

OFFICIAL STATEMENT

Dated: January 14, 2021

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

The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for Financial Institutions.

\$4,200,000

EAST CENTRAL SPECIAL UTILITY DISTRICT

(A political subdivision of the State of Texas located primarily in Bexar County, Texas)

UTILITY SYSTEM REVENUE BONDS, SERIES 2021

Dated Date: February 1, 2021

Due: February 1, as shown on page 2

The \$4,200,000 Utility System Revenue Bonds, Series 2021 (the "Bonds") are special obligations of the East Central Special Utility District (the "District" or the "Issuer") issued pursuant to the Constitution and laws of the State of Texas, particularly, Chapters 49 and 65, as amended, Texas Water Code, and an order (the "Order") adopted by the Board of Directors of the District on January 14, 2021. The Bonds are special obligations of the District payable solely from and, together with certain Previously Issued Parity Bonds (identified and defined in the Order), secured by and payable from a first and prior lien on and pledge of the Net Revenues (as defined in the Order) of the District's Utility System (hereinafter referred to as the "System"). Except for the pledge of the Net Revenues to secure the payment of the Bonds, the District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. ***The Bonds do not constitute an indebtedness or general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District has no taxing power.*** (See "THE BONDS – Security for Payment" herein.)

Interest on the Bonds will accrue from February 1, 2021 (the "Dated Date"), and will be payable August 1 and February 1 of each year, commencing August 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 as fully registered obligations 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 UMB Bank N.A., Austin, Texas, as Paying Agent/Registrar, to DTC, 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 are being used (i) to construct improvements to the District's Utility System and (iii) to pay the costs related to the issuance of the Bonds. (See "PLAN OF FINANCING – Purpose" herein.)

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

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (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 Norton Rose Fulbright US LLP, San Antonio and Austin, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Bonds will be available for initial delivery through DTC on or about February 10, 2021.

\$4,200,000
EAST CENTRAL SPECIAL UTILITY DISTRICT
UTILITY SYSTEM REVENUE BONDS, SERIES 2021

STATED MATURITY SCHEDULE
(Due February 1)

Base CUSIP – 271516 ⁽¹⁾

Stated				CUSIP	Stated				CUSIP
Maturity	Principal	Interest	Initial	No.	Maturity	Principal	Interest	Initial	No.
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾	<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> ⁽¹⁾
2022	\$ 190,000	1.000%	0.200%	AX4	2032	\$ 210,000	1.125%	1.150%	BH8
2023	190,000	1.000%	0.250%	AY2	2033	210,000	1.300%	1.250%	BJ4
2024	195,000	1.000%	0.350%	AZ9	2034	215,000	1.350%	1.300%	BK1
2025	195,000	1.000%	0.450%	BA3	2035	215,000	1.450%	1.400%	BL9
2026	195,000	1.000%	0.500%	BB1	2036	220,000	1.500%	1.450%	BM7
2027	200,000	1.000%	0.600%	BC9	2037	225,000	1.550%	1.500%	BN5
2028	200,000	1.000%	0.800%	BD7	2038	225,000	1.600%	1.550%	BP0
2029	200,000	1.000%	1.000%	BE5	2039	230,000	1.650%	1.600%	BQ8
2030	205,000	1.000%	1.050%	BF2	2040	235,000	1.700%	1.650%	BR6
2031	205,000	1.000%	1.100%	BG0	2041	240,000	1.750%	1.700%	BS4

(Interest to accrue from the Dated Date)

The District reserves the right to redeem the Bonds maturing on and after February 1, 2032, on February 1, 2031, or any date thereafter, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest to the date fixed for redemption, as described herein. (See “THE BONDS – Redemption Provisions” herein.)

⁽¹⁾ CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP 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 is based on the assumption that the Bonds denoted and sold at premium will be redeemed on February 1, 2031, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the date of redemption.

EAST CENTRAL SPECIAL UTILITY DISTRICT
PO Box 570
Adkins, Texas 78101
210-649-2383

BOARD OF DIRECTORS

<u>Name</u>	<u>Position</u>	<u>Term Commenced (May)</u>	<u>Term Expires (May)</u>
Mr. Melvin Strey	President	2005	2023
Mr. Paul Bricker	Vice President	2005	2023
Mr. Milton Lowak	Secretary-Treasurer	2010	2023
Mr. James Pederson	Director	2005	2021
Ms. Doris Isley	Director	2013	2021
Mr. Mark Davis	Director	2011	2022
Mr. David Padalecki*	Director	2018	2021*
Mr. Randy Schwenn	Director	2019	2022
Mr. Tom Dupnick**	Director	2019	2022**

*Mr. David Padalecki was nominated to unexpired term December 2019

** Mr. Tom Dupnick was nominated to unexpired term October 2020

DISTRICT ADMINISTRATION

<u>Name</u>	<u>Position</u>	<u>Years with the District</u>
Albert Strzelcyk	General Manager/Field Manager	43
Brandon Rohan	Assistant General Manager	17
Jill Brown	Office Manager	12

CONSULTANTS AND ADVISORS

Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Bond Counsel	Norton Rose Fulbright US LLP San Antonio and Austin, Texas
Certified Public Accountants	William Crow Mask San Antonio, Texas

For More Information Contact:

Mr. Brandon Rohan
Assistant General Manager
East Central Special Utility District
5520 FM 1628
Adkins, Texas 78101
210-649-3283 (Phone)
brohan@ecsud.com

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
210-832-9760 (Phone)
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
210-832-9760 (Phone)
afriedman@samcocapital.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. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

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

None of the District, the Financial Advisor or 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 as such information is provided by DTC.

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 OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

STATED MATURITY SCHEDULE.....	2	THE BONDS.....	7
BOARD OF DIRECTORS	3	SOURCES AND USES OF FUNDS	8
DISTRICT ADMINISTRATION	3	REGISTRATION, TRANSFER AND	
CONSULTANTS AND ADVISORS	3	EXCHANGE	11
USE OF INFORMATION IN		BOOK-ENTRY-ONLY SYSTEM	12
THE OFFICIAL STATEMENT	4	THE DISTRICT	14
TABLE OF CONTENTS.....	4	INVESTMENT POLICIES.....	15
SELECTED DATA FROM THE		TAX MATTERS.....	16
OFFICIAL STATEMENT	5	CONTINUING DISCLOSURE	17
INTRODUCTORY STATEMENT	6	LEGAL MATTERS	19
INFECTIOUS DISEASE OUTBREAK -		FORWARD LOOKING STATEMENTS	20
COVID-19	6	OTHER PERTINENT INFORMATION.....	20

Financial Information of the Issuer.....	Appendix A
History of East Central Special Utility District and Bexar County, Texas.....	Appendix B
Selected Provisions of the Order	Appendix C
Form of Legal Opinion of Bond Counsel	Appendix D
The Issuer's General Purpose Audited Financial Statements for the Year Ended December 31, 2019	Appendix E

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 Central Special Utility District (the "District" or the "Issuer"), located primarily in Bexar County, Texas, is a body politic and corporate and a political subdivision of the State of Texas, duly created, existing and operating under the laws of the State of Texas, including, without limitation, Chapters 49 and 65, Texas Water Code, as amended. East Central Water Supply Corporation (the "Corporation"), a non-profit water supply corporation was originally incorporated in 1967. On February 5, 2005, the members voted to convert into a Special Utility District. The District is governed by a nine-member Board of Directors (the "Board") elected for three-year staggered terms by the registered voters of the District. (See page 3 herein.)
The Bonds	The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, particularly, Chapters 49 and 65, as amended, Texas Water Code, and an Order (the "Order") adopted by the Board on January 14, 2021. (See "THE BONDS – Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.
Security	The Bonds are special obligations of the District payable solely from and, together with certain Previously Issued Parity Bonds (identified and defined in the Order), secured by and payable from a first and prior lien on and pledge of the Net Revenues (as defined in the Order) of the District's Utility System (hereinafter referred to as the "System"). Except for the pledge of the Net Revenues to secure the payment of the Bonds, the District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. The Bonds do not constitute an indebtedness or general obligation of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation. The District has no taxing power. (See "THE BONDS – Security for Payment" herein.)
Redemption Provisions	The District reserves the right to redeem the Bonds maturing on and after February 1, 2032, on February 1, 2031, or any date thereafter, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, at a redemption price of par plus accrued interest to the date fixed for redemption, as described herein. (See "THE BONDS – Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS" and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Legal 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 for Financial Institutions" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds are being used (i) constructing improvements to the District's Utility System and (iii) to pay the costs related to the issuance of the Bonds. (See "PLAN OF FINANCING – Purpose" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P") has assigned an unenhanced, underlying rating of "A+" to the Bonds. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Future Debt Issuance	The District has made application for a \$4,940,000 loan with the USDA anticipated to be evidenced by a series of revenue bonds on parity with the Bonds. The sale date is expected no sooner than late Summer of 2021. The repayment of the USDA loan is expected to be self-supported from impact fees collected on each new meter installation. The current balance of the Impact Fund is \$3,905,377.
Delivery	When issued, anticipated on or about February 10, 2021.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, San Antonio and Austin, Texas.

(this page intentionally left blank)

OFFICIAL STATEMENT
relating to

\$4,200,000

EAST CENTRAL SPECIAL UTILITY DISTRICT
(A political subdivision of the State of Texas located primarily in Bexar County, Texas)
UTILITY SYSTEM REVENUE BONDS, SERIES 2021

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by East Central Special Utility District (the "District" or "Issuer") of its \$4,200,000 Utility System Revenue Bonds, Series 2021 (the "Bonds") identified on the cover page hereof.

The District, a body politic and corporate and a political subdivision of the State of Texas, is duly created, existing and operating under the laws of the State of Texas, including, without limitation, Chapters 49 and 65, Texas Water Code, as amended. The Bonds are issued pursuant to the constitution and laws of the State of Texas, particularly Chapters 49 and 65, as amended, Texas Water Code, and the Order (defined herein.) (See "THE BONDS - Authority for Issuance" herein.) 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 upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

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 the State of Texas (the "State"). 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 the State in response to the Pandemic which has been subsequently extended and remains 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 executive orders which have, among other things, imposed limitations on social gatherings and established occupancy limits for most businesses in Texas. Business establishments including restaurants, retail establishments, manufacturers, and office buildings are subject to a 75 percent occupancy limit. Additionally, such orders required every person in Texas to wear a face covering over the nose and mouth while inside a commercial entity, building, or space open to the public, or in an outdoor public space when it is not feasible to maintain six feet of social distance, subject to certain exceptions. In a separate order, the Governor has required that every hospital reserve at least 10 percent of its hospital capacity for treatment of COVID-19 patients, and further imposed a moratorium on elective surgeries in any "Trauma Service Area" that has had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of all hospitalized patients exceeds 15 percent. The Governor retains the authority to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

In addition to the actions by State and federal officials, certain local officials, including Bexar, Comal, and Wilson Counties, have declared a local state of disaster orders. Many of the federal, State, and local actions and policies under the aforementioned disaster declarations and orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

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 the collection of Net Revenues which are pledged as security for the Bonds. The Bonds are secured by the utility system revenues produced through the operation of the System. Further, a reduction in the collection of System revenues may negatively impact the District's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could necessitate increased District contributions to fund or pay retirement and other post-employment benefits in the future.

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.

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 an adverse effect on the District's operations and financial condition, and the effect could be material.

THE BONDS

General

The Bonds are dated February 1, 2021 (the "Dated Date"). The Bonds are stated to mature on February 1 in the years and in the principal amounts set forth on page 2 hereof. The Bonds shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on August 1 and February 1 of each year commencing August 1, 2021. Principal of the Bonds is payable at the designated office of the Paying Agent/Registrar, initially UMB Bank, N.A., Austin, Texas. Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar to the registered owner at the address as it appears on the Paying Agent/Registrar's books on the Record Date (as defined herein) or by such other method acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Notwithstanding the foregoing, so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments on the Bonds will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, particularly, Chapters 49 and 65, as amended, Texas Water Code, and the Order.

Security for Payment

The Bonds are special obligations of the District payable solely from and, together with certain Previously Issued Parity Bonds (identified and defined in the Order and described below), secured by and payable from a first and prior lien on and pledge of the Net Revenues (as defined in the Order) of the District's Utility System (hereinafter referred to as the "System"). The term "Net Revenues" is defined in the Order as "all income and revenues from the operation of the system after the deduction of Maintenance and Operating Expenses". The term "Maintenance and Operating Expenses" is defined in the Order as "costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies, costs incurred in providing water, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition, including any contract payments for the acquisition of water". In accordance with the Order, payments into the Bond Fund and the Reserve Fund are not considered as expenses of operation and maintenance. State law and the Order provide that contractual obligations of the District for the supply of water constitute expenses of operation and maintenance. Except for the pledge of the Net Revenues to secure the payment of the Bonds, the District has not given a mortgage or other security interest in its facilities or assets for the benefit of the holders of the Bonds. **The Bonds do not constitute a general obligation indebtedness of the District, and the holders of the Bonds shall not have the right to demand payment thereof from any funds raised or to be raised by taxation.**

Redemption Provisions

The Issuer reserves the right to redeem Bonds stated to mature February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar) on February 1, 2031 or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Bonds or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than \$5,000.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, 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 Issuer will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer or 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.)

Purpose

Proceeds from the sale of the Bonds are being used (i) to construct improvements to the District’s Utility System and (iii) to pay the costs related to the issuance of the Bonds.

SOURCES AND USES OF FUNDS

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

Sources of Funds

Principal Amount of Bonds	\$	4,200,000.00
Accrued Interest on the Bonds		1,331.00
Net Reoffering Premium		30,368.05
Total Sources of Funds	\$	4,231,699.05

Uses of Funds

Construction Fund Deposit	\$	3,952,309.94
Cost of Issuance		224,850.00
Purchaser’s Discount		53,208.11
Accrued Interest Deposit to Bond Fund		1,331.00
Total Uses of Funds	\$	4,231,699.05

Reserve Fund

As additional security for the payment of the Previously Issued Parity Bonds, the Bonds, and Additional Parity Obligations , if any, hereafter issued (collectively hereinafter referred to as the “Bonds Similarly Secured”), the Order provides for the District to accumulate and maintain a reserve for the payment of the Bonds Similarly Secured (the Required Reserve Amount) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds or the most recently issued series of Additional Parity Obligations then Outstanding) for the Bonds Similarly Secured, the District hereby confirms the prior creation and establishment of and agrees to maintain a separate and special fund or account known as the East Central Special Utility District Revenue Bond Reserve Fund (the “Reserve Fund”), which fund or account shall be maintained at the Depository. The amount on deposit to the credit

of the Reserve Fund as of December 31, 2020 was \$136,250, which equals or exceeds the Required Reserve for all currently outstanding Bonds Similarly Secured (currently \$136,250). Following the issuance of the Bonds, the Required Reserve shall be \$275,458.57, which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchaser and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Bonds (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

Funds

The Order reaffirms the establishment and maintenance of the following funds: (1) the Revenue Fund, (2) the Bond Fund and (3) the Reserve Fund, and such funds are to be kept separate and apart for all other funds and accounts of the District and moneys deposited to the credit of such Funds shall be used and expended as provided in the Order.

Flow of Funds

In the Order, all the Gross Revenues are required to be deposited as collected into the fund maintained at an official depository of the District and known as the East Central Special Utility District Water Revenue Bonds Revenue Fund (the "Revenue Fund"), and such Revenue Fund is to be maintained separate and apart from all other funds and accounts of the District.

The Order further provides that the amount on deposit to the credit of the Revenue Fund from time to time is to be applied in the following order of priority:

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

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

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

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

Rate Covenants

So long as any Bonds Similarly Secured remain outstanding, the Order provides that the District shall at all times fix, maintain, charge and collect for services rendered by the System, rates and charges which will produce Gross Revenues at least sufficient to pay all expenses of operation and maintenance of the System, and to provide Net Revenues equal to at least 1.05 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured.

Additional Bonds

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

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

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

C. The District obtains a certificate from the General Manager to the effect that, according to the books and records of the District, the Net Revenues of the System, for the preceding Fiscal Year or for any 12 consecutive months out of the 15 months immediately preceding the month the order authorizing the Additional Parity Obligations is adopted, are at least equal to one and one-fourth (1.25) times

the Average Annual Debt Service Requirements for the payment of principal of and interest on all outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Obligations then proposed. In making a determination of the Net Revenues, the General Manager may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective not more than ninety (90) days prior to adoption of the order authorizing the issuance of the Additional Parity Obligations and, for the purposes of satisfying the Net Revenues test, make a pro forma determination of the Net Revenues for the period of time covered by the certification based on such change in rates and charges being in effect for the entire period covered by the General Manager's certificate.

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

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

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

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

Payment Record

The District has never defaulted on the payment of its bonded indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio and Austin, Texas ("Bond Counsel"). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, (2) Government Securities (defined below) to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the District's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Order). The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Order provides that "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. 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, the District has 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 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.

Amendments

The Issuer may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Based on recent Texas court decisions, it is unclear whether Section 49.066, as amended, Texas Water Code, effectively waives governmental immunity of a water districts for suits for money damages.

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. As noted above, the Order provides that Bondholders may exercise the remedy of mandamus to enforce the obligations of the District under the Order. 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 as a pledge of the Net Revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank N.A., Austin, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking institution, shall be an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of the Bonds will be paid to the registered owner at stated maturity or upon prior redemption upon presentation to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

Special Record Date for Interest Payment

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

Future Registration

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

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business of any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

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, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, 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, the Financial Advisor, and the Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any 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 applicable series of Bonds), or any 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of certificated securities. 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of Bonds ("Beneficial Owner") is in turn to be recorded on the 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 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds 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 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 Obligation 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 the notices be provided directly to them.

Neither DTC or 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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 Issuer or the Paying Agent/Registrar, on the 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 Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer 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 the Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration".

THE DISTRICT

Creation of the District

The District is the successor to the East Central Water Supply Corporation (the "Corporation"). The Corporation was originally organized in 1967 as a non-profit water supply corporation operating under Article 1434a, V.A.T.C.S., as amended, for the purpose of providing and furnishing a safe and dependable water supply to the rural areas in Eastern Bexar County, Texas. On February 5, 2005 an election was held and the voters approved the conversion to a special utility district. The successful conversion to a special utility district was in accordance with Texas Water Code, Chapter 65 and Article 16, Section 59 of the Texas Constitution. Assets were transferred from the Corporation to the District in April 2005.

Location/Service Area

The District boundaries include an area of Eastern Bexar County, Southwestern Guadalupe County and Northwestern Wilson County. The District is located South of IH-10 and mostly North of Highway 181. Loop 1604 and Highway 87 Bisect the District. The service area is estimated to be approximately 120 square miles of land.

Population

The District estimates that its population is approximately 18,000.

Management

The District is governed by a nine member Board of Directors elected by the registered voters of the District (see page 3 herein for a list of the current Board of Directors). If at any time a vacancy occurs on the Board, either the Texas Commission on Environmental Quality ("TCEQ") or the remaining Board members make appointments to fill such vacancies. Directors serve three-year staggered terms. The District's Directors receive nominal remuneration for serving on the Board. The District's general manager supervises administrative and operating functions of the District. At present, the District employs seventeen (17) full-time employees. The District and all similar districts are subject to the continuing supervision and filing requirements of TCEQ, including the requirement of an annual independent audit. Except for certain short-term obligations, all plans and specifications for construction of District facilities to be financed by any bonds or other obligations of the District must be submitted to TCEQ for review and approval. TCEQ approval is not required, however, in certain circumstances, including if (1) the bonds or other obligations are refunding bonds and TCEQ approved the refunded obligations; (2) the bonds are sold to certain governmental entities including the Texas Water Development Board or United States Department of Agriculture; or (3) the bonds are refunding bonds issued to refund bonds described by Subdivision (2). The Bonds were approved by the TCEQ on the basis of an Order approved on November 24, 2020.

Water Services Agreements

Currently all of the District's revenues come from its retail customers.

The System

East Central SUD operates approximately three miles of 2 inch, nine miles of 3 inch, 48 miles of 4 inch, 121 miles of 6 inch 14 miles of 8 inch, three miles of 10 inch, twenty-nine miles of 12 inch, eleven miles of 16-inch pipe. The system purchases water from Canyon Regional Water Authority ("CRWA") and San Antonio Water System ("SAWS"). The water enters the system from the North and the West through five CRWA and four SAWS interconnects. The water reaches three booster stations in different locations with two 171,000 and three 135,000-gallon ground storage tanks. Water is then distributed throughout the system by six 50hp, five 30hp and two 25hp booster pumps.

Water Supply

The District purchases all of its potable water from either SAWS or CRWA. The Contract with SAWS is for 800 acre feet of Ground Water from the Edwards Aquifer and has an expiration date of December 31, 2023 with an option to renew the contract for an additional 10 years. The District has contracts with CRWA for 1000 Acre Foot Ground Water from the Carrizo and Wilcox Aquifer and 1400 acre feet of surface water from Lake Dunlap on the Guadalupe River. These Contracts expire 2032, 2037 and 2027, respectively.

The Current Cost of water from SAWS is \$5.25/1000 gallons and the current cost of water from CRWA is \$4.05/1000 gallons. During 2019, the last audited fiscal year, the District paid SAWS \$1,365,768.80 and paid CRWA \$2,149,978.20.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

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

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

Investment Policies

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

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

Current Investments ⁽¹⁾

TABLE 1

As of November 30, 2020 the District held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
Cash/Money Market	\$7,124,276	100.00%

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

⁽¹⁾ Unaudited.

TAX MATTERS

Tax Exemption

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

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

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

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

Tax Changes

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

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Bonds

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

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

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

Tax Accounting Treatment of Premium on Certain Bonds

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

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

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the District's continuing disclosure obligation because the District does not currently have outstanding more than \$10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system.

Annual Reports

Under State law, including, but not limited to, Chapter 49, as amended, Texas Water Code, the District must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must maintain each audit report within 135 days after the close of the District's fiscal year. The District's fiscal records and

audit reports are available for public inspection during the regular business hours, and the District is required to provide a copy of the District's audit reports to any bondholder or other member of the public within a reasonable time on request to Assistant General Manager, PO Box 570, Adkins, Texas 78101 and upon payment of charges prescribed by the Texas General Services Commission.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D 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 30 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 file notice of such change with the MSRB through EMMA.

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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District 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." Neither the Bonds nor the Order make provision for credit enhancement (although the District has applied for a municipal insurance policy on the Bonds), or liquidity enhancement.

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

Availability of Information

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

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the

District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchaser from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

Except as described below, in the past five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with the Rule. Due to an administrative oversight, the District did not file its audited financial statements for fiscal years 2016 through 2019 with the MSRB in connection with its continuing disclosure agreements as an obligated party for certain bonds issued by the Canyon Regional Water Authority ("CRWA"). CRWA did include the District's financial and operating data in their filings for fiscal years 2016-2019, but the District's audited financial statements for such years were not included.

Audited financial statements for fiscal years 2016 through 2019 and a notice of failure to file were filed with the MSRB on January 20, 2021. Additionally, the District did not file its annual financial and operating data for fiscal year 2015 in connection with its continuing disclosure obligations for its Utility System Revenue Funding Bonds, Series 2006, which are no longer outstanding. The District has implemented procedures to ensure timely compliance with its continuing disclosure obligations prospectively.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

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

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

Litigation

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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 before such obligations are eligible investments for sinking funds and other public funds. 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 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.

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

Rating

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "A+" to the Bonds. The rating of the Bonds by S&P reflect only the views of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

Authenticity of Financial Information

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

Financial Advisor

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

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

Winning Bidder

After requesting competitive bids for the Bonds, the District accepted the bid of The Baker Group L.P (the "Purchaser") to purchase the Bonds at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of \$30,368.05, plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The District can give no assurance that any trading market will be developed for the District after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

Certification of the Official Statement

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

Authorization of the Official Statement

The 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, 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 Order 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 in the reoffering of the Bonds by the Purchaser.

This Official Statement was approved by the Board of Directors of the Issuer for distribution in accordance with the provisions of the Rule.

EAST CENTRAL SPECIAL UTILITY DISTRICT

/s/ Melvin Strey
President, Board of Directors
East Central Special Utility District

ATTEST:
/s/ Milton Lowak
Secretary, Board of Directors
East Central Special Utility District

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

(this page intentionally left blank)

FINANCIAL INFORMATION OF THE ISSUER

REVENUE BOND DEBT DATA

TABLE 1

Revenue Bond Debt Principal Outstanding (As of January 1, 2021):		
Utility System Revenue Refunding Bonds, Series 2016	\$	875,000
Utility System Revenue Bonds, Series 2021 (the "Bonds")		<u>4,200,000</u>
Total Revenue Debt Principal Outstanding Following Issuance of the Bonds	\$	<u>5,075,000</u>

CONDENSED WATERWORKS SYSTEM OPERATING STATEMENTS

TABLE 2

	Fiscal Year Ended December 31				
	2019	2018	2017	2016	2015
Revenues					
Water Sales	\$ 5,902,488	\$ 5,360,374	\$ 4,883,580	\$ 4,357,605	\$ 4,181,651
Wastewater Service Fees	208,812	136,687	53,009	45,960	32,847
Other Charges	<u>1,438,536</u>	<u>1,157,360</u>	<u>754,677</u>	<u>418,302</u>	<u>576,344</u>
Total	\$ 7,549,836	\$ 6,654,421	\$ 5,691,266	\$ 4,821,867	\$ 4,790,842
Operating Expenses					
Water Purchases	\$ 2,731,093	\$ 2,410,464	\$ 2,780,137	\$ 1,599,663	\$ 1,757,148
Personnel	980,913	948,731	852,362	685,839	646,713
Repairs and Maintenance	405,912	656,004	437,348	320,738	269,693
Depreciation	895,745	866,491	890,606	906,006	906,006
Professional Fees	51,918	69,678	63,344	68,834	49,411
Administrative Expenses	294,855	268,160	232,735	227,778	324,683
Vehicles and Equipment	98,538	108,065	85,644	70,112	86,380
Utilities	43,462	52,001	48,796	61,341	62,807
Insurance	<u>37,500</u>	<u>37,219</u>	<u>27,029</u>	<u>36,195</u>	<u>31,150</u>
Total	\$ 5,539,936	\$ 5,416,813	\$ 5,418,001	\$ 3,976,506	\$ 4,133,991
Operating Income (Loss)	\$ 2,009,900	\$ 1,237,608	\$ 273,265	\$ 845,361	\$ 656,851
Expenses					
Rental Income	\$ 8,857	\$ 7,986	\$ 7,260	\$ 11,212	\$ 8,641
Interest Income	21,384	13,274	6,191	5,859	5,288
Gain on Sale of Assets	14,000	19,463	-	-	-
Other Income	13,650	4,500	69,141	62,653	311
Interest Expense	<u>(536,432)</u>	<u>(533,732)</u>	<u>(544,417)</u>	<u>(650,274)</u>	<u>(649,929)</u>
Total	\$ (478,541)	\$ (488,509)	\$ (461,825)	\$ (570,550)	\$ (635,689)
Net Income	\$ 1,531,359	\$ 749,099	\$ (188,560)	\$ 274,811	\$ 21,162
Net Revenues Available for Debt Service ⁽¹⁾	<u>\$ 2,905,645</u>	<u>\$ 2,104,099</u>	<u>\$ 1,163,871</u>	<u>\$ 1,751,367</u>	<u>\$ 1,562,857</u>
Annual Debt Service Requirements	\$ 136,892	\$ 139,284	\$ 143,386	\$ 153,364	\$ 152,295
Coverage per Rate Covenant	21.23 X	15.11 X	8.12 X	11.42 X	10.26 X
Customer Count					
Water	5,471	5,219	4,997	4,851	4,761

⁽¹⁾ Net Revenues available for debt service excludes depreciation.

Source: The Issuer's Annual Audited Financial Statements and other information from the Issuer.

OTHER OBLIGATIONS**TABLE 3**

As of December 31, 2019, the District had the following Note outstanding:

Co-Bank Note	\$ 819,086
--------------	------------

FUND BALANCES**TABLE 4**

(As of November 30, 2020, unaudited)

Water Operating Fund	\$ 1,624,326
Impact Fee Fund	3,905,377
Water Acquisition Fund	545,200
Depreciation Fund	246,667
Meter Deposit Fund	434,600
Bond Fund	203,106
Revenue Bond Reserve Fund	165,000 ^(a)
Total	\$ 7,124,276

^(a) Prior to the issuance of the Bonds, the Required Reserve amount was \$136,250. The Required Reserve after the issuance of the Bonds will be \$275,458.57.

Source: The Issuer

TABLE 5

Fiscal Year Dec 31	Current Total Debt Service	The Bonds			Combined Debt Service
		Principal	Interest ⁽¹⁾	Total	
2020	\$ 139,448				\$ 139,448
2021	136,952		\$ 26,620	\$ 26,620	163,572
2022	134,456	\$ 190,000	52,290	242,290	376,746
2023	136,908	190,000	50,390	240,390	377,298
2024	134,308	195,000	48,465	243,465	377,773
2025	131,708	195,000	46,515	241,515	373,223
2026	134,056	195,000	44,565	239,565	373,621
2027	131,352	200,000	42,590	242,590	373,942
2028	-	200,000	40,590	240,590	240,590
2029	-	200,000	38,590	238,590	238,590
2030	-	205,000	36,565	241,565	241,565
2031	-	205,000	34,515	239,515	239,515
2032	-	210,000	32,309	242,309	242,309
2033	-	210,000	29,763	239,763	239,763
2034	-	215,000	26,946	241,946	241,946
2035	-	215,000	23,936	238,936	238,936
2036	-	220,000	20,728	240,728	240,728
2037	-	225,000	17,334	242,334	242,334
2038	-	225,000	13,790	238,790	238,790
2039	-	230,000	10,093	240,093	240,093
2040	-	235,000	6,198	241,198	241,198
2041	-	240,000	2,100	242,100	242,100
	\$ 1,079,188	\$ 4,200,000	\$ 644,890	\$ 4,844,890	\$ 5,924,078

(1) Interest calculated at an assumed rate for purpose of illustration.

PRINCIPAL REPAYMENT SCHEDULE**TABLE 6**

Fiscal Year Ending 12-31	Principal Repayment Schedule			Bonds Unpaid at End of Year	Percent of Principal Retired (%)
	Outstanding Bonds	The Bonds	Total		
2020	\$ 120,000	\$ -	\$ 120,000	\$ 5,075,000	2.31%
2021	120,000	-	120,000	4,955,000	4.62%
2022	120,000	190,000	310,000	4,645,000	10.59%
2023	125,000	190,000	315,000	4,330,000	16.65%
2024	125,000	195,000	320,000	4,010,000	22.81%
2025	125,000	195,000	320,000	3,690,000	28.97%
2026	130,000	195,000	325,000	3,365,000	35.23%
2027	130,000	200,000	330,000	3,035,000	41.58%
2028	-	200,000	200,000	2,835,000	45.43%
2029	-	200,000	200,000	2,635,000	49.28%
2030	-	205,000	205,000	2,430,000	53.22%
2031	-	205,000	205,000	2,225,000	57.17%
2032	-	210,000	210,000	2,015,000	61.21%
2033	-	210,000	210,000	1,805,000	65.26%
2034	-	215,000	215,000	1,590,000	69.39%
2035	-	215,000	215,000	1,375,000	73.53%
2036	-	220,000	220,000	1,155,000	77.77%
2037	-	225,000	225,000	930,000	82.10%
2038	-	225,000	225,000	705,000	86.43%
2039	-	230,000	230,000	475,000	90.86%
2040	-	235,000	235,000	240,000	95.38%
2041	-	240,000	240,000	-	100.00%
	<u>\$ 995,000</u>	<u>\$ 4,200,000</u>	<u>\$ 5,195,000</u>		

CAPITAL ASSETS**TABLE 7***(As of December 31, 2019)*

Land and Easements	\$ 772,723
Construction in Progress	223,095
CRWA Assets	13,304,338
Plant and Distribution System	15,085,944
Equipment	280,356
Building and Improvements	96,505
Furniture and Fixtures	246,536
Vehicles	714,017
Organizational Expenses	180,372
Refinance Bond Costs	157,086
CRWA Membership	10,000
Total Capital Assets	<u>\$ 31,070,972</u>
Less: Accumulated Depreciation	<u>(12,895,156)</u>
Net Capital Assets	<u>\$ 18,175,816</u>

Source: The Issuer's Annual Audited Financial Statements and other information from the Issuer.

PRINCIPAL RETAIL WATER CUSTOMERS - As of December 31, 2019

TABLE 8

<u>Name of Customer</u>	<u>Average Monthly Consumption (Gallons)</u>	<u>Percentage of Total Consumption</u>
East Central ISD	16,144,746	3.55%
VK Knowlton	4,234,246	0.93%
Tex-Mix	4,114,550	0.91%
Marco Fernandez	2,758,993	0.61%
Mario Sinacola	2,716,351	0.60%
Schoenfeld	2,113,383	0.47%
Fisher's Neighborhood Mkt	1,997,427	0.44%
Shawn Shaw	1,846,311	0.41%
Minerva Leal	1,826,860	0.40%
Azar Distilling, LLC	1,548,567	0.34%
Tota	39,301,434	8.65%
Total Gallons Sold	454,396,547	

Source: *The District*

CURRENT RETAIL WATER RATES - Effective January 1, 2021

TABLE 9

Meter Size	Monthly Charge	CuFt	Usage Charge /100 cuft
3/4 x 5/8"	\$38.00	0 to 1100	\$5.69
Standard		1200 to 2200	\$6.54
		2300 to 3300	\$7.24
		3400 to 4400	\$7.67
		4500 & over	\$8.63
3/4"	\$57.00	0 to 1500	\$5.69
		1600 to 3000	\$6.54
		3100 to 4500	\$7.24
		4600 to 6000	\$7.67
		6100 & over	\$8.63
1"	\$95.00	0 to 2400	\$5.69
		2500 to 4800	\$6.54
		4900 to 7200	\$7.24
		7300 to 9600	\$7.67
		9700 & over	\$8.63
1 1/2"	\$190.00	0 to 5000	\$5.69
		5100 to 10000	\$6.54
		10100 to 15000	\$7.24
		15100 to 20000	\$7.67
		20100 & over	\$8.63
2"	\$304.00	0 to 8000	\$5.69
		8100 to 16000	\$6.54
		16100 to 24000	\$7.24
		24100 to 32000	\$7.67
		32100 & over	\$8.63

* *The District's full schedule of water rates may be obtained from the District.*

HISTORICAL PRODUCTION AND CONSUMPTION DATA**TABLE 10**

	For fiscal Year ended December 31				
	2019	2018	2017	2016	2015
Production:					
Gallons pumped into System	589,119,293	543,803,210	564,767,439	478,279,805	507,353,359
Usage:					
Meter Count	5,471	5,219	4,997	4,851	4,761
Total Gallons Billed	470,754,547	450,153,560	460,536,836	423,674,296	460,201,303
Average Monthly Usage Per User (Gallons)	8,973	8,683	9,418	8,216	8,880
Percentage Water Loss in System	20.09%	17.22%	18.46%	11.42%	9.29%

Source: *The Issuer's annual audit reports (statistical information section) and additional information from Issuer.*

Increase in Water loss from 2015 and 2016 to current levels is due to metering of water at the District's intakes. In 2015 & 2016, the District's loss were lower due to the lack of metering points. ECSUD is working on implementing technology that will record losses due to flushing dead-end mains and water used in fire fighting operations. The District expects the water losses to decrease in the future.

RETIREMENT PLAN**TABLE 11**

Information regarding the District's retirement plan can be found within the District's audit under Note 11.

APPENDIX B

HISTORY OF EAST CENTRAL SPECIAL UTILITY DISTRICT AND BEXAR COUNTY, TEXAS

(this page intentionally left blank)

**GENERAL INFORMATION REGARDING EAST CENTRAL SPECIAL UTILITY DISTRICT
AND BEXAR COUNTY, TEXAS**

In 1967 East Central Water Supply Corporation was created. It was created to purchase, own, hold, lease and otherwise acquire sources of water supply; to build, operate and maintain facilities for the transportation of water; and to sell water and wastewater services to towns, cities and other political subdivisions of the state, to private business entities and to individuals. In 2004, East Central Water Supply Corporation was dissolved, and all assets and liabilities and equity of that organization were transferred to the newly created East Central Special Utility District (the "District").

The District supplies water service to approximately 5,000 customers in the eastern portion of Bexar County, the northwest portion of Wilson County, and the southwest portion of Guadalupe County. The District has access to the Edwards Aquifer, Carrizo Aquifer, and Canyon Lake water.

BEXAR COUNTY

Creation and Location of Bexar County

The County was organized in 1836 as one of the original counties of the Republic of Texas and is now the fourth most populous of the 254 counties in the State of Texas with a 2019 estimated population of 2,003,554. The County has an area of approximately 1,248 square miles and contains 27 incorporated cities within its boundaries.

The County is located in south central Texas and is a component of the Metropolitan Statistical Area ("MSA") of San Antonio. The San Antonio MSA is one of the nation's largest MSAs and the third largest MSA in Texas. The principal city within the County is San Antonio, the county seat. The City was founded in the early eighteenth century and was incorporated by the Republic of Texas in 1837. The City covers approximately 467 square miles and is located in south central Texas approximately 80 miles south of Austin, the state capital. The City's 2010 census population of 1,327,407 makes it the second largest city in Texas and the seventh largest in the United States.

The following table provides, at the dates shown, the population of the City, the County, and the Area MSA, which includes Bexar, Comal, Wilson and Guadalupe Counties.

Calendar Year	City of San Antonio	Bexar County	Area MSA
1930	231,542	292,533	333,442
1940	253,854	338,176	376,093
1950	408,442	500,460	542,209
1960	587,718	687,151	736,066
1970	654,153	830,460	888,179
1980	786,023	988,870	1,088,881
1990	935,933	1,185,394	1,407,745
2000	1,144,646	1,392,931	1,711,703
2010	1,327,407	1,714,773	2,142,508
2019	1,547,253	2,003,554	2,550,960

Source: U.S. Census of Population.

Labor Force Statistics ⁽¹⁾

	<u>2020</u> ⁽²⁾	<u>2019</u> ⁽³⁾	<u>2018</u> ⁽³⁾	<u>2017</u> ⁽³⁾	<u>2016</u> ⁽³⁾
Civilian Labor Force	959,472	949,380	936,251	924,257	905,115
Total Employed	886,801	919,763	905,106	891,563	871,260
Total Unemployed	72,671	29,617	31,145	32,694	33,855
% Unemployment	7.6%	3.1%	3.3%	3.5%	3.7%
Texas Unemployment	8.0%	3.5%	3.8%	4.3%	4.6%

(1) Source: Texas Workforce Commission.

(2) As of November 2020.

(3) Average Annual Statistics.

(this page intentionally left blank)

APPENDIX C

SELECTED PROVISIONS OF THE ORDER

(this page intentionally left blank)

APPENDIX C

SELECTED PROVISIONS OF THE ORDER

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

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

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

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

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

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

E. The term *Bonds* shall mean the \$4,200,000 “EAST CENTRAL SPECIAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, SERIES 2021” authorized by this Order.

F. The term *Bonds Similarly Secured* shall mean the currently outstanding Previously Issued Parity Bonds, the Bonds, and any Additional Parity Obligations hereafter issued by the District or bonds issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

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

H. The term *District* shall mean the East Central Special Utility District, located in the Counties of Bexar, Guadalupe and Wilson, Texas and, where appropriate, the Board of Directors of the District.

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

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

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

L. The term *Fiscal Year* shall mean the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District, which period presently commences on January 1 of each year and ends on the following December 31.

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

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

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

P. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing August 1, 2021, while any of the Bonds remain Outstanding.

Q. The term *Maintenance and Operating Expenses* shall mean costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies, costs incurred in providing water, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition, including any contract payments for the acquisition of water.

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

S. The term *Order* shall mean this order adopted by the Board of Directors of the District on January 14, 2021.

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

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

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

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

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

(1) “East Central Special Utility District Utility System Revenue Refunding Bonds, Series 2016, dated September 1, 2016”, issued in the original principal amount of \$1,345,000; and

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

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

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

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

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

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

AA. The term *System* shall mean all properties, facilities, and plants currently owned, operated, and maintained by the District for the supply, treatment and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto; provided, however, that notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term *System* shall not mean to include facilities of any kind which are declared not to be a part of the *System* and which are acquired or constructed by or on behalf of the District with the proceeds from the issuance of Special Facilities Bonds.

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

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

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

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

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

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

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

The District shall also fix and maintain rates and collect charges for the facilities and services afforded by the System, which will produce Net Revenues equal to at least 1.05 times the Debt Service Requirements due and payable on the outstanding Bonds Similarly Secured.

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

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

SECTION 13: Bond Fund – Surplus Bond Funds. For the sole purpose of paying the principal of and interest on the Bonds, there is hereby created and established and there shall be maintained a separate fund entitled "East Central Special Utility District Utility System Revenue Bonds, Series 2021 Interest and Sinking Fund" (the *Bond Fund*).

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

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

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

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

C. Third: To the payment of the amounts required to be deposited in the interest and sinking fund created and established for the payment of debt service requirements on the Inferior Lien Obligations and the amounts required to be deposited in any reserve or contingency fund or

account created for the payment and security of the Inferior Lien Obligations, and any other obligations or evidences of indebtedness issues or incurred that are payable from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System, as the same becomes due and payable.

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

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

Until the issuance of any Additional Parity Obligations, the Required Reserve Amount shall be \$275,458.57 (of which \$136,250.00 is already on deposit in the Reserve Fund), which shall be accumulated, if necessary, in the following manner. Beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers and on or before the tenth day of each following month until the Required Reserve Amount has been accumulated in the Reserve Fund, the District covenants and agrees to deposit to the Reserve Fund from the Net Revenues of the System, or any other lawfully available funds, an amount not less than \$2,320.15 being the Required Reserve Fund Deposits.

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

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the

Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund Deposits to said fund or account from the Net Revenues of the System, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Bond Fund and as required by the orders authorizing the issuance of any Additional Parity Obligations hereafter issued by the District, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of any Additional Parity Obligations.

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

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

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

SECTION 16: Deficiencies - Excess Net Revenues.

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

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

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

SECTION 18: Investments. Funds held in any fund or account created, established, or maintained pursuant to this Order, at the option of the District, may be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including investments held in book-entry form, in securities including, but not limited to, direct obligations of the United States of America, obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in indirect obligations of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, Farmers Home Administration, Federal Home Loan Mortgage Association, or Federal Housing Association; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each order authorizing the issuance of the Bonds Similarly Secured. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 15, be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 19: Issuance of Additional Parity Obligations. The District hereby expressly reserves the right, in addition to the right to issue obligations that are payable from and secured, in whole or in part, by a junior and inferior lien on and pledge of the Net Revenues, to issue Additional Parity Obligations payable from a first and prior lien on and pledge of the Net Revenues of the System. When duly authorized and issued in compliance with law and the terms and conditions

hereafter stated, such Additional Parity Obligations shall be on a parity with the Bonds. The District covenants and agrees, however, it will not issue any Additional Parity Obligations unless:

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

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

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

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

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

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

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

SECTION 20: Issuance of Inferior Lien Obligations. The District hereby expressly reserves the right to hereafter issue bonds, notes, warrants, or similar obligations, payable, wholly

or in part, as appropriate, from and secured by a junior and inferior lien on and pledge of the Net Revenues of the System.

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

SECTION 22: Maintenance of System - Insurance. The District covenants, agrees, and affirms its covenants that while the Bonds Similarly Secured remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self-insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Bonds Similarly Secured until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the District to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the District from doing so.

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

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

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

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

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

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

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

F. It will pay and discharge from time to time and before the same become delinquent all lawful debts and liabilities of the District and all lawful claims for rents, royalties, labor, materials or supplies which if unpaid might by law become a lien or charge upon any part of the System the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and the District will not create or suffer to be created any mechanic's, laborer's, materialman's or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such debts, liabilities or claims which might be used as the basis of a mechanic's, laborer's, materialman's or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the District.

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

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

SECTION 27: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the District covenants and agrees particularly that in the event the District (a) defaults in the payments to be made to the Bond Fund or the Reserve

Fund or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Order, the Holders of any of the Bonds Similarly Secured shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in this Order.

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

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

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Order provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

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

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

SECTION 31: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond Similarly Secured is surrendered to the Paying Agent/Registrar, or the District and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond Similarly Secured, and (2) there is delivered to the District and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the District or the Paying Agent/Registrar that such Bond has been acquired by a bona

bona fide purchaser, the District shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond Similarly Secured of the same Stated Maturity and interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

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

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

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

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

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

(this page intentionally left blank)



Norton Rose Fulbright US LLP
Frost Tower
111 W. Houston Street, Suite 1800
San Antonio, Texas 78205
United States

Tel +1 210 224 5575
Fax +1 210 270 7205
nortonrosefulbright.com

FINAL

IN REGARD to the authorization and issuance of the “East Central Special Utility District Utility System Revenue Bonds, Series 2021” (the *Bonds*), dated February 1, 2021, in the aggregate principal amount of \$4,200,000, we have reviewed the legality and validity of the issuance thereof by the Board of Directors of the East Central Special Utility District (the *District*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple in excess thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2022 through 2041, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “EAST CENTRAL SPECIAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, SERIES 2021”

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

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

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

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

Legal Opinion of Norton Rose Fulbright US LLP, San Antonio, Texas, in connection with the authorization and issuance of “EAST CENTRAL SPECIAL UTILITY DISTRICT UTILITY SYSTEM REVENUE BONDS, SERIES 2021”

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

Norton Rose Fulbright US LLP

(this page intentionally left blank)

APPENDIX E

**EXCERPTS FROM
EAST CENTRAL SPECIAL UTILITY DISTRICT'S
AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED DECEMBER 31, 2019**

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

(this page intentionally left blank)



williams crow mask

Deep roots. Deep resources. Deep in the heart of Texas

Independent Auditor's Report

Board of Directors
East Central Special Utility District
Adkins, Texas

We have audited the accompanying financial statements of the East Central Special Utility District (District) as of and for the year 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 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 respective financial position of East Central Special Utility District as of December 31, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the budgetary comparison information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2020 on our consideration of East Central Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering East Central Special Utility District's internal control over financial reporting and compliance.

Williams, Crow, Mask, LLP
March 9, 2020
San Antonio, Texas

Williams, Crow, Mask, LLP

EAST CENTRAL SPECIAL UTILITY DISTRICT

Management's Discussion and Analysis

December 31, 2019

Using this Annual Report

Within this section of the East Central Special Utility District (the District) annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the District for the year ended December 31, 2019 and 2018. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This analysis should be read in conjunction with the basic financial statements that follow this section.

Financial Highlights

- Total assets increased \$921,420 to \$22,627,145.
- Total liabilities decreased \$609,939 to \$14,210,477.
- Total net position increased \$1,531,359 to \$8,416,668.
- Net operating revenues increased \$895,415.
- Net operating expenses increased \$123,123.

Required Basic Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of five components: (1) the independent auditor's report; (2) management's discussion and analysis (MD&A); (3) The Statement of Net Position which include all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities); (4) The Statement of Revenues, Expenses and Changes in Net Position shows the business-type activities of the District and provides information regarding income and expenses, both operating and non-operating, that affect the Net Position; and (5) The Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash receipts and cash payments during the period using the direct method of reporting cash flows from operating, investing, and capital and noncapital financing activities.

Notes to the Financial Statements

Integral to the financial statements are the notes to the basic financial statements. These notes provide additional information that is essential to a full understanding of the financial data provided in the basic statements. The District has prepared notes sufficient to provide the readers of these financial statements a clear picture of the District's financial position and insight into the results of its operations. These notes comply with the standardized reporting requirements for districts by TCEQ and are in conformity with GAAP.

Other Required/Supplementary Information

In addition to the basic financial statements and accompanying notes, this section also represents certain required supplementary information (RSI) and required supplementary information by TCEQ which may be beneficial to the reader. This information is in conformity with Generally Accepted Accounting Principles (GAAP).

EAST CENTRAL SPECIAL UTILITY DISTRICT

Management's Discussion and Analysis

December 31, 2019

Financial Analysis of The District

The following condensed Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position show a two-year operating comparison of the District.

District Net Position

	2019	2018
Cash and investments	\$ 3,454,389	\$ 3,108,834
Other current assets	996,940	859,356
Capital assets, net	17,970,947	17,516,784
Other assets	204,869	220,751
Total Assets	22,627,145	21,705,725
Current liabilities	1,965,332	1,950,197
Long-term liabilities	12,245,145	12,870,219
Total Liabilities	14,210,477	14,820,416
Net investment in capital assets	5,006,412	3,769,663
Restricted	165,000	165,000
Unrestricted	3,245,256	2,950,646
Total Net Position	8,416,668	6,885,309
Total Liabilities and Net Position	\$ 22,627,145	\$ 21,705,725

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses, and Changes in Net Position for the two years ended December 31, 2019 and 2018.

Changes in District Net Position

	2019	2018
Operating revenues	\$ 7,549,836	\$ 6,654,421
Operating expenses	5,539,936	5,416,813
Operating Income (Loss)	2,009,900	1,237,608
Non-operating income (expense)	(478,541)	(488,509)
Change in Net Position	\$ 1,531,359	\$ 749,099

EAST CENTRAL SPECIAL UTILITY DISTRICT
Management's Discussion and Analysis
December 31, 2019

Capital Assets and Debt

Capital Assets

As of December 31, 2019, the District had invested \$30.7 million in a broad range of capital assets, including land, buildings, equipment, plants, and distribution systems. Significant additions include several vehicles, land and construction in progress for the new building. More detailed information about the District's capital assets is presented in the notes to the financial statements.

District's Capital Assets

	2019	2018
Land	\$ 772,723	\$ 72,126
CRWA assets	13,304,338	13,304,338
Plant and distribution system	15,085,944	15,042,338
Equipment	280,356	220,424
Building and improvements	96,505	96,505
Furniture and fixtures	246,536	241,406
Vehicles	714,018	484,546
Construction in progress	223,094	-
Totals at cost	30,723,514	29,461,683
Total accumulated depreciation	(12,752,567)	(11,944,899)
Net capital assets	\$ 17,970,947	\$ 17,516,784

Long-Term Debt

At year-end, the District had \$13.2 million in principal outstanding on bonded debt and notes. No new debt was issued in 2019. More detailed information about the District's debt is presented in the notes to the financial statements.

District's Long Term Debt

	2019	2018
Bonds payable	\$ 995,000	\$ 1,110,000
Notes payable	12,164,406	12,637,121
Totals at cost	\$ 13,159,406	\$ 13,747,121

EAST CENTRAL SPECIAL UTILITY DISTRICT

Management's Discussion and Analysis

December 31, 2019

Budgetary Highlights

The District's revenues exceeded expectations by \$1.7 million, primarily because of an increase in other charges such as meter impact fees and installations. Operating expenses were \$63 thousand more than the budget. The net change in net position was an increase of \$1.5 million, which is \$1.4 million more than what the budget anticipated.

Economic Factors and Next Year's Budget

The 2020 budget contemplates continued expenditures from the new building for the Capital Improvement Plan. Water rates are increased 15% for 2020 due to SAWS wholesale contract increase of 26%. Aside from the construction, the District expects no major changes to services or operations.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Street address:
5520 FM 1628,
Adkins, Texas, 78101

Mailing address:
P.O. Box 570
Adkins, Texas, 78101

Phone: (210-649-2383)

EAST CENTRAL SPECIAL UTILITY DISTRICT

Statement of Net Position
December 31, 2019 and 2018

	2019	2018
Current assets:		
Cash	\$ 2,609,777	\$ 2,276,901
Investments	679,612	666,932
Accounts receivable, net	675,153	559,357
Inventory	321,787	300,000
Total Current Assets	4,286,329	3,803,190
Capital assets, net	17,970,947	17,516,784
Other assets:		
CRWA membership	10,000	10,000
Bond issue and organizational costs	194,869	210,751
Restricted cash for debt service	165,000	165,000
Total Other Assets	369,869	385,751
Total Assets	22,627,145	21,705,725
Current liabilities:		
Accounts payable	161,191	298,521
Payroll liabilities	33,189	22,060
Accrued interest	40,830	9,620
Customer deposits	815,861	743,094
Current portion of long-term debt	914,261	876,902
Total Current Liabilities	1,965,332	1,950,197
Bonds and notes payable, net of current portion	12,245,145	12,870,219
Total Liabilities	14,210,477	14,820,416
Net position:		
Capital assets in excess of debt	5,006,412	3,769,663
Restricted:		
Debt service	165,000	165,000
Unrestricted	3,245,256	2,950,646
Total Net Position	8,416,668	6,885,309
Total Liabilities and Net Position	\$ 22,627,145	\$ 21,705,725

See Accompanying Notes to the Financial Statements and the Auditor's Report

EAST CENTRAL SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating revenue:		
Water sales	\$ 5,902,488	\$ 5,360,374
Wastewater service fees	208,812	136,687
Other charges	1,438,536	1,157,360
Total operating revenues	7,549,836	6,654,421
 Operating expenses	 5,539,936	 5,416,813
Operating income (loss)	 2,009,900	 1,237,608
 Non-operating revenues (expenses)		
Rental income	8,857	7,986
Interest income	21,384	13,274
Gain on sale of assets	14,000	19,463
Other income	13,650	4,500
Interest expense	(536,432)	(533,732)
Total non-operating revenues (expenses)	(478,541)	(488,509)
Change in net position	 1,531,359	 749,099
 Net position at beginning of year	 6,885,309	 6,066,781
Prior period adjustment	-	69,429
Net position at end of year	\$ 8,416,668	\$ 6,885,309

See Accompanying Notes to the Financial Statements and the Auditor's Report

EAST CENTRAL SPECIAL UTILITY DISTRICT
Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Net cash provided by operating activities		
Cash received from customers	\$ 7,506,807	\$ 6,708,512
Cash payments to suppliers for goods and services	(3,879,285)	(3,786,056)
Payments to employees for services	(912,894)	(688,050)
Net cash flow provided by operating activities	2,714,628	2,234,406
Cash flows from capital and related financing activities		
Principal payments on bonds and notes payable	(587,715)	(828,863)
Interest paid	(505,222)	(368,052)
Proceeds from the sale of equipment	14,000	-
Purchase of property, plant and equipment	(1,110,929)	(286,689)
Construction in process	(223,096)	-
Net cash used by capital and related financing activities	(2,412,962)	(1,483,604)
Cash flows from investing activities		
Interest and investment income	43,891	25,760
Net cash provided by investing activities	43,891	25,760
Net increase (decrease) in cash and cash equivalents	345,557	776,562
Beginning cash and cash equivalents	3,108,833	2,332,271
Ending cash and cash equivalents	\$ 3,454,390	\$ 3,108,833
<i>Reconciliation to Statement of Net Position</i>		
Cash and cash equivalents - Unrestricted	\$ 3,289,389	\$ 2,943,833
Cash and cash equivalents - Restricted	165,000	165,000
	\$ 3,454,389	\$ 3,108,833

See Accompanying Notes to the Financial Statements and the Auditor's Report

EAST CENTRAL SPECIAL UTILITY DISTRICT
Statement of Cash Flows (Continued)
For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 2,009,900	\$ 1,237,608
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Depreciation	895,745	882,372
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	(115,796)	(9,178)
Inventory	(21,787)	25,130
Increase (decrease) in liabilities:		
Accounts payable	(137,330)	35,205
Payroll liabilities	11,129	-
Customer deposits	72,767	63,269
Net cash flow provided by operating activities	\$ 2,714,628	\$ 2,234,406

See Accompanying Notes to the Financial Statements and the Auditor's Report

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

1) Reporting Entity

East Central Special Utility District (the District) was created pursuant to the provision of Texas Water Code, Chapters 49 and 65 and Texas Administrative Code 293.11 and 293.12 to purchase, own, hold, lease and otherwise acquire sources of water supply; to build, operate and maintain facilities for the transportation of water; and to sell water and wastewater services to towns, cities, and other political subdivisions of this state, to private business entities and to individuals. East Central Water Supply Corporation was dissolved, and all assets and liabilities and equity of that organization were transferred to the newly created East Central Special Utility District. This transfer took place in April of 2005, for financial reporting purposes.

The Board of Directors (Board), a nine-member group constituting an on-going entity, is the level of government which has governance responsibilities over all activities related to providing water services within the jurisdiction of the East Central Special Utility District. Members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters.

The District is legally separate and is fiscally independent of other state and local governments, it is a primary government and not included in any other governmental reporting entity. The District has no component units.

2) Summary of Significant Accounting Policies

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units in conjunction with the "Water District's Financial Management Guide" published by the Texas Commission on Environmental Quality. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements. The District is reported as a special-purpose government engaged in business-type activities. The financial statements of the District measure and report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, expenses, and gains and losses using the economic resources measurement focus and accrual basis of accounting.

Basis of Presentation

Net position and revenue, expenses, gains, and losses are classified based on the existence or absence of grantor-imposed restrictions. Net position of the District and changes therein are classified as unrestricted net position. Unrestricted net position represents the portion of expendable funds that is available for support of the operations of the District. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

2) Summary of Significant Accounting Policies (Continued)

Operating and Non-Operating Revenue and Expense Policy

The District distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operating activities. As business-type activities, the District's operating revenues are defined as the result of exchange transactions with those who purchase, use or directly benefit from the services provided by the District. Non-operating items include activities that have the characteristic on non-exchange transactions such as grants and contributions and other items that are defined as non-operating.

Cash and Cash Equivalents

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

Investments are stated at fair value (plus accrued interest) except for money market, certificates of deposit, local government investment pools, and participating interest-earning investment contracts (U.S. Treasuries) that have a remaining maturity at time of purchase of one year or less. Those investments are stated at amortized cost, which approximates fair value.

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

Receivables and Payables

All receivables and payables are reported at their gross value. The District uses the direct write-off method to account for bad debt associated with receivables. Payables are reported in the period the liability is incurred. The District believes that sufficient detail of receivable and payable balances are provided and therefore, provides no additional disclosure.

Inventory

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

2) Summary of Significant Accounting Policies (Continued)

Customer Deposits

Upon creation of a new account, customers make a deposit toward their final bill. The amount is recorded as customer deposits liability on the Statement of Net Position.

Capital Assets

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

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

Buildings and Improvements	10 to 50 years
Equipment	3 to 10 years
Water Plants and Distributions Systems	20 to 50 years

Amortization of SUD Conversion

The District's membership voted in March of 2005 and approved the conversion from its then current status to a Special Utility District under Chapter 65 of the Texas Water Code. Section 65.014 permits a Special Utility District to file a resolution with the Commission requesting that a district be created. The application was completed, and SUD conversion was achieved in April of 2005.

Accounting principles generally accepted in the United States of America require that the District capitalize the costs associated with these assets and amortize those costs over the life of the asset or loan, and not less than 60 months, respectively, rather than expensing the entire amount in the year acquired. The expense associated with this amortization appears in the basic financial statements as "Amortization."

Long-Term Obligations

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

Budget

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

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

2) Summary of Significant Accounting Policies (Continued)

Compensated Absences

East Central Special Utility District provides vacation and sick leave for all qualifying employees. Employees are allowed to accumulate vacation leave, and it is payable if the employee terminates. Sick leave may also be accumulated; however, it is not payable upon termination. The vacation and sick accrual schedules are as follows:

	Year of Service	Annual Accrual in Hours	Carry Over Amount in Hours
Vacation	1/2-4	80	136
	5-9	96	136
	10-14	120	136
	15-19	136	136
	20-29	160	136
	30-34	176	136
	Over 35	200	136
Sick	1/2-14	48	160
	15-19	56	160
	20-29	72	160
	Over 30	80	160

3) Cash and Investments

Cash

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

Investments

The District is required by Government Code Chapter 2256, *The Public Funds Investment Act* (the "Act") 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) bid solicitation preferences for certificates of deposit and, (9) stated compliance with this Investment Policy.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

3) Cash and Investments (Continued)

Investments (Continued)

This Act requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines which investments are acceptable for the District. These may include, with certain restrictions; (1) obligations of the U.S. Treasury, certain U.S. agencies, the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) fully collateralized repurchase agreements with certain criteria, (6) banker's acceptances, (7) mutual funds, (8) investment pools, and (9) guaranteed investment contracts. The District policy authorizes all the State allowable investments. If additional types of securities are approved for investment by public funds by state statute, the District will have to amend its policy before the new investment types can be considered for investment by the District.

The District's board believes that the District has complied in all material respects with the requirements of the Act and the District's investment policies.

As of December 31, 2019, the District had \$844,612 in a money market account that has a AAA rating, of this amount \$165,000 is restricted.

Analysis of Specific Deposit and Investment Risks

GASB Statement 40 requires a determination as to whether the district was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year-end the District did not have any significant credit risk

Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralize with securities held by the pledging financial institution's trust department or agent. At year-end the District had no exposure to custodial credit risk.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District adopted Investment Policy establishes diversification as a major objective of the investment program and sets diversification limits for all authorized investment types which are monitored on at least a monthly basis.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. In order to limit interest and market rate risk from changes in interest rates, the District's adopted Investment Policy sets a maximum stated maturity limit of two years

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

4) Restricted Cash and Cash Equivalents

Restricted cash consists of a debt service related to the Trust account with Bank of America. The District is required to pledge a portion of their investments for sinking funds. The District has complied with the restriction requirements.

5) Receivables

Accounts receivable from members represent unpaid water usage. At December 31, 2019 the amount is as follows:

Customer balances	\$	681,972
Allowance for doubtful		(6,819)
	\$	<u>675,153</u>

6) Joint Venture – Canyon Regional Water Authority

The District is a member entity of Canyon Regional Water Authority (CRWA) through a regional taxable water supply contract dated August 1, 1998. CRWA was created to purchase, own, hold, lease and otherwise acquire sources of potable water; build, operate and maintain facilities for the treatment and transportation of water; sell potable water to local governments, water supply corporations and other persons in Texas; to protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 12, are contractually obligated to fund a pro-rata portion of CRWA's operating, debt service and project costs. The District participates in the repayment of the CRWA bond indebtedness. Principal and interest payments are made to CRWA monthly. The District receives approximately 12% of the related debt.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

7) Capital Assets

As of December 31, 2019, the District had \$8,416,668 in Net Position. The District had capital assets in excess of related debt in the amount of \$5,006,412.

A summary of changes in capital assets for the year ended December 31, 2019, follows:

	<u>Balances at</u> <u>12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at</u> <u>12/31/19</u>
Capital Assets				
Non-depreciable:				
Land and easements	72,126	700,597	-	772,723
Construction in Progress	-	223,095	-	223,095
Total assets non-depreciable	<u>72,126</u>	<u>923,692</u>	<u>-</u>	<u>995,818</u>
Depreciable:				
CRWA assets	13,304,338	-	-	13,304,338
Plant and distribution system	15,042,338	43,606	-	15,085,944
Equipment	220,424	132,128	(72,196)	280,356
Building and improvements	96,505	-	-	96,505
Furniture and fixtures	241,406	5,130	-	246,536
Vehicles	484,546	229,471	-	714,017
Total assets depreciable	<u>29,389,557</u>	<u>410,335</u>	<u>(72,196)</u>	<u>29,727,696</u>
Less accumulated depreciation	11,944,899	879,864	(72,196)	12,752,567
Total depreciable assets, net	<u>17,444,658</u>	<u>(469,529)</u>	<u>-</u>	<u>16,975,129</u>
Total depreciable and non-depreciable assets	<u><u>17,516,784</u></u>	<u><u>454,163</u></u>	<u><u>-</u></u>	<u><u>17,970,947</u></u>
Other assets				
Organizational expenses	180,372	-	-	180,372
Refinance bond costs	157,086	-	-	157,086
CRWA membership	10,000	-	-	10,000
	<u>347,458</u>	<u>-</u>	<u>-</u>	<u>347,458</u>
Less accumulated amortization	126,707	15,882	-	142,589
Total other assets, net	<u>220,751</u>	<u>(15,882)</u>	<u>-</u>	<u>204,869</u>
Total Capital and Other Assets	<u><u>17,737,535</u></u>	<u><u>438,281</u></u>	<u><u>-</u></u>	<u><u>18,175,816</u></u>

Depreciation was \$879,864 and amortization was \$15,882.

Land, water rights and construction in progress are not depreciated.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

8) Long-Term Debt

The District's bond and note activity as of and for the year ending December 31, 2019 is as follows

Bonds, Notes Payable	Balance Outstanding at 12/31/18	Additions	Retirements	Balance Outstanding at 12/31/19	Due Within One Year
LD/MC Bond, Series 2016	\$ 4,700,218	\$ -	\$ 234,706	\$ 4,465,512	\$ 411,852
Wells Ranch, Series 2009	246,832	-	10,661	236,171	18,759
Wells Ranch, Series 2011	1,316,656	-	21,323	1,295,333	37,518
Wells Ranch, Series 2015	2,642,796	-	26,091	2,616,705	76,680
Wells Ranch, Series 2016	2,821,381	-	89,782	2,731,599	158,249
Revenue Refunding, Series 2016	1,110,000	-	115,000	995,000	120,000
CoBank Note	909,238	-	90,152	819,086	91,203
	<u>\$ 13,747,121</u>	<u>\$ -</u>	<u>\$ 587,715</u>	<u>\$ 13,159,406</u>	<u>\$ 914,261</u>

Bonds Payable

Revenue Refunding Bonds, Series 2016 were refinanced and issued by the District in 2016 to pay off short term borrowings for construction of system improvements. The bonds were refinanced through BB&T Governmental Finance. The bonds bear interest at 2.08% and mature serially through December 1, 2027. The bonds require debt service and reserve accounts to which the District has substantially complied.

Notes Payable

The District signed a promissory note with CoBank in 2017. The CoBank note bears a variable interest rate not to exceed 3% and requires monthly payments of interest and principal until maturity on October 20, 2027. In addition to the notes and bonds, the District is liable for a portion of CRWA bonds, which have been included in the long-term debt. There are no debt service requirements related to this debt.

The annual requirements to amortize all outstanding privately placed debt as of December 31, 2019, including interest payments, are as follows:

Year End December 31,	Principal Payments	Interest Payments	Total
2020	\$ 914,261	\$ 492,738	\$ 1,406,999
2021	982,292	461,180	1,443,472
2022	1,046,131	427,975	1,474,106
2023	1,091,746	386,777	1,478,523
2024	1,133,148	343,281	1,476,429
2025-2029	5,225,261	1,018,140	6,243,401
2030-2034	2,008,930	335,091	2,344,021
2035-2039	579,186	107,246	686,432
2040-2041	178,451	13,492	191,943
Total	<u>\$ 13,159,406</u>	<u>\$ 3,585,920</u>	<u>\$ 16,745,326</u>

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

9) Risk Management

General Liability

The District is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; personal injuries; and natural disasters. The District's risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool.

The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage. District management is not aware of any pending or alleged claims for which expected liability would exceed the policy limits of present insurance coverage. The following table shows the District's coverage:

<u>Type of Policy</u>	<u>Coverage Period</u>		<u>Coverage Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
Workers' compensation	02-2019	01-2020	STATUTORY
Vehicle	02-2019	01-2020	\$1,000,000
Umbrella	02-2019	01-2020	\$1,000,000
Directors	02-2019	01-2020	\$2,000,000
Real and Personal Property	02-2019	01-2020	Per Schedule
General liability	02-2019	01-2020	\$2,000,000

Workers' Compensation

The District purchases workers' compensation insurance annually on the open market. Premiums are based on the estimated District payroll by risk factor and rates. The premiums are adjusted by the District's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for in the financial statements.

10) Contingent Liabilities and Commitments

During calendar year 2019, the District began plans for a new building, new land was purchased and costs for building plans were added to Construction in Progress. The estimated total amount for the building will be \$3 million. All costs to date have been paid with operational funding, but management is actively seeking alternative funding.

11) Retirement Plan

The District authorized participation in a profit-sharing plan in 1995. On January 1, 1997, the plan was amended and changed to a 401K retirement plan. Contributions to the Water Supply Corporation 401K Retirement Plan are discretionary and made only at the pleasure of the District. Required contributions may be required by law if the plan is deemed to be top-heavy.

Participation in the plan is based on completed service. The completed service calculation begins with the employees first day of service. The employee becomes eligible after one year of uninterrupted service (365 days) or 1,000 hours. Employees do not have to be employed on the first or last day of the plan year to participate. Employees that met the completed service definition at the time of adoption were granted immediate eligibility.

EAST CENTRAL SPECIAL UTILITY DISTRICT

Notes to the Financial Statements

December 31, 2019

11) Retirement Plan (Continued)

The Plan has a seven-year vesting schedule. That schedule is as follows:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 2	0%
3	20%
4	40%
5	60%
6	80%
7	100%

Benefits are payable at such times as covered employees attain normal retirement age which currently is age 65 or upon the death of a covered employee. Vesting benefits are payable to terminated employees upon request, after a one-year break in service has occurred. Account balances above vested amounts of terminated employees are forfeited and reallocated among the remaining participants eligible to share for the plan year in which the forfeiture occurs.

Employees may make voluntary, after tax, contribution to their plan accounts up to legal amount. Employees are immediately invested in their voluntary contributions.

There were no modifications in the provisions of the plan during the current year. There were no loans to employees or outstanding balances from employees during the year. There were no plan assets invested in the District. Covered employees direct the investment of their contributions.

12) Subsequent Events

As of January 1, 2020, the District will be participating in a defined pension benefit plan with Texas County and District Retirement System (TCDRS).

EAST CENTRAL SPECIAL UTILITY DISTRICT
 Required Supplementary Information
 Statement of Revenues, Expenses and Changes in Net Pension
 Budget and Actual
 For the years ended December 31, 2019 and 2018

	2019			2018		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
Operating revenue:						
Water sales	5,678,500	5,902,488	223,988	5,211,469	5,360,374	148,905
Wastewater charges	69,000	208,812	139,812	64,500	136,687	72,187
Other charges	63,393	1,438,536	1,375,143	42,507	1,157,360	1,114,853
Total operating revenue	5,810,893	7,549,836	1,738,943	5,318,476	6,654,421	1,335,945
Operating expenses:						
Water purchases	3,520,000	2,731,093	788,907	3,419,078	2,410,464	1,008,614
Personnel	1,013,000	980,913	32,087	885,000	948,731	(63,731)
Repairs and maintenance	365,193	405,912	(40,719)	287,157	696,924	(409,767)
Depreciation	-	895,745	(895,745)	-	866,491	(866,491)
Professional fees	40,000	51,918	(11,918)	23,000	28,758	(5,758)
Administrative expenses	341,150	294,855	46,295	319,150	268,160	50,990
Vehicles and equipment	102,300	98,538	3,762	95,400	108,065	(12,665)
Utilities	50,000	43,462	6,538	52,000	52,001	(1)
Insurance	45,000	37,500	7,500	40,000	37,219	2,781
Total operating expenses	5,476,643	5,539,936	(63,293)	5,120,785	5,416,813	(296,028)
Operating income (loss)	334,250	2,009,900	1,675,650	197,691	1,237,608	1,039,917
Non-operating revenues (expenses)						
Rental income	8,000	8,857	857	8,000	7,986	(14)
Interest income	10,000	21,384	11,384	5,000	13,274	8,274
Gain on sale of assets	-	14,000	14,000	-	19,463	19,463
Other income	5,000	13,650	8,650	-	4,500	4,500
Interest expense	(70,000)	(536,432)	(466,432)	(112,000)	(533,732)	(421,732)
Total non-operating revenues (expenses)	(47,000)	(478,541)	(431,541)	(99,000)	(488,509)	(389,509)
Net income	\$ 287,250	\$ 1,531,359	\$ 1,244,109	\$ 98,691	\$ 749,099	\$ 650,408

(this page intentionally left blank)

Financial Advisory Services
Provided By:

