elected or Appointed) or Date Hired	Fees Fiscal Year Ended 12/31/2019	Expense Reimbursements Fiscal Year Ended 12/31/2019	Title at Year-End
Board Members				
Roy J. Tschirhart, Jr. 2710 FM 1343 Devine, Texas 78016	(Elected) 08/18-08/21	$ -	$ -	Member
Timothy L. Hildenbrand P.O. Box 508 Castroville, Texas 78009	(Elected) 08/17-08/22	-	-	President
Hector De La Fuente 165 CR 5705 Devine, Texas 78016	(Elected) 08/17-08/20	-	-	Member
JoNell M. Tarvin 530 CR 366 Hondo, Texas 78861	(Elected) 08/17-08/20	-	-	Secretary/ Treasurer
Caroline A. Nentwich 930 CR 651 Devine, Texas 78016	(Elected) 08/18-08/21	-	-	Vice President
Richard A. Sultenfuss P.O. Box 425 Devine, Texas 78016	(Elected) 08/16-08/22	-	-	2nd Vice President
Gina Mangold P.O. Box 735 Castroville, Texas 78009	(Appointed) 08/18-08/20	-	-	Member

(Continued)

East Medina County Special Utility District

Schedule of Board Members, Key Administrative Personnel and Consultants (Unaudited) (Continued)
Year Ended December 31, 2019

Name and Address	Term of Office (Elected or Appointed) or Date Hired	Fees Fiscal Year Ended 12/31/2019	Expense Reimbursements Fiscal Year Ended 12/31/2019	Title at Year-End
Key Administrative Personnel				
Bruce Alexander 516 Vienna Castroville, Texas 78009	04/08	$ -	$ 202	Superintendent
Debora DuBose 607 West Coker Devine, Texas 78016	09/03	-	627	Business Manager
Ronald Lemmons 100 Sunnyland Dr Castroville, Texas 78009	10/18	-	-	Field Manager/ Operator D License
Consultants				
RSM US LLP 19026 Ridgewood Pkwy., Suite 400 San Antonio, Texas 78259	1998	43,500	-	Auditors
Patrick Lindner Davidson Troilo Ream & Garza, P.C. 601 N.W. Loop 410, Suite 100 San Antonio, Texas 78216	1999	15,124	-	Legal Issues General Counsel
Frost Capital Market Duncan Morrow Senior Vice President/Capital Markets 111 West Houston Street, 8th Floor San Antonio, Texas 78205	2014	1,500	-	Financial Advisors
Gostomski & Hecker, PC Ed Hecker 607 Urban Loop San Antonio, Texas 78204	2019	480	-	Legal Counsel
Bickerstaff, Heath, Delgado, Acosta, LLP Bill Dugat 3711 S. Mopac Expressway Building One, Suite 300 Austin, Texas 78746	2014	2,301	-	CCN Attorney
RESPEC Russel Persyn P.O. Box 725 Rapid City, South Dakota 57709	2018	74,499	-	Engineer

U.S. Department of Agriculture (USDA) Non-Discrimination Statement (Unaudited)
Year Ended December 31, 2019

USDA requires the District to include the following non-discrimination statement on all materials produced for public information.

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found on line at http://www.ascr.usda.gov/complaintfiling_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form. To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

(1) mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, D.C. 20250-9410;
(2) fax: (202) 690-7442; or
(3) email: program.intake@usda.gov.

USDA is an equal opportunity provider, employer, and lender.

Spanish Translation

De acuerdo con la ley federal de derechos civiles y las reglamentaciones y políticas de derechos civiles del Departamento de Agricultura de Estados Unidos (U.S. Department of Agriculture, USDA), se prohíbe al USDA, sus agencias, oficinas y empleados, e instituciones que participan o administran los programas del USDA, discriminar por motivos de raza, color, origen nacional, religión, género, identidad de género (incluidas las expresiones de género), orientación sexual, discapacidad, edad, estado civil, estado familiar/parental, ingresos derivados de un programa de asistencia pública, creencias políticas, o reprimendas o represalias por actividades previas sobre derechos civiles, en cualquier programa o actividad llevados a cabo o financiados por el USDA (no todas las bases se aplican a todos los programas). Las fechas límite para la presentación de remedios y denuncias varían según el programa o el incidente.

Las personas con discapacidades que requieran medios alternativos de comunicación para obtener información sobre el programa (por ej., Braille, letra grande, cinta de audio, lenguaje americano de señas, etc.) deberán comunicarse con la Agencia responsable o con el Centro TARGET del USDA al (202) 720-2600 (voz y TTY) o comunicarse con el USDA a través del Servicio Federal de Transmisiones al (800) 877-8339. Asimismo, se puede disponer de información del programa en otros idiomas además de inglés.

Para presentar una denuncia par discriminación en el programa, complete el Formulario de denuncias por discriminación en el programa del USDA, AD-3027, que se encuentra en línea en http://www.ascr.usda.gov/complaint_filing_cust.html, o en cualquier oficina del USDA, o escriba una carta dirigida al USDA e incluya en la carta toda la información solicitada en el formulario. Para solicitar una copia del formulario de denuncias, llame al (866) 632-9992. Envíe su formulario completado o su carta al USDA por los siguientes medios:

(1) correo:	U.S. Department of Agriculture, Office of the Assistant Secretary for Civil Rights, 1400 Independence Avenue, SW Washington, D.C. 20250-9410;
(2) fax:	(202) 690-7442; o
(3) correo electrónico:	program.intake@usda.gov.

El Departamento de Agricultura de Estados Unidos (USDA) es un proveedor, empleador y prestador que ofrece igualdad de oportunidades.

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East Medina County Special Utility District

Report to the Board of Directors
April 21, 2020

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RSM

RSM US LLP

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San Antonio, TX 78259

T +1 210 828 6281

www.rsmus.com

April 21, 2020

To the Board of Directors
East Medina County Special Utility District
Devine, Texas

Dear Members of the Board of Directors:

We are pleased to present this report related to our audit of the financial statements of East Medina County Special Utility District (the District) as of and for the year ended December 31, 2019. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the District's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to East Medina County Special Utility District.

RSM US LLP

Contents

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April 21, 2020

To the Board of Directors
East Medina County Special Utility District
Devine, Texas

Attention: Members of the Board of Directors

This letter is to inform the Board of Directors of East Medina County Special Utility District (the District) about significant matters related to the conduct of our audit as of and for the year ended December 31, 2019, so that it can appropriately discharge its oversight responsibility and we comply with our professional responsibilities.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

The Respective Responsibilities of the Auditor and Management
Our responsibility under auditing standards generally accepted in the United States of America has been described to you in our arrangement letter dated November 25, 2019. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit
We have issued a separate communication, dated November 12, 2019, regarding the planned scope and timing of our audit. In addition, in our letter, dated November 12, 2019, we communicated to you our identification of significant risks of material misstatement as follows: Our audit of the financial statements includes the performance of risk assessment procedures in order to identify risks of material misstatement, whether due to fraud or error. As part of these risk assessment procedures, we determine whether any risks identified are a significant risk. A significant risk is an identified and assessed risk of material misstatement that, in our professional judgment, requires special audit consideration. As part of our risk assessment procedures, we identified management override of controls, fraudulent revenue recognition and water sales as significant risks. Additional significant risks may be identified as we perform additional audit procedures.

Significant Accounting Practices, Including Policies, Estimates and Disclosures
In our meeting with you, we will discuss our views about the qualitative aspects of the District's significant accounting practices, including accounting policies, accounting estimates and financial statement disclosures. The following is a list of the matters that will be discussed, including the significant estimates, which you may wish to monitor for your oversight responsibilities of the financial reporting process:

- Significant accounting estimates include estimated useful lives of capital assets, unbilled revenue and net pension liability and related disclosures.

- The District has implemented Governmental Accounting Standards Board (GASB) Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placement*, in the financial statements; however, other than enhanced disclosures on Note 5, there was no impact to the financial statements and no significant effect on ending net position.

- The District has early implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, in the financial statements; however, it had no significant impact on the financial statements and no effect on ending net position.

Uncorrected Misstatements
We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Consultation With Other Accountants
We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Management Representations
Attached as Exhibit A is a copy of the management representation letter.

Closing
We will be pleased to respond to any questions you have about the foregoing. We appreciate the opportunity to continue to be of service to East Medina County Special Utility District.

This report is intended solely for the information and use of the Board of Directors and management is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Exhibit A—Significant Written Communication Between Management and Our Firm

E.M.C.S.U.D.

EAST MEDINA COUNTY
SPECIAL UTILITY DISTRICT
P. O. BOX 628
DEVINE, TEXAS 78016
(830) 709-3879 FAX (830) 772-4082
www.emcsud.dst.tx.us

DIRECTORS: Timothy L. Hildenbrand-President, Caroline A. Nentwich-Vice President, Richard A. Sultenfuss-2nd Vice President, JoNell M. Tarvin-Secretary/Treasurer, Hector De La Fuente -Member, Roy J. Tschirhart, Jr. –Member and Gina Mangold-Member

April 21, 2020

RSM US LLP
19026 Ridgewood Pkwy, Suite 400
San Antonio, TX 78259

This representation letter is provided in connection with your audits of the basic financial statements of East Medina County Special Utility District (the District) as of and for the years ended December 31, 2019 and 2018, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of April 21, 2020:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter, dated November 25, 2019, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party relationships and transactions, including advances receivable and payable, sale and purchase transactions, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP, if any.

6. All subsequent events to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

7. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

8. We have substantially omitted the compensated absence rollforward disclosure from the financial statements, as the liability at year-end is not material.

9. The following have been properly recorded and/or disclosed in the financial statements:

   a. Arrangements with financial institutions involving restrictions on cash balances.

   b. Net position classifications.

   c. Expenses and revenues have been appropriately classified.

10. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.

11. With respect to accounting assistance and financial statement preparation services performed in the course of the audit:

    a. We have made all management decisions and performed all management functions;

    b. We assigned an appropriate individual to oversee the services;

    c. We evaluated the adequacy and results of the services performed, and made an informed judgment on the results of the services performed;

    d. We have accepted responsibility for the results of the services; and

    e. We have accepted responsibility for all significant judgments and decisions that were made.

12. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.

13. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.

14. In connection with our implementation of Governmental Accounting Standards Board Statement No. 88, certain disclosures related to debt, including direct borrowings and direct placements, we affirm the following:

    a. Bond Series 2014 was a public sale and Bond Series 2009-R and 2013 were private placements.

    b. No assets are pledged on the bonds, except for pledged revenues of the system.

    c. The bonds do not include accelerated payment clauses.

15. We have no knowledge of any uncorrected misstatements in the financial statements.

Information Provided

16. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

b. Additional information that you have requested from us for the purpose of the audits;

c. Unrestricted access to persons within the District from whom you determined it necessary to obtain audit evidence; and

d. Minutes of the meetings of the governing board and committees of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared.

17. All transactions have been recorded in the accounting records and are reflected in the financial statements.

18. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

19. We have no knowledge of allegations of fraud or suspected fraud affecting the District's financial statements involving:

    a. Management.

    b. Employees who have significant roles in internal control.

    c. Others where the fraud could have a material effect on the financial statements.

20. We have no knowledge of any allegations of fraud or suspected fraud affecting the District's financial statements received in communications from employees, former employees, analysts, regulators or others.

21. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

22. We are not aware of any pending or threatened litigation and claims whose effects were considered when preparing the financial statements.

23. We have disclosed to you the identity of the District's related parties and all the related-party relationships and transactions of which we are aware, if any.

24. We are aware of no any significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the District's ability to record, process, summarize and report financial data.

25. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

26. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Supplementary Information

27. With respect to supplementary information presented in relation to the financial statements as a whole:

    d. We acknowledge our responsibility for the presentation of such information.

    e. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP and/or the Water District Financial Management Guide issued by the Texas Commission on Environmental Quality, as applicable.

    f. The methods of measurement or presentation have not changed from those used in the prior period.

    g. The underlying significant assumptions or interpretations regarding the measurement or presentation of such information are the actuarial assumptions for the pension plan.

    h. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

28. With respect to Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability (Asset), Schedule of the District's Pension Contributions and Notes to the Required Supplementary Information—presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

    a. We acknowledge our responsibility for the presentation of such required supplementary information.

    b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S GAAP.

    c. The methods of measurement or presentation have not changed from those used in the prior period.

    d. The underlying significant assumptions or interpretations regarding the measurement or presentation of such information are the actuarial assumptions for the pension plan.

East Medina County Special Utility District

DocuSigned by:

JoNell M. Tarvin

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JoNell M. Tarvin
Secretary/Treasurer, Board of Directors

DocuSigned by:

Bruce A. Alexander

DE2CD9958ZE84A4...

Bruce A. Alexander
Superintendent

DocuSign Envelope ID: 178C0B87-4609-460F-A647-56EAB35D2B22

DocuSigned by:

Debora L. DuBose

219CA55AA5C84D5...

Debora L. DuBose
Business Manager

RSM

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APPENDIX F

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $__________
Member Surplus Contribution: $ _________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By:

Frost