

**OFFICIAL STATEMENT**

**May 12, 2021**

**NEW ISSUE – BOOK-ENTRY ONLY**

**Ratings: S&P: “A+”  
(See: “RATINGS” herein)**

In the opinion of Bond Counsel (defined herein), assuming continuing compliance by the Authority (defined hereinafter) after the date of initial delivery of the Bonds (defined herein) with certain covenants contained in the Resolution (defined herein) 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.

**CANYON REGIONAL WATER AUTHORITY**

**(A political subdivision of the State of Texas located within**

**Atascosa, Bexar, Caldwell, Comal, Guadalupe, Hays, Medina and Wilson Counties, Texas)**

**\$2,115,000**

**TAX-EXEMPT CONTRACT REVENUE REFUNDING BONDS**

**(HAYS/CALDWELL COUNTIES AREA PROJECT-SAN MARCOS RIVER RIGHTS PROJECT), SERIES 2021**

**Dated Date: June 1, 2021**

**Due: August 1, as shown on the inside front cover page**

The \$2,115,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project-San Marcos River Rights Project), Series 2021 (the “Bonds”) are being issued pursuant to the provisions of (i) the Constitution and general laws of the State of Texas, including particularly the Special Act (hereinafter defined), Chapter 49 and certain provisions of Chapter 65, Texas Water Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended, and (ii) a resolution authorizing the Bonds (the “Resolution”), adopted by the Board of Trustees (the “Board”) of Canyon Regional Water Authority (the “Authority” or the “Issuer”) on May 10, 2021. The Board, in the Resolution, delegated the authority to certain Authority officials to execute an approval certificate (the “Approval Certificate”) establishing the final sale terms for the Bonds. The Approval Certificate was executed by an authorized Authority official on May 12, 2021. Interest on the Bonds will accrue from the Dated Date, will be computed on the basis of a 360-day year composed of twelve 30-day months, and will be payable on February 1 and August 1 of each year, commencing February 1, 2022, until stated maturity or prior redemption.

The Bonds are special obligations payable as to principal and interest from, and secured (together with any Bonds Similarly Secured (as defined in the Resolution) previously issued or hereafter issued by the Authority) solely by, a lien on and pledge of the Special Payments (being the Annual Payments as defined in and allocated under Section 3.04 of the Amended and Restated Contract) to be paid to the Authority by (1) Crystal Clear Special Utility District, (2) County Line Special Utility District, and (3) Maxwell Special Utility District, (collectively, the “Participating Members”) pursuant to the Amended and Restated Contract (defined herein). The Bonds are also secured by a pledge of the money in all Funds (defined herein) created, established, and maintained by the Resolution. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority, including the System (defined herein), or of the Participating Members (or the respective utility systems of the Participating Members), and the registered owner of a Bond shall never have the right to demand payment of the Bonds from any other sources or properties of the Authority, any Participating Member, or the State of Texas. The Bonds are not payable from or secured by any other revenues of the Authority and the Authority is not authorized to levy any ad valorem tax for any purpose, including in payment of the Bonds or any Bonds Similarly Secured hereafter issued by the Authority. The Authority reserves the right to issue Additional Bonds, Prior Lien Obligations, Junior Lien Obligations and Inferior Lien Obligations (as such terms are defined in the Resolution) without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. See “THE BONDS – Future Borrowing”, “– Source of Payment and Security”, “APPENDIX F – Selected Provisions of the Resolution” and “APPENDIX G – The Amended and Restated Contract” herein.

The Bonds will be issued in registered form in principal denominations of \$5,000 or any integral multiple thereof. The Authority intends to utilize the Book-Entry Only System of the Depository Trust Company, New York, New York (“DTC”), but reserves the right to discontinue the use of such system. Principal of and interest on the Bonds will be payable by UMB Bank, N.A., Austin, Texas (the “Paying Agent/Registrar”), to Cede & Co., as nominee of DTC. Such Book-Entry Only System will affect the method and timing of payment and the method of transfer. See “BOOK-ENTRY ONLY SYSTEM” herein.

Proceeds from the sale of the Bonds will be used for the purposes of (1) providing funds to refund certain of the Authority’s currently outstanding obligations, as identified in Schedule I attached hereto, for debt service savings, and (2) paying the costs of issuance of the Bonds. See “THE BONDS - Purpose” herein.

Concurrently with the issuance of the Bonds, the Authority intends to issue its \$13,860,000 Tax-Exempt Contract Revenue Refunding Bonds (Wells Ranch I Project), Series 2021, payable from a separate source (and not the Annual Payments) to realize debt service savings. This Official Statement describes only the Bonds and not these other refunding bonds. See “INTRODUCTION” herein.

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**MATURITY SCHEDULE AND BOND TERMS**  
See Inside Front Cover Page

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The Bonds are offered for delivery when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the initial purchaser of the Bonds (the “Underwriter”) by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. Certain matters will be passed upon for the Authority by the Law Offices of Louis T. Rosenberg, P.C., as General Counsel for the Authority. The Bonds are expected to be available for delivery on or about June 16, 2021 through the services of DTC.

**FHN FINANCIAL CAPITAL MARKETS**

**MATURITY SCHEDULE**  
**\$2,115,000**  
**CANYON REGIONAL WATER AUTHORITY**  
**TAX-EXEMPT CONTRACT REVENUE REFUNDING BONDS**  
**(HAYS/CALDWELL COUNTIES AREA PROJECT-SAN MARCOS RIVER RIGHTS PROJECT),**  
**SERIES 2021**

CUSIP No. Prefix: 139042<sup>(1)</sup>

Due <u>(8/1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>	Initial Reoffering <u>Yield</u>	CUSIP No. <u>Suffix</u> <sup>(1)</sup>
2022	\$ 80,000	4.000%	0.300%	VH5
2023	95,000	4.000%	0.430%	VJ1
2024	100,000	4.000%	0.640%	VK8
2025	105,000	4.000%	0.810%	VL6
2026	110,000	4.000%	0.970%	VM4
2027	110,000	4.000%	1.150%	VN2
2028	115,000	4.000%	1.320%	VP7
2029	120,000	4.000%	1.440%	VQ5

**\$390,000 3.000% Term Bonds due August 1, 2032 priced to yield 1.800%<sup>(2)</sup> CUSIP Suffix<sup>(1)</sup> VR3**

**\$425,000 3.000% Term Bonds due August 1, 2035 priced to yield 1.880%<sup>(2)</sup> CUSIP Suffix<sup>(1)</sup> VS1**

**\$465,000 3.000% Term Bonds due August 1, 2038 priced to yield 2.000%<sup>(2)</sup> CUSIP Suffix<sup>(1)</sup> VT9**

The Bonds maturing on or after August 1, 2031, are subject to optional redemption, in whole or in part, on August 1, 2030, or any date thereafter at the price of par plus accrued interest to such date of redemption. Additionally, the Bonds maturing August 1, 2032, August 1, 2035 and August 1, 2038 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. See "THE BONDS – Redemption" herein.

(1) CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Authority, the Participating Members, the Financial Advisor, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield calculated based on the assumption the Bonds denoted and sold at premium will be redeemed on August 1, 2030, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the date of redemption.

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

*No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the 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 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

The agreements of the Authority 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 THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

**TABLE OF CONTENTS**

INTRODUCTION .....	8	Allocation of Debt Service of the San Marcos River Rights Bonds .....	22
2021 WEATHER EVENT .....	8	Participating Members of the Hays/Caldwell Counties Area Project – San Marcos River Rights Project .....	22
General .....	8	INVESTMENTS .....	22
Impact to the Authority, the System and the Participating Members.....	9	Legal Investment .....	22
INFECTIOUS DISEASE OUTBREAK – COVID-19 .....	9	Investment Polices.....	23
THE BONDS.....	10	Current Investments.....	23
Description of The Bonds.....	10	LEGAL MATTERS .....	23
Authority for Issuance.....	10	Legal Opinions and No Litigation Certificates .....	23
Refunded Obligations .....	10	Legal Investments Eligibility to Secure Public Funds in Texas .....	24
Purpose.....	10	TAX MATTERS.....	24
Sources and Uses of Proceeds .....	11	Tax Exemption .....	24
Source of Payment and Security.....	11	Tax Changes.....	24
Payment Record.....	11	Ancillary Tax Consequences.....	25
Redemption .....	11	Tax Accounting Treatment of Discount Bonds .....	25
Notice of Redemption.....	12	Tax Accounting Treatment of Premium Bonds.....	25
Defeasance .....	12	REGISTRATION AND QUALIFICATION OF BONDS FOR SALE.....	25
Amendments .....	13	CONTINUING DISCLOSURE OF INFORMATION .....	26
Payment of the Bonds .....	13	Continuing Disclosure Undertaking of the Authority.....	26
Rate Covenant .....	13	Continuing Disclosure Undertaking of the Participating Members.....	26
Future Borrowing.....	14	Annual Reports .....	26
Default and Remedies.....	13	Notice of Certain Events.....	27
BOOK-ENTRY ONLY SYSTEM .....	14	Availability of Information .....	27
Use of Certain Terms in Other Sections of this Official Statement .....	16	Limitations and Amendments.....	28
REGISTRATION, TRANSFER AND EXCHANGE .....	16	Compliance with Prior Undertakings of the Authority .....	28
Paying Agent/Registrar .....	16	Compliance with Prior Undertakings of the Participating Members.....	28
Future Registration .....	16	FINANCIAL STATEMENTS.....	28
Record Date for Interest Payment .....	16	RATINGS.....	28
Special Record Date for Interest Payment.....	17	FORWARD LOOKING STATEMENTS	
Limitation on Transfer of Bonds .....	17	DISCLAIMER .....	29
Replacement Bonds .....	17	LITIGATION.....	29
THE AUTHORITY .....	17	FINANCIAL ADVISOR.....	29
Creation and Purpose .....	17	UNDERWRITING .....	29
Authority Projects.....	18	SOURCES OF COMPILATION OF INFORMATION .....	30
History .....	18	MISCELLANEOUS.....	30
Form of Government .....	20		
Source of Water Supply .....	21		
No Ad Valorem Tax .....	21		
HAYS/CALDWELL COUNTIES			
AREA PROJECT – San Marcos River Project.....	21		
Existing Hays/Caldwell Counties Area Project .....	21		
General Description of the Project .....	21		
The Amended and Restated Contract.....	22		

SCHEDULE I – Schedule of Refunded Obligations
APPENDIX A – Information Relating to the Authority’s Debt
APPENDIX B – Information Relating to the Participating Members
APPENDIX C – Audited Financial Statements of the Authority for the Fiscal Year Ending September 30, 2020
APPENDIX D – Audited Financial Statements of the Participating Members
APPENDIX E – Form of Opinion of Bond Counsel
APPENDIX F – Selected Provisions of the Resolution
APPENDIX G – Amended and Restated Contract



## BOARD OF TRUSTEES

Name	Sponsoring Member	Years Of Service	Term Expires (May)
Albert Strzelczyk, President	East Central SUD	10	2023
Timothy Fousse, Vice President	City of Cibolo, Texas	3	2022
Doris Steubing, Secretary	Maxwell SUD	3	2022
Regina Franke, Treasurer	Crystal Clear SUD	newly appointed	2023
Mike Taylor	Crystal Clear SUD	7	2022
Jill Bennett	Green Valley SUD	1	2022
James Poage	Green Valley SUD	newly appointed	2023
Ted Gibbs	City of Cibolo, Texas	4	2023
Steven Fonville	Martindale WSC	5	2022
James Forssell	Martindale WSC	2	2023
Martin Poore	City of La Vernia, Texas	5	2022
Robert Gregory	City of La Vernia, Texas	8	2023
Doug Spillman	Maxwell SUD	8	2023
Abigaile Maberry	City of Marion, Texas	1	2022
Richard White	City of Marion, Texas	newly appointed	2023
Steve Ramsey	Springs Hill WSC	3	2022
Daniel Pepin	Springs Hill WSC	newly appointed	2023
Doug Schnautz	County Line SUD	5	2022
Daniel Heideman	County Line SUD	2	2023
Randy Schwenn	East Central SUD	1	2022
Dr. Jerry K. Riley	City of Converse, Texas	3	2022
Joshua Jones	City of Converse, Texas	newly appointed	2023

## ADMINISTRATIVE OFFICIALS

Name	Position	Years of Service
David J. Davenport	General Manager	31
Humberto Ramos	Director of Water Resources	9
Michael A. Saldana	Plant Manager-Wells Ranch	7
Joe Moreno	Plant Manager-Lake Dunlap	15
Michael Allman	Plant Manager-Hays Caldwell	14
Jimmy Flores	Field Manager	13
Adam Telfer	Operations Manager	6
Joan Wilkinson	Finance Manager	14
Ritzie Watkins	Administrative Assistant	7
David McMullen	Quality Control Manager	2
Clarissa Bink	Lab Technician	1
Edward Cruz	Water Operator	2
Debra Kirkland	Lab Technician	1
Austin Shirk	Water Operator	6
Russell L. Wallace	Water Operator	3
Bradley H. Kilpatrick	Water Operator	8

## CONSULTANTS AND ADVISORS

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**OFFICIAL STATEMENT SUMMARY**

The following material is qualified by and subject in all respects to the detailed information and financial statements appearing in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the Appendices hereto. No person is authorized to detach this summary from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

**General Information**

- The Authority ..... Canyon Regional Water Authority (the "Authority") is a political subdivision of the State of Texas located in the following counties: Atascosa, Bexar, Caldwell, Comal, Guadalupe, Hays, Medina, and Wilson. The Authority was created by the Texas Legislature on August 28, 1989 under Article XVI, Section 59, of the Texas Constitution. The Authority operates pursuant to the Special Act (hereafter defined) and the provisions of Chapter 49 and certain provisions of Chapter 65 of the Texas Water Code, as amended. The Authority was created to (1) purchase, own, hold, lease and otherwise acquire sources of a potable water supply, (2) build, operate and maintain facilities for the treatment and transportation of water, (3) sell potable water to local governments, water supply corporations and other persons in this State, and (4) protect, preserve and restore the purity and sanitary condition of water in the Authority. The Authority is governed by a twenty-two member Board of Trustees (the "Board"). The Authority contains approximately 1,163 square miles and the population of the area covered by the Authority is in excess of 500,000, but serves a population of approximately 377,221. See "THE AUTHORITY."
  
- The Bonds..... \$2,115,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project-San Marcos River Rights Project), Series 2021. The Bonds are issued pursuant to the provisions of (i) the Constitution and general laws of the State of Texas, including particularly the Special Act, Chapter 49 and certain provisions of Chapter 65, Texas Water Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended, and (ii) a resolution adopted by the Board on May 10, 2021 (the "Resolution"). The Board, in the Resolution, delegated the authority to certain Authority officials to execute an approval certificate (the "Approval Certificate") establishing the final sale terms for the Bonds. See "THE BONDS - Authority for Issuance." The Approval Certificate was executed by an authorized Authority official on May 12, 2021.
  
- Interest Payment Dates..... Interest on the Bonds is payable on February 1, 2022 and on each February 1 and August 1 thereafter until stated maturity or prior redemption. See "THE BONDS - Description of the Bonds."
  
- Source of Payment ..... The Bonds are payable from, and secured (together with any Bonds Similarly Secured previously issued or hereafter issued by the Authority) solely by, a lien on and pledge of the Special Payments (being the Annual Payments, as defined in and allocated under Section 3.04 of the Amended and Restated Contract) to be paid to the Authority by (1) Crystal Clear Special Utility District, (2) County Line Special Utility District, and (3) Maxwell Special Utility District (collectively, the "Participating Members") pursuant to the Amended and Restated Contract (defined herein). See "THE BONDS - Source of Payment and Security." The Bonds are also secured by a pledge of the money in all Funds created, established, and maintained by the Resolution.
  
- The Amended and Restated Contract ..... The Authority has entered into an Amended and Restated Regional (Hays/Caldwell Counties Area) Water Supply and Treatment Contract, dated February 9, 2021 (the "Amended and Restated Contract"), to supply treated water to the Participating Members, Martindale Water Supply Corporation (which is a participating member under the Amended and Restated Contract, but is not obligated on the payment of the Bonds), and to the City of San Marcos, Texas, which is a customer but not a Participating Member. See "THE HAYS/CALDWELL COUNTIES AREA PROJECT – SAN MARCOS RIVER RIGHTS PROJECT" and "APPENDIX G – Amended and Restated Contract."

Maturity .....	The Bonds will mature in the principal amounts and in the years set forth under "MATURITY SCHEDULE" on the inside front cover page of this Official Statement.
Redemption.....	The Bonds maturing on or after August 1, 2031, are subject to optional redemption, in whole or in part, on August 1, 2030 or any date thereafter at the price of par plus accrued interest to such date of redemption. Additionally, the Bonds maturing on August 1, 2032, August 1, 2035, and August 1, 2038 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. See "THE BONDS – Redemption" herein.
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used for the purposes of (1) providing funds to refund certain of the Authority's currently outstanding obligations, as identified in Schedule I attached hereto, for debt service savings, and (2) paying the costs of issuance of the Bonds. See "THE BONDS - Purpose" herein.
Payment Record .....	The Authority has never defaulted in the payment of any of its debt obligations.
Rating .....	S&P Global Ratings has assigned an unenhanced, underlying rating of "A+" to the Bonds. See "RATINGS" herein.
Book-Entry Only .....	The Authority intends to utilize the Book-Entry Only System of The Depository Trust Company, New York, New York ("DTC"). See "BOOK-ENTRY ONLY SYSTEM."
Additional Bonds .....	In the Resolution, the Authority reserves the right to issue Additional Bonds, as well as Prior Lien Obligations, Junior Lien Obligations, and Inferior Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. See "THE BONDS – Future Borrowings."
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 law subject to matters discussed herein under "TAX MATTERS". See "TAX MATTERS" and "APPENDIX E – Form of Opinion of Bond Counsel" herein.
Concurrent Issuance.....	Concurrently with the issuance of the Bonds, the Authority intends to issue its \$13,860,000 Tax-Exempt Contract Revenue Refunding Bonds (Wells Ranch I Project), Series 2021, payable from a separate source (and not the Annual Payments) to realize debt service savings. This Official Statement describes only the Bonds and not these other refunding bonds. See "INTRODUCTION" herein.

**CANYON REGIONAL WATER AUTHORITY**  
**\$2,115,000**  
**TAX-EXEMPT CONTRACT REVENUE REFUNDING BONDS**  
**(HAYS/CALDWELL COUNTIES AREA PROJECT-SAN MARCOS RIVER RIGHTS PROJECT), SERIES 2021**

**INTRODUCTION**

This Official Statement is provided to furnish information in connection with the offering of the \$2,115,000 Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project-San Marcos River Rights Project), Series 2021 (the "Bonds"). The Bonds are being issued pursuant to (i) the Constitution and general laws of the State of Texas (the "State"), including particularly the Special Act (defined herein), Chapter 49 and certain provisions of Chapter 65, Texas Water Code, as amended, and Chapters 1207 and 1371, Texas Government Code, as amended (collectively the "Act"), and (ii) a resolution authorizing the Bonds (the "Resolution"), adopted by the Board of Trustees (the "Board") of Canyon Regional Water Authority (the "Authority" or the "Issuer") on May 10, 2021. The Board, in the Resolution, delegated the authority to certain Authority officials to execute an approval certificate (the "Approval Certificate") establishing the final sale terms for the Bonds (see "THE BONDS – Authority for Issuance" herein). The Approval Certificate was executed by an authorized Authority official On May 12, 2021.

The Authority's financial statements included in this Official Statement present information on the general financial condition of the Authority at the dates and for the periods shown. However, the Bonds are payable solely from Special Payments (being the Annual Payments, as defined in and allocated under Section 3.04 of the Amended and Restated Contract) derived from the Amended and Restated Regional (Hays/Caldwell Counties Area) Water Supply and Treatment Contract, dated February 9, 2021 (the "Amended and Restated Contract"), among (1) Crystal Clear Special Utility District, (2) County Line Special Utility District, and (3) Maxwell Special Utility District (collectively, the "Participating Members"), the Authority. **Martindale Water Supply Corporation and the City of San Marcos, Texas, are also parties to the Amended and Restated Contract, but payments from these parties do not secure the Bonds.** The Bonds are not payable from ad valorem taxes levied and collected by any Participating Member (the Authority itself is not authorized to levy an ad valorem tax). See "THE BONDS - Source of Payment and Security."

There follows in this Official Statement a description of the Bonds and certain information about the Authority and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the Authority, and, during the offering period, from the Authority's Financial Advisor via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement (defined herein) 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" for a description of the Authority's and the Participating Members undertaking to provide certain information on a continuing basis.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Resolution. See "APPENDIX F – Selected Provisions of the Resolution."

**Concurrent Issuance....** Concurrently with the issuance of the Bonds, the Authority intends to issue its \$13,860,000 Tax-Exempt Contract Revenue Refunding Bonds (Wells Ranch I Project), Series 2021, payable from a separate source (and not the Annual Payments) to realize debt service savings. This Official Statement describes only the Bonds and not these other refunding bonds.

**2021 WEATHER EVENT**

**General**

From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm (the "2021 Event"). As a result of the 2021 Event, areas throughout Texas experienced widespread, record breaking cold.

Due to effects of the 2021 Event and a reduction in available gas supply, approximately 185 generating units in the Electric Reliability Council of Texas ("ERCOT") grid tripped offline, and the grid lost roughly 46,000 MW of generation. In order to limit demand and protect the integrity of the grid, ERCOT implemented widespread and prolonged blackouts. As a result, approximately 4 million Texas residents were without power for significant stretches of the week.

Extended subfreezing temperatures caused water pipes to freeze and burst, and combined with the lack of power, eventually led to multiple water system failures across the State that impacted water availability generally and, in some instances, required the issuance of water boil notices. Initial reports indicated that roughly 14 million Texans were under boil water notices as of February 19, 2021.

On February 19, 2021, the President of the United States issued a Major Disaster Declaration for 77 counties in Texas, including a majority of the counties where the Authority provide water. The Texas Governor, on February 18, 2021, declared a new emergency item for the current Texas legislative session (in session until May 31, 2021) in which he requested the Legislature to mandate the winterization of Texas' power system and to ensure the necessary funding for winterization.

#### **Impact to the Authority, the System and the Participating Members**

The water systems of the Authority and its various participating members were impacted by the 2021 Event. Sub-freezing temperatures caused damage to a variety of facilities at each water treatment plant and the related transmission systems. Additionally, repeated electric blackouts reduced the System's ability to produce treated water, while at the same time water demand increased as a result both of end-users continually dripping faucets to avoid freezing and from leaks associated with frozen and cracked pipes. Because of these events, many of the systems receiving water from the Authority's System saw temporary service interruptions. Multiple customers, including all of the Participating Members, issued boil water notices for parts or all of their respective systems.

While repairs are ongoing, at the current time all of the System's water treatment plants are fully functioning and operational and providing treated water to the Authority's customers. Currently, the Authority has sufficient funding to address its immediate and near term operational and capital needs. Over the long term, the Authority expects to finance all necessary repairs through a combination of available funds, insurance proceeds, and possible federal disaster aid through the Federal Emergency Management Agency.

The Authority cannot determine at this time the impact on the Authority's or the Participating Members' financial condition and/or operations, or the availability of assistance from federal or state aid.

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

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021, the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 took effect on March 10, 2021. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. 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.

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 Authority and its customers. These negative impacts may reduce or otherwise negatively affect the revenues of the customers of the System, which provide the funds for the Special Payments that are pledged as security for the Bonds. The Authority cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the Authority, its System, or its customers.

The Authority continues to monitor the spread of COVID-19 and is working to address the potential impact of COVID-19. While the potential impact of COVID-19 on the Authority cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the Authority's operations and financial condition.

## THE BONDS

### Description of the Bonds

The Bonds are dated June 1, 2021, will mature on the dates and in the principal amounts, and will bear interest at the rates set forth on the inside front cover page of this Official Statement. Interest on the Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months and is payable on February 1, 2022 and on each February 1 and August 1 thereafter until stated maturity or prior redemption. The Bonds are issued in fully registered form in denominations of \$5,000 or any multiple thereof. Principal of and interest on the Bonds are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Bonds will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Bonds will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

### Authority for Issuance

The Bonds are being issued pursuant to the provisions of (i) the Constitution and general laws of the State of Texas, including particularly the Special Act, Chapter 49 and certain provisions of Chapter 65, Texas Water Code, as amended, Chapters 1207 and 1371, Texas Government Code, as amended and (ii) the Resolution. The Board, in the Resolution, delegated the authority to certain Authority officials to execute an approval certificate (the "Approval Certificate") establishing final sale terms for the Bonds. The Approval Certificate was executed by an authorized official on May 12, 2021.

### Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with UMB Bank, N.A., Austin, Texas, (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of May 10, 2021 (the "Escrow Agreement") between the Authority and the Escrow Agent.

The Resolution provides that the Authority will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the Authority, with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption. Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the Authority, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Resolution was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA" (the "Federal Securities"). Cash and investments (if any) held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the Authority will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash and Federal Securities with the Escrow Agent pursuant to the Escrow Agreement, the Authority will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the Authority payable from the pledge of the Special Payments (as further described herein). The Authority has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

### Purpose

Proceeds from the sale of the Bonds will be used for the purposes of (1) providing funds to refund certain of the Authority's currently outstanding obligations, as identified in Schedule I attached hereto, for debt service savings, and (2) paying the costs of issuance of the Bonds.

## Sources and Uses of Proceeds

The proceeds from the sale of the Bonds including a contribution from the Issuer, will be applied approximately as follows:

Sources of Funds	
Par Amount of the Bonds	\$ 2,115,000.00
Reoffering Premium on the Bonds	231,447.55
Accrued Interest	2,991.67
Issuer Contribution	<u>139,629.22</u>
Total Sources of Funds	<u>\$ 2,489,068.44</u>
Uses of Funds	
Deposit to Escrow Fund	\$ 2,365,053.19
Costs of Issuance	97,931.08
Total Underwriter's Discount	23,092.50
Deposit to Debt Service Fund	<u>2,991.67</u>
Total Uses of Funds	<u>\$ 2,489,068.44</u>

## Source of Payment and Security

The Bonds are special obligations payable as to principal and interest from, and secured (together with any Bonds Similarly Secured previously issued or hereafter issued by the Authority) solely by, a lien on and pledge of the Special Payments (being the Annual Payments, as defined in and allocated under Section 3.04 of the Amended and Restated Contract) to be paid by the Participating Members to the Authority pursuant to the Amended and Restated Contract. See "APPENDIX G - Amended and Restated Contract." The Bonds are also secured by a pledge of the money in all Funds created, established, and maintained by the Resolution. The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or of the Participating Members and the registered owner of a Bond shall never have the right to demand payment of the Bonds from any other sources or properties of the Authority or the State of Texas. The Bonds are not payable from or secured by any other revenues of the Authority, or any other entity, and the Authority is not authorized to levy any tax in payment thereof. The Authority reserves the right to issue Additional Bonds, Prior Lien Obligations, Junior Lien Obligations and Inferior Lien Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

## Payment Record

The Authority has never defaulted in the payment of its bonded indebtedness.

## Redemption

### Optional Redemption

The Bonds maturing on or after August 1, 2031 are subject to optional redemption, in whole or in part, on August 1, 2030, or any date thereafter, in principal amounts of \$5,000 or any integral multiple thereof at the price of par plus accrued interest thereon to such date of redemption.

### Mandatory Sinking Fund Redemption

The Bonds stated to mature on August 1, 2032, August 1, 2035, and August 1, 2038 are referred to herein as the "Term Bonds". The Term Bonds are also subject to mandatory redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on August 1, in the years and principal amounts shown below:

Term Bond Maturing on August 1, 2032		Term Bond Maturing on August 1, 2035		Term Bond Maturing on August 1, 2038	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2030	\$130,000	2033	\$140,000	2036	\$150,000
2031	130,000	2034	140,000	2037	155,000
2032*	130,000	2035*	145,000	2038*	160,000

\*Payable at Stated Maturity.

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

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Authority, by the principal amount of any Term Bonds of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Authority and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Authority, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

### **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 Authority 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.

The Paying Agent/Registrar and the Authority, 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 Resolution or other notices with respect to the Bonds only to The Depository Trust Company ("DTC"), New York, New York. 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 Authority will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the Authority or the Paying Agent/Registrar. Neither the Authority nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM."

### **Defeasance**

The Resolution 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, and/or (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 Authority's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Resolution). The Authority 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 Authority moneys in excess of the amount required for such defeasance. The Resolution 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 Authority 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 Authority has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually



limit such permissible defeasance securities and expressly recognizes the ability of the Authority 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 Authority 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 Authority 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 Authority (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 Resolution 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 Resolution; 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, or the redemption price therefor, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, 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, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Bonds required for consent to any amendment, change, modification, or waiver.

#### **Payment of the Bonds**

The Authority intends to utilize the Book-Entry Only System of DTC, but reserves the right on its behalf or on behalf of the holders of the Bonds to discontinue such system. So long as the Bonds are in book-entry only form, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., as nominee of DTC. Such Book-Entry Only System will affect the method and timing of payment and the method of transfer. DTC will be responsible for distributing principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Bonds. See "BOOK-ENTRY ONLY SYSTEM." So long as the Bonds are in book-entry only form, and DTC is the securities depository therefor, Cede & Co., as nominee for DTC, will be the registered owner of the Bonds and references herein to Owners, Bondholders or registered owners shall mean Cede & Co., and not the "Beneficial Owners" of the Bonds.

In the event the Book-Entry Only System is discontinued (i) payment of the principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America which, on the date of payment, is legal tender for the payment of debts due in the United States of America, upon their presentation and surrender as they respectively become due and payable at the designated payment/transfer office of the Paying Agent/Registrar and (ii) payment of the interest on the Bonds shall be payable on each interest payment date by check dated as of such interest payment date and mailed by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to the Owner of record as of the Record Date, to the address of such Owner as shown on the books of registration maintained by the Paying Agent/Registrar, or by such other method, acceptable to the Paying Agent/Registrar, at the request of and at the risk and expense of the Owner. If the date for the payment of the principal of or interest on a Bond shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where the designated payment/ transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or a day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due. See "REGISTRATION, TRANSFER AND EXCHANGE."

#### **Rate Covenant**

Pursuant to the Resolution, the Authority has agreed, while any of the Bonds Similarly Secured (including the Bonds) are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System (as defined herein) that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient: (1) to pay all Maintenance and Operating Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System; (2) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Authority and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System; (3) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Authority and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System; (4) to produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Authority and the amounts required to be deposited in

any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System; and (5) to produce Net Revenues, together with any other lawfully available funds, including Special Payments (defined as Annual Payments in and allocated under Section 3.04 of the Amended and Restated Contract), to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Bonds Similarly Secured (including the Bonds).

#### **Future Borrowing**

The Authority reserves the right to issue, for any lawful purpose, including refunding purposes, such Additional Bonds as the Authority may hereafter be authorized to issue, which Additional Bonds, when issued and delivered, may be payable from and secured by a lien on and pledge of the Special Payments on a parity with the lien and pledge securing the Similarly Secured Bonds. In addition, the Authority reserves the right to issue Additional Obligations (Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations), which when issued and being delivered, shall be secured by a lien against the Net Revenues of the System. The Authority also reserves the right to issue indebtedness secured by revenues other than Special Payments and Net Revenues of the System. See "APPENDIX F – Selected Provisions of the Resolution."

#### **Default and Remedies**

If the Authority 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 Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners of any Bonds Similarly Secured may seek a writ of mandamus to compel Authority 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 Resolution and the Authority's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. Additionally, the Participating Members' default under the Amended and Restated Contract to make the Annual Payment (or any portion thereof) when due or with respect to its observance or performance of any of its covenants, conditions, or obligations set forth in the Amended and Restated Contract gives rise to the Authority's exercise of rights and remedies thereunder to compel the Participating Member's performance or to undertake other available action (in response to which the Participating Members are permitted to raise defenses under the Amended and Restated Contract and remedies otherwise available thereto pursuant to applicable law). Neither the registered owners of the Bonds nor any trustee acting on their behalf have been assigned the right to directly enforce the Authority's rights and remedies under the Amended and Restated Contract or to compel the Participating Members' performance thereunder. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the Authority to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the Authority, permits the Authority to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authority for Issuance"), the Authority has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the Authority's sovereign immunity from a suit for money damages beyond Chapter 1371, bondholders may not be able to bring such a suit against the Authority for breach of the Bonds or Resolution covenants. Even if a judgment against the Authority could be obtained, it could not be enforced by direct levy and execution against the Authority's property. Furthermore, the Authority is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, such as the Special Payments, 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 Authority avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

#### **BOOK-ENTRY ONLY SYSTEM**

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

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

States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Paying Agent/Registrar, on payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Authority, 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 Authority or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

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

### **REGISTRATION, TRANSFER AND EXCHANGE**

#### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Resolution, the Authority retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Authority, 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 Authority, 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 Authority 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 or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or earlier redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

#### **Future Registration**

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

#### **Record Date for Interest Payment**

The record date ("Record Date") for determining the party to whom interest on a Bond is payable on any interest payment date is the fifteenth calendar day of the preceding month, as specified in the Resolution.

### **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 Authority. 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.

### **Limitation on Transfer of Bonds**

Neither the Authority nor the Paying Agent/Registrar shall be required to transfer or exchange any Bonds (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date and (ii) with respect to any Bonds selected for redemption in whole or in part, within 45 days of the date fixed for redemption; provided, however, this limitation shall not be applicable to the transfer or exchange of the unredeemed balance of a Bond called for redemption in part.

### **Replacement Bonds**

The Authority 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 Authority and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Authority may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

## **THE AUTHORITY**

### **Creation and Purpose**

The Authority was created by Chapter 670, Acts of the 71st Legislature, Regular Session, as amended (the "Special Act"), which became effective on August 28, 1989, under Article XVI, Section 59, of the Texas Constitution. The Authority operates under the Special Act and Chapter 49 and certain provisions of Chapter 65 of the Texas Water Code. The Authority was created to (1) purchase, own, hold, lease and otherwise acquire sources of a potable water supply, (2) build, operate and maintain facilities for the treatment and transportation of water, (3) sell potable water to local governments, water supply corporations and other persons in the state, and (4) protect, preserve and restore the purity and sanitary condition of water in the Authority. The Authority's principal function is to provide wholesale water supply, treatment and transmission services to its member entities. The Authority may not levy or collect ad valorem taxes, but does have the power of eminent domain and may issue bonds to provide funds to accomplish its public purposes.

The Authority is comprised of eleven member entities (the "Members"), and the governing board consists of two voting members from each entity. The member entities consist of Crystal Clear Special Utility District, East Central Special Utility District, Springs Hill Water Supply Corporation, Green Valley Special Utility District, County Line Special Utility District, Maxwell Special Utility District, Martindale Water Supply Corporation and the cities of Marion, Cibolo, La Vernia, and Converse. In addition, the City of San Antonio, Texas, acting by and through the San Antonio Water System ("SAWS"), is a customer of the Authority and a participating party in a water supply contract with the Authority. The City of San Marcos, Texas, is a customer under the Amended and Restated Contract, but is not a Participating Member under the Amended and Restated Contract, and is not a Member of the Authority.

The Authority functions as a partnership of its Members that is responsible for acquiring, treating, and transporting potable water. Members include water supply corporations, cities and special purpose districts. The Authority is also responsible for encouraging water conservation, to reduce the reliance on a future uncertain supply of groundwater, and to protect, preserve and restore the purity of water.

The Members and customers either pump water from the Edwards Aquifer or have Guadalupe River Water rights and are therefore regulated by the Edwards Aquifer Authority or Guadalupe Blanco River Authority. In addition, the Authority has water rights in the Carrizo and Wilcox Aquifers located in Guadalupe and Gonzales Counties. The Authority provides water to its Members and customers pursuant to certain water supply contracts ("Water Supply Contracts"). The City of Marion, Texas, the City of Cibolo, Texas, East Central Special Utility District, Green Valley Special Utility District, Crystal Clear Special Utility District, SAWS and Springs Hill Water Supply Corporation receive water from the Authority pursuant to the Lake Dunlap/Mid Cities Project Contract. County Line Special Utility District, Crystal Clear Special Utility District, Maxwell Special Utility District, Martindale Water Supply Corporation and the City of San Marcos, Texas, receive water from the Authority pursuant to the Amended and Restated Contract; entered into in connection with the acquisition and construction of the Hays/Caldwell Counties Area Project. SAWS, the City of Cibolo, Green Valley Special Utility District, East Central Special Utility District, Crystal Clear Special Utility District, the City of Marion and Springs Hill Water Supply Corporation receive water from the Wells Ranch I Contract entered into a connection with the acquisition and construction of the Wells Ranch I Project. Green Valley Special Utility District, City of Cibolo, City of Converse, East Central Special Utility District, Crystal Clear Special Utility District, and the City of Marion receive water from the Wells Ranch II Project pursuant to the Wells Ranch II Contract entered into in connection with the acquisition and construction of

the Wells Ranch II Project. The Authority maintains separate books and records for the Hays/Caldwell Counties Area Project (defined below), the Lake Dunlap/Mid Cities Project, the Wells Ranch I Project and the Wells Ranch II Project. See “Authority Projects” below.

Additional information about the Authority, and copies of the Amended and Restated Contract, the Resolution, or other contracts and bond resolutions, may be obtained from the Authority’s Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, by electronic mail or upon payment of reasonable handling, copying, and delivery charges.

### **Authority Projects**

The Authority owns and operates the following special projects (i) the Lake Dunlap Water Treatment Plant and the Mid-Cities Water transmission system (the “Lake Dunlap/Mid Cities Project”), (ii) the Wells Ranch I Project, (iii) the Wells Ranch II Project, and (iv) the Hays/Caldwell Counties Area Project, each of which are operated as separate enterprises on a separate fiscal basis. In addition, the Resolution provides for the ownership and operation by the Authority of a utility system in addition to the Lake Dunlap/Mid-Cities Project, the Wells Ranch I Project, the Wells Ranch II Project and the Hays/Caldwell Counties Area Project; however, the Authority does not currently own or operate a utility system or any facilities other than those related to the Lake Dunlap/Mid-Cities Project, the Wells Ranch I Project, the Wells Ranch II Project, and the Hays/Caldwell Counties Area Project. See “APPENDIX A – Information Relating to the Authority’s Debt” for a description of the Authority’s outstanding debt associated with the Authority’s projects.

### **History**

#### *The Lake Dunlap/Mid-Cities Project*

The Authority was preceded by a non-profit water supply corporation, which was incorporated September 23, 1988 and dissolved as of August 28, 1989. Operations of the predecessor corporation were devoted primarily to planning, obtaining financing and administrative functions. The Authority acquired all assets and assumed the liabilities of the dissolved predecessor corporation. Prior to the fiscal year ending September 30, 1994, the Authority’s operations were devoted to obtaining financing for the construction of the Lake Dunlap Water Treatment Plant and administrative functions. On March 23, 1992, a loan of \$5,090,000 was approved by the United States Department of Agriculture, Farmers Home Administration. On April 19, 1993, construction was authorized to proceed. Production of potable water began in 1994 at the two million gallons per day (MGD) Lake Dunlap Treatment Plant.

On April 8, 1999, the Authority closed on three loans with the Texas Water Development Board (the “TWDB”). The proceeds of those loans were used to finance two projects and to refund the Farmers Home Administration debt that was issued in 1992. The first project was to increase the existing Lake Dunlap Water Treatment Plant capacity from 2 MGD to 4 MGD. The second project was the Hays/Caldwell Counties Area Project.

On September 20, 2000, the Authority closed on two loans with the TWDB to provide funds for Phase 1 of the Mid Cities Transmission Line. This project included the construction of water transmission lines from the Lake Dunlap Treatment Plant to delivery points to some of the Members, a booster station, and a 2 MGD ground storage tank.

On June 10, 2003 the Authority closed on two loans with the TWDB to provide funds for an expansion of the Lake Dunlap Treatment Plant and the completion of the Mid-Cities Transmission Line. The expansion of the Treatment Plant increased its capacity from 4 MGD plan to 10 MGD. The completion of the Transmission Line consisted of an extension of the line to add additional points of delivery to the Participating Members, a 3 MGD ground storage tank, a 2 MGD elevated storage tank, a 1.5 MGD elevated storage tank, and booster stations along the transmission line.

In 2006, all of the then outstanding Lake Dunlap and Mid-Cities Project Bonds were refunded into a Lake Dunlap Tax-Exempt Bond, a Lake Dunlap Taxable Bond, and a Mid-Cities Tax-Exempt Bond and sold via a negotiated sale in the public market.

On August 4, 2016, the Authority issued \$34,800,000 Tax-Exempt Contract Revenue and Refunding Bonds (Lake Dunlap/Mid Cities Project) through a public offering to make improvements to the Lake Dunlap treatment plant and refund all of the Authority’s then outstanding, Lake Dunlap Project Bonds and Mid-Cities Transmission Line Project Bonds. The Bonds are supported by a take-or-pay contract between the Authority and the Cities of Cibolo and Marion, Green Valley Special Utility District, East Central Special Utility District, SAWS, Crystal Clear Special Utility District and Springs Hill Water Supply Corporation.

The Lake Dunlap Treatment Plant currently has a production and treatment capacity of 16 MGD. The first 2 MGD is the original conventional Water Treatment Plant built in 1992. The balance is the Koch membrane filtration plant was completed in 2006. Treated water is stored in two 0.5 million gallon (MG) tanks and two 1.25 MG tanks. The water is pumped out to the transmission system through four 2,400 GPM booster pumps to the Mid-Cities customers (SAWS, the Cities of Cibolo, Texas, and Marion, Texas, East Central Special Utility District, and Green Valley Special Utility District), and four 1,200 GPM booster pumps to Springs Hill Water Supply Corporation and Crystal Clear Special Utility District.

The Authority maintains two transmission lines consisting of approximately 24 miles of 24 to 30 inch pipes. The first line takes water from the Treatment Plant East to Highway 123 between the Cities of Seguin and San Marcos and serves Springs Hill Water Supply Corporation and Crystal Clear Special Utility District. The second transmission line is approximately 24 miles long. There are three elevated storage tanks along the transmission line that provide pressure and storage for the members. The tanks consist of the 2 MG tank at Dameru Road, the 1.5 MG tank at FM 1518 and the 0.5 MG standpipe at Highway 46. Water is pumped through the transmission line by the Wagner Pump Station with its 2 MG ground storage tanks and five 2,250 gallons per minute (“GPM”) pumps and the Loop 1604 Pump Station with a 3 MG ground storage tank and three 1,800 GPM pumps.

The original bonds for the Lake Dunlap Project, Wells Ranch I Project and Mid-Cities Project are supported with take-or-pay contracts with each participating member. To accommodate governmental and non-governmental member entities, the bonds for these projects were issued either as tax-exempt project bonds or taxable project bonds. The original tax-exempt bonds for the Lake Dunlap Project and Mid-Cities Project were supported by take-or-pay contracts with Green Valley Special Utility District, Bexar Metropolitan Water District (now dissolved into SAWS), the City of Cibolo and the City of Marion. The original taxable bonds for the Lake Dunlap Project and Mid-Cities Project were supported by a substantially similar take-or-pay contract with Crystal Clear Special Utility District, East Central Water Supply Corporation and Springs Hill Water Supply Corporation. On April 14, 2005, East Central Water Supply Corporation converted to a special utility district. East Central Special Utility District conversion to a governmental entity allows for their portion of the taxable bonds to be refunded into tax-exempt bonds.

#### *The Hays/Caldwell Counties Area Project*

As discussed above, on April 8, 1999, the Authority closed on three loans with the TWDB to finance two projects, one of which was the Hays/Caldwell Counties Area Project. This project consisted of a 1.5 MGD water treatment plant, 2 MGD ground storage tank, high speed booster pumps and water transmission lines in Hays and Caldwell Counties with delivery points to the participating members of the Hays/Caldwell Counties Area Project.

On February 7, 2001, the Authority closed on a loan with the TWDB to finance additional work for the Hays/Caldwell Counties Area Project.

In addition, on June 26, 2003, the Authority closed on a loan with the TWDB to provide funds for the expansion of the Hays/Caldwell Counties Area Project. The expansion of the existing plant from 2 MGD to 4 MGD included the installation of an additional water filtration unit.

In 2005, certain of the Hays/Caldwell Counties Area Project Bonds that were originally sold to the TWDB were refunded via a negotiated sale in the public market.

On July 17, 2017, the Authority issued its \$5,000,000 Hays/Caldwell Counties Area Taxable Contract Revenue Bonds, Series 2017 (the “2017 Bonds”) to the TWDB. On March 25, 2021, the Authority issued its \$12,050,000 Tax Exempt Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2021 (the “2021 Bonds”) via a negotiated sale in the public market. The 2017 Bonds and the 2021 Bonds were issued for the purposes of increasing the Hays/Caldwell Area Plant capacity from 2,908 acre feet to 4,468 acre feet, and (ii) installing additional disinfection, storage and sludge handling improvements and new raw water intake infrastructure (the “2020 Project”). On February 9, 2021, the Authority, Maxwell Special Utility District, Martindale Water Supply Corporation, Crystal Clear Special Utility District, County Line Special Utility District, and the City of San Marcos, Texas, entered into the Amended and Restated Contract to provide for the issuance of the 2021 Bonds, the construction of the 2020 Project, and the addition of the City of San Marcos as a customer.

The Hays/Caldwell Counties Area Project currently consists of a 6 MGD membrane filtration surface water treatment plant and approximately 2 miles of 12 to 16-inch water transmission lines. Treated water is stored in a 1 MG ground storage tank located at the plant and is pumped into the transmission lines by four high service pumps. Maxwell Special Utility District, Martindale Water Supply Corporation, Crystal Clear Special Utility District and County Line Special Utility District are all served by this plant. Upon completion of the 2020 Project, the City of San Marcos, Texas, will also be served by this plant.

#### *Hays/Caldwell Counties Area Project – San Marcos River Rights Project*

On March 5, 2008, the Authority delivered its \$3,200,000 Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2008 (the “Refunded Obligations”) to finance additional water rights to supply additional water to County Line Special Utility District, Crystal Clear Special Utility District and Maxwell Special Utility District through the Hays/Caldwell Counties Area Project San Marcos River Rights Project. These bonds were sold to the TWDB and are only secured by revenues derived from each of these special districts under the Amended and Restated Contract.

The Bonds are being issued to refund the Refunded Obligations.

### Wells Ranch I Project

On September 11, 2007, the Authority delivered its \$43,360,000 Tax Exempt Contract Revenue Bonds (Wells Ranch I Project), Series 2007 (the “2007 Bonds”) via a negotiated sale in the public market for construction of a well field in Carrizo and Wilcox Aquifers in Guadalupe and Gonzales Counties. This project is known as the “Wells Ranch I Project”.

On July 14, 2009, the Authority delivered its \$3,695,000 Tax Exempt Contract Revenue Bonds (Wells Ranch I Project), Series 2009 (the “Series 2009 Bonds”) to finance the construction of an additional well and easement acquisitions costs in conjunction with the Wells Ranch I Project.

On December 22, 2011 the Authority delivered its \$15,575,000 Tax Exempt Contract Revenue Bonds (Wells Ranch I Project), Series 2011 (the “Series 2011 Bonds”) via a negotiated sale in the public market for the construction of additional pipe lines associated with the Wells Ranch I Project to better serve its customers served by that project.

On August 10, 2016, the Authority delivered its \$31,550,000 Tax Exempt Contract Revenue Refunding Bonds (Wells Ranch I Project), Series 2016 (the “2016 Bonds”) via a negotiated sale in the public market to refund the 2007 Bonds.

On June 16, 2021, the Authority plans to issue its \$13,860,000 Tax-Exempt Contract Revenue Refunding Bonds (Wells Ranch I Project), Series 2021 via a negotiated public market sale to refund the Series 2009 Bonds and the Series 2011 Bonds for debt service savings.

The Wells Ranch I Bonds are supported by take-or-pay contracts with SAWS, City of Cibolo, City of Marion, East Central Special Utility District, Green Valley Special Utility District, Springs Hill Water Supply Corporation, and Crystal Clear Special Utility District.

### Wells Ranch II Project

On December 10, 2015 the Authority delivered its \$42,000,000 Tax-Exempt Contract Revenue Bonds (Wells Ranch II Project) to the TWDB SWIRFT Project Fund for the construction of a well field and distribution system capable of producing 13,029 acre feet per year (known as Wells Ranch I Project). These bonds are supported by take or pay contract with Green Valley Special Utility District, the City of Cibolo, the City of Converse, East Central Special Utility District, Crystal Clear Special Utility District, and the City of Marion.

### Form of Government

**Board of Trustees.** The Authority is governed by a twenty-two member Board, with two individuals representing each Member entity on the Board. Board members are appointed by the Member entities and serve two-year staggered terms. Newly appointed Board members take office in May of each year. The current members and officers of the Board and their respective sponsoring entities are listed on page 5 of this Official Statement. SAWS and the City of San Marcos, Texas are customers of the Authority, but are not members of the Authority.

**Board of Managers.** The Board of Managers is comprised of the senior managers of each Member entity and provides technical assistance and guidance to the Board. The Board of Managers (as of September 1, 2020) are:

<u>Sponsoring Member</u>	<u>Name</u>	<u>Position with Member</u>
City of Cibolo, Texas	Chris Wright	Assistant Public Works Director
City of Converse, Texas	Jonathon Smith	Director of Utilities
County Line Special Utility District	Daniel Heideman	Manager
Crystal Clear Special Utility District	Regina Franke	Assistant General Manager
East Central Special Utility District	Albert Strzelczyk	General Manager
Green Valley Special Utility District	Pat Allen	General Manager
City of La Vernia, Texas	David Mahula	Public Works Director
City of Marion, Texas	Victor Contreras	Mayor
Martindale Water Supply Corporation	Steven Fonville	General Manager
Maxwell Special Utility District	Justin Ivicic	General Manager
Springs Hill Water Supply Corporation	Daniel Pepin	General Manager

Associate Member	Name	Position with Member
Canyon Lake Water Supply	Tom Hodge	General Manager
Guadalupe Valley Electrical Cooperative	Ky Slone	Senior Executive Manager & Chief Financial Officer
Sulphur Springs Water Supply Corporation	Carlos Febus	General Manager

**Management of the Authority.** Day-to-day operations are under the direction of a General Manager, who is responsible for the operation of the Authority’s facilities. Management and administrative functions are performed by the General Manager under policies established by the Board of Trustees. Employees of the Authority are identified on page v of this Official Statement.



**Source of Water Supply**

The Authority and the Guadalupe Blanco River Authority (“GBRA”) entered into a water purchase contract dated as of October 13, 1998, as amended (the “GBRA Water Supply Contract”) which provides for the purchase of water by the Authority. The current annual commitment under the GBRA Water Supply Contract is 10,575 acre feet of water per year. The water supplied under the GBRA Water Supply Contract may not be used to supply users other than the retail customers within the service areas of the Crystal Clear Special Utility District, the Green Valley Special Utility District, the Springs Hill Water Supply Corporation, the East Central Special Utility District, the City of Cibolo, the City of Marion, and the former Bexar Metropolitan Water District (which has been assumed by SAWS). The GBRA Water Supply Contract expires on December 31, 2039, subject to renewal or extension on such terms as may be agreed upon by GBRA and the Authority.

The Authority entered into a contract for raw water service with the GBRA dated as of June 16, 1999, as amended (the “Second GBRA Water Supply Contract”) on terms substantially similar to the terms of the GBRA Water Supply Contract. The Authority’s annual commitment pursuant to the Second GBRA Water Supply Contract is to purchase 2,908 acre feet of water per year for use to supply Maxwell Special Utility District, County Line Special Utility District, and Martindale Water Supply Corporation. The Second GBRA Water Supply Contract expires on December 31, 2039, subject to renewal or extension on such terms as may be agreed upon by GBRA and the Authority.

In 2007, through the Wells Ranch I & II projects, the Authority began producing and transporting from a well field in the Carrizo and Wilcox Aquifers located in Guadalupe and Gonzales Counties for use by SAWS, City of Cibolo, City of Marion, East Central Special Utility District, Green Valley Special Utility District, Springs Hill Water Supply Corporation, the City of Converse, and Crystal Clear Special Utility District. The Authority has permits for 13,029 acre feet of water.

In addition, the Authority has contracted individually with certain of its Members and customers to treat and transport water that such Members and customers own or have contracted to receive from various other sources of supply.

**No Ad Valorem Tax**

The Authority may not levy or collect ad valorem taxes.

**THE HAYS/CALDWELL COUNTIES AREA PROJECT – SAN MARCOS RIVER RIGHTS PROJECT**

**Existing Hays/Caldwell Counties Area Project**

In August, 1998, the Authority entered into a Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract (the “Original Contract”) with Crystal Clear Water Supply Corporation, County Line Water Supply Corporation, Maxwell Water Supply Corporation (each such entity subsequently converted to a special utility district), and Martindale Water Supply Corporation in order to provide treated water to such entities. Pursuant to the Original Contract, the Authority constructed the Hays/Caldwell Counties Area Project, which includes the Hays/Caldwell Area Plant with a capacity of 2,908 acre feet. The Hays/Caldwell Counties Area Project, including the 2020 Project described below, constitutes the “System.”

**General Description of the 2020 Project**

Due to the continued growth in the Hays/Caldwell County areas of Texas and in particular the areas outside of the City of San Marcos, Texas (the “City”) and the City of New Braunfels, Texas, demand for water has outstripped availability. The current participating members of the Hays/Caldwell Area Project, along with the City, requested more treated water capacity to provide the water needs for the area. Working through the Authority, a \$17,500,000 upgrade and expansion plan was developed that would increase the Hays/Caldwell Area Plant capacity from 2,908 acre feet to 4,468 acre feet, and (ii) install additional disinfection, storage and sludge handling improvements along with new raw water intake infrastructure the 2020 Project. Each customer had the choice to pay cash for the share of the 2020 Project or the Authority could finance the expansion on the behalf through take or pay contract. The cost allocation was based upon allotment of the new expanded plant as follows:

	<b>Acre Feet</b>	<b>%</b>	<b>Cost</b>
Crystal Clear Special Utility District	500	11.191%	\$ 1,958,425
County Line Special Utility District	1,308	29.275%	5,123,125
Martindale Water Supply Corporation	446	9.982%	1,746,850
Maxwell Special Utility District	900	20.143%	3,525,025
City of San Marcos	<u>1,314</u>	<u>29.409%</u>	<u>5,146,575</u>
Totals	4,468	100.00%	\$17,500,000

The City elected to provide cash for its share of the 2020 Project while each of the participating members requested that the Authority issue Contract Revenue Bonds to fund the remaining portion of the expected costs (\$12,050,000). Prior to the Authority accepting the City as a customer, the City was required to buy into the existing Hays/Caldwell Counties Area Project by a percentage. The purchase price was determined by the parties to be \$2,772,049 which was the 29.409% of the depreciated value of the original project.

**The Amended and Restated Contract - San Marcos River Rights Bonds**

The Amended and Restated Contract includes an allocation of Special Project Bonds (i.e., the Refunded Obligations) that were originally issued by the Authority to acquire certain San Marcos River water rights for the sole purpose of supplying treated water to Crystal Clear Special Utility District, County Line Special Utility District and Maxwell Special Utility District. See “THE AUTHORITY – History - Hays/Caldwell Counties Area Project – San Marcos River Rights Project”. The debt service for the Special Project Bonds was to be paid by the allocation shown in the following table. The Bonds are Special Project Bonds under the Amended and Restated Contract, and debt service on the Bonds will be allocated pursuant to the following table.

**Allocation of Debt Service of the San Marcos River Rights Bonds**

Participating Member/Customer	Hays/Caldwell Counties Area Project-San Marcos River Rights Project	
	Ownership%	Annual Debt Service Obligation
County Line Special Utility District	36.42	36.42
Crystal Clear Special Utility District	18.10	18.10
Maxwell Special Utility District	45.48	45.48
Martindale Water Supply Corporation	0.00	0.00
City of San Marcos, Texas	0.00	0.00
Total Customers/Participating Members	100%	100%

**The Participating Members of the Hays/Caldwell Counties Area Project-San Marcos River Rights Project**

The following information concerning the Participating Members was obtained by the Authority from each Participating Member:

County Line Special Utility District was originally incorporated in 1965 as a non-profit corporation to provide water in a mostly unincorporated area Northeast of San Marcos in Hays County. In June 2010 County Line Water Supply Corporation converted to a Special Utility District. The district has 3,655 water customers and an estimated population of 13,080.

Crystal Clear Special Utility District was originally incorporated on September 14, 1964 as a non-profit water supply corporation for the purpose of acquiring and operating a water distribution system to furnish water to members residing in Guadalupe and Hays Counties, Texas and surrounding Areas. In 2013, this corporation converted to a Special Utility District. The district has 1,769 connections and serves an estimated population of 18,000.

Maxwell Special Utility District was incorporated in June 1970 as a non-profit corporation to provide water service to customers in a 120 square mile area in Hays/Caldwell Counties. In January 2020 it converted into a Special Utility District. As of December 31, 2019, this district has 1,769 connections and serves an estimated population of 4,599.

See “APPENDIX B - Information Relating to the Participating Members” for additional information regarding the Participating Members.

**INVESTMENTS**

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

**Legal Investments**

Under State law and subject to certain limitations, the Authority 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 Authority 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 Authority 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 Authority 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 Authority is not required to liquidate the investment unless it no longer carries a required rating, in which case the Authority is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

### Investment Policies

Under State law, the Authority 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 Authority 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 Authority'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 Authority 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 <sup>(1)</sup>

**Table 1**

As of December 31, 2020, the Authority had the following investments:

<u>Investment Type</u>	
Cash/Money Market/Certificates of Deposit	\$24,358,335.69

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.

<sup>(1)</sup> Unaudited

## LEGAL MATTERS

### Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Underwriter 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 Resolution, 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 Authority in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin and San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE BONDS" (except under the subcaptions "Sources and Uses of Proceeds", "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 subheadings "Compliance with Prior Undertakings of the Authority" and "Compliance with Prior Undertakings of the Participating Members" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE" in this Official Statement and such firm is of the opinion that the information relating to the Bonds and the Resolution 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. Certain legal matters will be passed upon by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas as counsel to the Underwriter.

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.

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

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Bonds are negotiable instruments governed by Chapter 8, as amended, 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. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Bonds must have to 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 "RATINGS" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

The Authority 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 Authority has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### **TAX MATTERS**

#### **Tax Exemption**

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

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

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

#### **Tax Changes**

Existing law may change to reduce or eliminate the benefit to Bond holders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and

marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Ancillary Tax Consequences**

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

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

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

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

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

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

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

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

## **REGISTRATION AND QUALIFICATION OF BONDS FOR SALE**

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or

qualified under the securities acts of any other jurisdiction. The Authority assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

No investigation has been made of any other laws, rules, regulations, or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above entities or persons to purchase or invest in the Bonds.

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Authority agrees to cooperate, at the Underwriter'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 Authority shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

## **CONTINUING DISCLOSURE OF INFORMATION**

### **Continuing Disclosure Undertaking of the Authority**

The Authority in the Resolution has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Authority is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Authority will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under "Availability of Information".

### **Continuing Disclosure Undertaking of the Participating Members**

In the Amended and Restated Contract, each Participating Member has agreed to provide certain updated financial information and operating data to the MSRB annually for the benefit of the holders and beneficial owners of the Bonds. Each Participating Member has agreed to observe its agreement to the extent and only during such time as it remains obligated to advance funds to pay the Bonds. Under such agreement, the Participating Members will be obligated to provide certain updated financial information and operating data annually to the MSRB. This information will be available to the general public, free of charge, through EMMA at [www.emma.msrb.org](http://www.emma.msrb.org). The information to be updated includes all quantitative financial information and operating data with respect to such Participating Member of the general type included in its annual financial statement; provided, that at the time of delivery of the Bonds, such Participating Members will acknowledge that such financial information and operating data will include information of the general type included with respect to such Participating Member in APPENDIX B to this Official Statement. The Participating Members will update and provide this information within 6 months after the end of their respective fiscal year. If a Participating Member changes its fiscal year, it will file notice of such change with EMMA.

The Participating Members may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"). The updated information will consist of audited financial statements, if the respective Participating Member commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the Participating Members have agreed to provide unaudited financial statements within the required time and audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with generally accepted accounting principles for governmental entities or such other accounting principles as the Participating Member may be required to employ from time to time pursuant to state law or regulation.

### **Annual Reports**

Under Texas law, including, but not limited to, Chapter 49, as amended, Texas Water Code, the Issuer 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 file each audit report within 120 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The Issuer will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-11 of APPENDIX A to this Official Statement and in APPENDIX C. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2021. The Authority will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

#### **Notice of Certain Events**

The Authority or a Participating Member will also provide timely notices of certain events to the MSRB. The Authority 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 Authority or a Participating Member, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority or a Participating Member or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material; (15) incurrence of a Financial Obligation of the Authority or a Participating Member, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the Authority, 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 Authority or a Participating Member, any of which reflect financial difficulties. In the Resolution, the Authority will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the Authority will provide timely notice of any failure by the Authority to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Bonds nor the Resolution make provision for liquidity enhancement, credit enhancement or debt service reserves.

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 Authority 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 Authority, 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 Authority, and (b) the Authority 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**

Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, all information and documentation filing required to be made by the Authority 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.

With respect to debt of the Authority issued prior to the EMMA Effective Date, the Authority remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA's website simultaneously with such posting. Until the Authority receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the Authority has determined, in reliance on guidance from the MAC, that making its continuing disclosure filings solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

## **Limitations and Amendments**

The Authority and the Participating Members has agreed to update information and to provide notices of certain specified events only as described above. None of the Authority or the Participating Members has 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. None of the Authority or the Participating Members makes any representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. Each of the Authority and the Participating Members 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 Authority None of the Authority or the Participating Members to comply with their agreements.

The Authority and the Participating Members may amend their 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 Authority or the Participating Members, 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 Authority and the Participating Members (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 Authority or a Participating Member 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 Authority and the Participating Members may also amend or repeal the provisions of their respective continuing disclosure agreements 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 Underwriter from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

## **Compliance with Prior Undertakings of the Authority**

The past five years, the Authority has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

Notwithstanding the foregoing, due to an administrative oversight, audited financial statements for fiscal years 2016 through 2019 were not filed by certain participating members with the MSRB for various contract revenue bonds (secured by separate take or pay contracts) issued by the Authority, or such participating members did not properly link such audited financial statements to the Authority's bonds on the MSRB. Audited financial statements for East Central Special Utility District for fiscal years 2016 through 2019 and a notice of failure to file were filed with the MSRB on January 20, 2021. Audited financial statements for City of Cibolo, Texas, City of Marion, Texas, Crystal Clear Special Utility District, Green Valley Special Utility District, and Springs Hill Water Supply Corporation for fiscal years 2016 through 2019 and notices of failure to file were filed with the MSRB on February 9, 2021. The Authority has confirmed that such participating members have implemented procedures to ensure timely compliance with their respective continuing disclosure obligations prospectively.

## **Compliance with Prior Undertakings of the Participating Members**

Except as described below, in the past five years, Crystal Clear Special Utility District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12. During the past five years, no other Participating Member has entered into any agreements made in accordance with SEC Rule 15c2-12. Due to an administrative oversight, audited financial statements for Crystal Clear Special Utility District were not properly linked to certain contract revenue bonds issued by the Authority. Audited financial statements for Crystal Clear Special Utility District for Fiscal years 2016 through 2019 were separately refiled and notices of failure to file were filed with the MSRB on February 9, 2021.

## **FINANCIAL STATEMENTS**

A copy of the Authority's Audited Financial Report, as prepared by the Authority Auditor's Office and audited by Armstrong, Vaughan & Associates, P.C., for the fiscal year ended September 30, 2020, is attached hereto in Appendix C. Copies of the Authority Auditor's Financial Reports for the preceding years are available upon request.

## **RATINGS**

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "A+" to the Bonds. The outstanding Bonds Similarly Secured were previously sold as private placements and are non-rated. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities.



## **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority'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 Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to note that the Authority'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 Authority. 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.

## **LITIGATION**

The Authority is not a party to any litigation or other proceeding pending or to its knowledge threatened in any court, agency or other administrative body (either state or federal).

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

## **FINANCIAL ADVISOR**

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the Authority to assist in the issuance of the Bonds. In this capacity, the Financial Advisor 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 Authority 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 fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and the sale 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 Authority and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

## **UNDERWRITING**

FHN Financial Capital Markets (the "Underwriter") has agreed to purchase the Bonds from the Authority for \$2,323,355.05 (representing the initial offering price of the Bonds set forth on the inside cover page of this Official Statement, plus a reoffering premium of \$231,447.55, less an underwriting discount of \$23,092.50), plus accrued interest on the Bonds from their dated date to their date of initial delivery. The obligation of the Underwriter to purchase the Bonds is subject to certain conditions contained in a bond purchase contract between the Authority and the Underwriter. The Underwriter are obligated to purchase, and the Authority's obligation is to deliver, all of the Bonds if any of the Bonds are purchased and such purchase is also subject to various other conditions.

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

The Bonds are being offered initially at the respective offering prices or yields set forth on the inside front cover page of this Official Statement. Such offering prices or yields may be changed at any time. Bonds may be offered and sold to dealers (including dealers purchasing for their own account or accounts controlled by them) and certain other persons at prices lower or yields higher than the public offering prices or yields.

The Authority has no understanding with the Underwriter regarding the reoffering prices or yields of the Bonds and has no control over trading of the Bonds after their initial sale by the Authority to the Underwriter. Information concerning reoffering prices or yields is the responsibility of the Underwriter.

FHN Financial Capital Markets is a division of First Horizon Bank and First Horizon Advisors, Inc. is a wholly owned subsidiary of First Horizon Bank. FHN Financial Capital Markets has entered into a distribution agreement with First Horizon Advisors, Inc. for the distribution of the offered Bonds at the original issue prices. Such arrangement generally provides that FHN Financial Capital Markets will share a portion of its underwriting compensation or selling concession with First Horizon Advisors, Inc.

## SOURCES OF COMPILATION OF INFORMATION

The information contained in this Official Statement has been obtained from the Authority's records. Certain information has been obtained from other sources which are believed to be reliable; however, no representation is made as to the accuracy or completeness of the information obtained from such sources, and its inclusion herein is not to be construed as a representation to such effect. The summaries of the statutes, resolutions and other related documents are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

## MISCELLANEOUS

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

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 final official statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

This Official Statement has been approved by the Board of Trustees of the Authority for distribution in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. §240.15c2-12, as amended.

/s/ Albert Strzelczyk  
President, Board of Trustees

ATTEST:

/s/ Doris Steubing  
Secretary, Board of Trustees

**SCHEDULE I**

**SCHEDULE OF REFUNDED OBLIGATIONS**

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**SCHEDULE I  
SCHEDULE OF REFUNDED OBLIGATIONS**

**Canyon Regional Water Authority**

**Taxable Contract Revenue Bonds, Series 2008  
(Redemption Date 6-17-21 @ par)**

**Current Interest Bonds**

<b>Original Dated Date</b>	<b>Original Maturity (August 1)</b>	<b>Original Principal Amount</b>	<b>Principal Being Refunded</b>	<b>Interest Rate</b>
February 1, 2008	2021	\$ 80,000.00	\$ 80,000.00	5.140%
	2022	85,000.00	85,000.00	5.140%
	2023	90,000.00	90,000.00	5.140%
	2024	95,000.00	95,000.00	5.140%
	2025	100,000.00	100,000.00	5.140%
	2026	105,000.00	105,000.00	5.140%
	2027	110,000.00	110,000.00	5.140%
	2028	115,000.00	115,000.00	5.140%
	2029	120,000.00	120,000.00	5.140%
	2030	130,000.00	130,000.00	5.140%
	2031	135,000.00	135,000.00	5.140%
	2032	140,000.00	140,000.00	5.140%
	2033	150,000.00	150,000.00	5.140%
	2034	155,000.00	155,000.00	5.140%
	2035	165,000.00	165,000.00	5.140%
	2036	175,000.00	175,000.00	5.140%
	2037	180,000.00	180,000.00	5.140%
	2038	190,000.00	190,000.00	5.140%
		<u>\$ 2,320,000.00</u>	<u>\$ 2,320,000.00</u>	

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Appendix A  
Information Relating to the Authority's Debt

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**INFORMATION REGARDING EXISTING FACILITIES**

**TABLE 1**

The Authority owns and operates the following special projects (i) the Lake Dunlap Water Treatment Plant on Lake Dunlap on the Guadalupe River southwest of New Braunfels, Texas and the Mid-Cities Water Transmission System (collectively the "Lake Dunlap/Mid-Cities Project"), (ii) the Hays/Caldwell Water Treatment Plant on the San Marcos River east of San Marcos, Texas (the "Hays/Caldwell Counties Area Project"), (iii) the Wells Ranch I Project, and (iv) the Wells Ranch II Project, each of which are operated as separate enterprises on a separate fiscal basis. See "THE AUTHORITY - Creation and Purpose". In addition, the Resolution provides for the ownership and operation by the Authority of a utility system in addition to the Lake Dunlap/Mid-Cities Project, the Hays/Caldwell Counties Area Project, the Wells Ranch I Project and the Wells Ranch II Project; however, the Authority does not currently own or operate a utility system or any facilities other than those related to the Lake Dunlap/Mid-Cities Project, the Hays/Caldwell Counties Area Project, the Wells Ranch I Project and Wells Ranch II Project. See Tables 6-11 below for a description of the Authority's outstanding debt associated with the Lake Dunlap/Mid-Cities Project, Hays/Caldwell Counties Area Project, the Wells Ranch I Project and the Wells Ranch II Project. The Special Payments are not pledged to secure payment of debt service on obligations (or for payment of operation and maintenance costs) related to the Lake Dunlap/Mid-Cities Project, Hays/Caldwell Counties Area Project, the Wells Ranch I Project or Wells Ranch II Project; and no revenues of the Lake Dunlap/Mid-Cities Project, Hays/Caldwell Counties Area Project, Wells Ranch I Project or the Wells Ranch II Project are pledged to secure payment of debt service on the Bonds or any other Bonds Similarly Secured (or for payment of operation and maintenance costs of the Hays/Caldwell Counties Area Project).

**Currently Outstanding Bonds**

The Authority's current outstanding indebtedness secured by water supply contracts consists of the following issues:

[As of April 1, 2021]

**Contract Revenue Bonds <sup>(1)</sup>**

Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2005	\$ 1,950,000
Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2008 (San Marcos River Rights Project)	-
Tax-Exempt Contract Revenue Bonds (Wells Ranch Project), Series 2009	-
Tax-Exempt Contract Revenue Bonds (Wells Ranch Project), Series 2011	405,000
Tax-Exempt Contract Revenue Bonds (Wells Ranch Project II), Series 2015	39,750,000
Tax-Exempt Contract Revenue Bonds (Wells Ranch I Project), Series 2016	25,000,000
Tax-Exempt Contract Revenue and Refunding Bonds (Lake Dunlap/Mid-Cities Project), Series 2016	27,540,000
Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2017	4,750,000
Tax-Exempt Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2021	12,050,000
Tax-Exempt Contract Revenue Refunding Bonds (Wells Ranch I Project), Series 2021 (the "Wells Ranch I Bonds")	13,860,000
Tax-Exempt Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project - San Marcos River Rights Project), Series 2021 (the "San Marcos River Rights Bonds" or the "Bonds")	2,115,000
<b>Total</b>	<b>\$127,420,000</b>

<sup>(1)</sup> Each of the above referenced bonds is supported by a take or pay contract between the Authority and its members and customers. More detailed information is provided in Appendix A & B herein.

<sup>(2)</sup> Excludes the Refunded Obligations.

<sup>(3)</sup> Excludes obligations to be refunded by separate Authority Bonds (the Wells Ranch I Bonds) concurrently issued with the Bonds.

**REVENUE BONDS AUTHORIZED BUT UNISSUED**

**TABLE 2**

-NONE-

**CHANGES IN GENERAL FIXED ASSETS****TABLE 3**

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balances at			Balances at
	10/1/2019	Additions	Disposals	9/30/2020
Land*	\$ 1,813,088	\$ 517,090	\$ -	\$ 2,330,178
Water Rights*	3,439,604	-	-	3,439,604
Building and Improvements	791,035	-	-	791,035
Plant and Distribution System	148,478,063	886,461	15,940,514	165,305,038
Machinery and Equipment	918,071	98,099	(18,387)	997,783
Construction in Progress*	<u>25,860,668</u>	<u>1,012,312</u>	<u>(16,759,554)</u>	<u>10,113,426</u>
Accumulated Depreciation	<u>(36,457,598)</u>	<u>(3,415,909)</u>	<u>187,929</u>	<u>(39,685,578)</u>
Capital Assets, Net	<u>\$ 144,842,931</u>	<u>\$ (901,947)</u>	<u>\$ (649,498)</u>	<u>\$ 143,291,486</u>

\* Land, Water Rights and Construction in progress are not depreciated.

Source: The Authority's Comprehensive Annual Financial Report for the fiscal year ended 2020.

**CAPITAL LEASE AND NOTES PAYABLE****TABLE 4**

As of September 30, 2020

-NONE-

Source: The Authority's Comprehensive Annual Financial Report for the fiscal year ended 2020.

**GENERAL FUND COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE****TABLE 5**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>					
Water Sales	\$ 12,558,713	\$ 11,424,074	\$ 11,374,397	\$ 11,040,319	\$ 9,620,178
Member Entity					
Operating Payment	11,713,986	10,857,320	10,586,582	8,701,972	10,159,135
Interest Income	271,217	458,495	119,970	36,945	35,815
Miscellaneous	<u>698,598</u>	<u>719,360</u>	<u>331,807</u>	<u>342,341</u>	<u>305,466</u>
Total Revenues	\$ 25,242,514	\$ 23,459,249	\$ 22,412,756	\$ 20,121,577	\$ 20,120,594
<b>Expenditures:</b>					
Water Purchased	\$ 4,314,208	\$ 4,165,087	\$ 4,182,009	\$ 4,451,367	\$ 4,240,831
Other Expenses	<u>7,498,734</u>	<u>7,301,345</u>	<u>6,335,749</u>	<u>5,152,502</u>	<u>4,933,529</u>
Total Expenditures	\$ 11,812,942	\$ 11,466,432	\$ 10,517,758	\$ 9,603,869	\$ 9,174,360
<b>Net Available for Debt Service</b>	<u>\$ 13,429,572</u>	<u>\$ 11,992,817</u>	<u>\$ 11,894,998</u>	<u>\$ 10,517,708</u>	<u>\$ 10,946,234</u>
Annual Debt Service Requirements	\$11,279,205	\$10,839,963	\$10,218,745	\$10,025,716	\$10,312,412
Coverage	1.19X	1.11X	1.16X	1.05X	1.06X
Gallons Pumped into the System	5,190,613,000	4,014,717,000	4,320,800,000	4,052,991,000	3,246,969,000
Gallons Billed to Wholesale Customers	5,156,260,000	3,764,361,000	4,080,849,000	3,710,365,000	3,086,097,000

Source: The Authority's Comprehensive Annual Financial Report for the fiscal year ended 2020.

**GENERAL INFORMATION REGARDING HAYS/CALDWELL COUNTIES**

**TABLE 6**

**AREA PROJECT (SAN MARCOS RIVER RIGHTS)**

In 2008, the Authority issued Taxable Contract Revenue Bonds (the "San Marcos River Rights Project Bonds"), the proceeds of which were used to secure certain water rights for use in the Hays/Caldwell Counties Area Project for County Line Special Utility District, Crystal Clear Special Utility District, and Maxwell Special Utility District. The San Marcos River Rights Project Bonds are secured only by Annual Payments made under the Amended and Restated Contract (as defined below) by County Line Special Utility District, Crystal Clear Special Utility District, and Maxwell Special Utility District.

<b>San Marcos River Rights Project</b>	<b>Outstanding Principal Amount</b>
Taxable Contract Revenue Bonds, Series 2008	\$ - <sup>(1)</sup>
Tax-Exempt Contract Revenue Refunding Bonds, Series 2021	<u>2,115,000</u>
<b>Total</b>	<u>2,115,000</u>

<sup>(1)</sup> Excludes obligations expected to be refunded by the Bonds issued concurrently with the Bonds.

**Allocation of the Project and Debt Service**

Maxwell Special Utility District	45.48%
County Line Special Utility District	36.42%
Crystal Clear Special Utility District	<u>18.10%</u>
<b>Total</b>	<u>100.00%</u>

**Hays/Caldwell Counties Area Project (San Marcos River Rights Project)**

FYE (9/30)	Existing Debt Service	Less: Refunded	Plus: The San Marcos River Rights Project			New Outstanding
			Principal	Interest	Total	
2021	\$ 199,258	\$ 139,629	\$ -	\$ -	\$ -	\$ 59,629
2022	200,146	200,146	80,000	83,767	163,767	163,767
2023	200,777	200,777	95,000	68,600	163,600	163,600
2024	201,150	201,150	100,000	64,800	164,800	164,800
2025	201,267	201,267	105,000	60,800	165,800	165,800
2026	201,126	201,126	110,000	56,600	166,600	166,600
2027	200,729	200,729	110,000	52,200	162,200	162,200
2028	200,074	200,074	115,000	47,800	162,800	162,800
2029	199,163	199,163	120,000	43,200	163,200	163,200
2030	202,994	202,994	130,000	38,400	168,400	168,400
2031	201,312	201,312	130,000	34,500	164,500	164,500
2032	199,372	199,372	130,000	30,600	160,600	160,600
2033	202,176	202,176	140,000	26,700	166,700	166,700
2034	199,465	199,465	140,000	22,500	162,500	162,500
2035	201,497	201,497	145,000	18,300	163,300	163,300
2036	203,015	203,015	150,000	13,950	163,950	163,950
2037	199,020	199,020	155,000	9,450	164,450	164,450
2038	<u>199,767</u>	<u>199,767</u>	<u>160,000</u>	<u>4,800</u>	<u>164,800</u>	<u>164,800</u>
<b>Total</b>	\$ 3,612,309	\$ 3,552,680	\$ 2,115,000	\$ 676,967	\$ 2,791,967	\$ 2,851,596
Estimated Average Annual Debt Service Requirements (2021-2038)						\$ 158,422
Maximum Annual Debt Service Requirements (2030)						\$ 168,400

**GENERAL INFORMATION REGARDING HAYS/CALDWELL COUNTIES AREA PROJECT**

**TABLE 7**

The Authority has issued special project bonds (the “Hays/Caldwell Special Project Bonds”) for the construction of facilities related to the Hays/Caldwell Counties Area Project that are secured by and payable solely from payments received by the Authority pursuant to the take-or-pay contract (the “Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract” dated August 1, 1998, as amended (now defined as the “Original Contract”)) between the Authority, and County Line Special Utility District, Crystal Clear Special Utility District, Martindale Water Supply Corporation, Maxwell Special Utility District. Due to the admission of the City of San Marcos as a customer to the Hays/Caldwell Counties Area Project, the Original Contract was amended to include the City. The Amended and Restated Regional (Hays/Caldwell Counties Area) Water Supply and Treatment Contract (the “Amended and Restated Contract”) dated February 9, 2021 replaced the Original Contract. The City of San Marcos is a customer under the Amended and Restated Contract, but is not a Participating Member.

<b>Hays/Caldwell Counties Area Project Bonds</b>	<b>Outstanding Principal Amount</b>
Taxable Contract Revenue Refunding Bonds, Series 2005	\$ 1,950,000
Taxable Contract Revenue Bonds, Series 2017	4,750,000
Tax-Exempt Contract Revenue Bonds, Series 2021	12,050,000
<b>Total</b>	<b>\$ 18,750,000</b>

The Hays/Caldwell Counties Area Project constitutes a special project of the Authority and the Hays/Caldwell Bonds are secured by and payable solely from revenues derived from the ownership and operation of the Hays/Caldwell Counties Area Project, including payments to the Authority received from Hays/Caldwell Counties Area Project Participating Members. No revenues of the Hays/Caldwell Counties Area Project are pledged to secure payment of debt service on the Lake Dunlap/Mid-Cities Project, Wells Ranch I Project or the Wells Ranch II Project.

**Allocation of the Project**

County Line Special Utility District	29.275%
Crystal Clear Special Utility District	11.191%
Martindale Water Supply Corporation	9.982%
Maxwell Special Utility District	20.143%
City of San Marcos*	<u>29.409%</u>
Total	<u>100.000%</u>

**Allocation of the Debt Service**

County Line Special Utility District	41.471%
Crystal Clear Special Utility District	15.853%
Martindale Water Supply Corporation	14.141%
Maxwell Special Utility District	28.535%
City of San Marcos*	<u>0.000%</u>
Total	<u>100.000%</u>

\* The City of San Marcos will contribute cash toward the project based upon their ownership interest in the project.

**HAYS/CALDWELL COUNTIES AREA PROJECT DEBT SERVICE**

**TABLE 8**

FYE (9/30)	Principal	Interest	Total
2021	\$ 675,000	\$ 268,055	\$ 943,055
2022	800,000	741,171	1,541,171
2023	1,035,000	554,268	1,589,268
2024	1,085,000	505,650	1,590,650
2025	635,000	453,924	1,088,924
2026	655,000	432,885	1,087,885
2027	675,000	410,710	1,085,710
2028	700,000	391,735	1,091,735
2029	720,000	371,292	1,091,292
2030	740,000	349,584	1,089,584
2031	765,000	326,740	1,091,740
2032	790,000	302,630	1,092,630
2033	815,000	277,370	1,092,370
2034	840,000	250,905	1,090,905
2035	865,000	223,305	1,088,305
2036	895,000	194,583	1,089,583
2037	920,000	165,007	1,085,007
2038	585,000	134,425	719,425
2039	600,000	116,875	716,875
2040	620,000	98,875	718,875
2041	635,000	83,375	718,375
2042	650,000	67,500	717,500
2043	665,000	51,250	716,250
2044	685,000	34,625	719,625
2045	700,000	17,500	717,500
<b>Total</b>	<b>\$ 18,750,000</b>	<b>\$ 6,824,235</b>	<b>\$ 25,574,235</b>

**Tax-Exempt Contract Revenue and Refunding Bonds (Lake Dunlap/Mid-Cities Project), Series 2016**

The Authority has issued special project bonds (the “Lake Dunlap/Mid-Cities Special Project Bonds”) for the refunding of bonds related to the Mid-Cities Project and Lake Dunlap Project as well as construction of improvements related to both the Lake Dunlap Project and Mid-Cities Project that are secured by and payable solely from payments received by the Authority pursuant to a take-or-pay contract (the “Lake Dunlap/Mid-Cities Contract”) among the Authority, SAWS (as successor to Bexar Metropolitan Water District), City of Cibolo, Green Valley Special Utility District, East Central Special Utility District, the City of Marion, Crystal Clear Special Utility District and Springs Hill Water Supply Corporation. The percentages of debt service that each Participant will pay are as follows:

San Antonio Water System	47.09%
City of Cibolo	11.88%
Green Valley Special Utility District	11.70%
East Central Special Utility District	16.48%
City of Marion	1.91%
Crystal Clear Special Utility District	2.23%
Springs Hill Water Supply Corporation	8.71%
Total	100.00%

**Tax-Exempt Contract Revenue Refunding Bonds (Lake Dunlap/Mid-Cities Project), Series 2016**

FYE (9/30)	Principal	Interest	Total
2021	\$ 2,645,000	\$ 1,151,900	\$ 3,796,900
2022	2,745,000	1,046,100	3,791,100
2023	2,890,000	908,850	3,798,850
2024	3,035,000	764,350	3,799,350
2025	3,175,000	612,600	3,787,600
2026	3,345,000	453,850	3,798,850
2027	3,510,000	286,600	3,796,600
2028	3,655,000	146,200	3,801,200
Total	<u>\$ 25,000,000</u>	<u>\$ 5,370,450</u>	<u>\$ 30,370,450</u>

**BOND DEBT SERVICE - WELLS RANCH I PROJECT**

**TABLE 10**

In 2007, the Authority initiated Phase I development of the Carrizo-Wilcox groundwater start-up project to serve the seven (7) entities, namely, SAWS (as successor to Bexar Metropolitan Water District), the City of Cibolo, Texas, Crystal Clear Special Utility District, East Central Special Utility District, Green Valley Special Utility District, City of Marion, Texas and Springs Hill Water Supply Corporation (referred to elsewhere herein as the Participating Members). The Wells Ranch I Project (the "Project") and phased development approach to the Project is described in detail in the Wells Ranch I Project Preliminary Engineering Report (the "PER"). Phase I of the Project has been completed and is on line delivering water. It consists of, among other improvements to System capacity and reliability, seven (7) 500 GPM Carrizo wells, groundwater collection piping system, 5 MGD groundwater treatment plant, two (2) ground storage tank and booster pump station sites and approximately 100,000 linear feet of 30" transmission main. Also included in the completed work are associated site civil, roadway, piping and chemical treatment and disinfection systems. The Project currently integrates with the Authority's Mid-Cities pipeline and storage facilities, from the Lake Dunlap surface water System treatment facilities. The well field is located along the Guadalupe – Gonzalez county line, approximately 15 miles southeast of Seguin, Texas. The Guadalupe and Gonzales County Groundwater Conservation Districts exercise continuing regulatory jurisdiction regarding the permits to pump and project installation, for purposes of drought management and management plan objectives of each county's groundwater district.

In 2011 the Authority began the construction of the Project to include the construction of approximately 50,000 linear feet of 30" transmission main and associated easement acquisitions. This Project, now completed, increased the capacity that can be delivered through the initial phase of the system as well as increased reliability of the project.

In the future, it is anticipated that the well field, treatment, and delivery system will be expanded by adding additional wells within the permitted well field.

**Bond Data (Wells Ranch I Project)**

[As of April 1, 2021]	<u>Outstanding Principal Amount</u>
Tax-Exempt Contract Revenue Bonds, Series 2009	\$ - <sup>(1)</sup>
Tax-Exempt Contract Revenue Bonds, Series 2011	405,000 <sup>(1)</sup>
Tax-Exempt Contract Revenue Refunding Bonds, Series 2016	26,750,000
Tax-Exempt Contract Revenue Refunding Bonds, Series 2021 (the "Wells Ranch I Bonds")	<u>13,860,000</u>
Total Wells Ranch I Project Debt	\$ 41,015,000

<sup>(1)</sup> Excludes obligations expected to be refunded by the Wells Ranch I Bonds concurrently with the issuance

The Debt Service payments shown on the following page are supported by Contract Payments being made by SAWS (as successor to Bexar Metropolitan Water District), City of Cibolo, Green Valley Special Utility District, East Central Special Utility District, Crystal Clear Special Utility District, Springs Hill Water Supply Corporation, and City of Marion. The Contract stipulates that the participating members and SAWS will pay the Debt Service in the following percentages.

San Antonio Water System	53.85%
City of Cibolo	13.46%
Green Valley Special Utility District	13.46%
East Central Special Utility District	9.62%
Crystal Clear Special Utility District	5.77%
Springs Hill Water Supply Corporation	1.92%
City of Marion	<u>1.92%</u>
Total	<u>100.00%</u>

**BOND DEBT SERVICE - WELLS RANCH I PROJECT (cont.)**

<b>Wells Ranch I Project</b>							
FYE (9/30)	Existing Debt Service	Less: Refunded Obligations	Plus: The Wells Ranch I Bonds, Series 2021			New Outstanding Debt Service	
			Principal	Interest	Total		
2021	\$ 4,225,525	\$ 553,384				\$ 3,672,141	
2022	4,219,788	1,317,288	590,000	519,159	1,109,159	4,011,659	
2023	4,222,088	1,318,588	670,000	421,394	1,091,394	3,994,894	
2024	4,217,288	1,317,288	700,000	394,594	1,094,594	3,994,594	
2025	4,224,738	1,317,738	725,000	366,594	1,091,594	3,998,594	
2026	4,220,275	1,316,525	755,000	337,594	1,092,594	3,996,344	
2027	4,219,175	1,318,675	785,000	307,394	1,092,394	3,992,894	
2028	4,220,613	1,318,613	815,000	275,994	1,090,994	3,992,994	
2029	4,222,525	1,320,925	850,000	243,394	1,093,394	3,994,994	
2030	3,897,706	995,306	560,000	209,394	769,394	3,671,794	
2031	3,899,081	994,881	585,000	186,994	771,994	3,676,194	
2032	3,905,131	998,331	605,000	169,444	774,444	3,681,244	
2033	998,881	998,881	625,000	151,294	776,294	776,294	
2034	998,006	998,006	640,000	132,544	772,544	772,544	
2035	995,706	995,706	655,000	113,344	768,344	768,344	
2036	996,094	996,094	675,000	93,694	768,694	768,694	
2037	994,775	994,775	695,000	73,444	768,444	768,444	
2038	996,750	996,750	710,000	59,544	769,544	769,544	
2039	995,750	995,750	725,000	45,344	770,344	770,344	
2040	997,750	997,750	740,000	30,844	770,844	770,844	
2041	997,500	997,500	755,000	16,044	771,044	771,044	
<b>Total</b>	<b>\$ 58,665,144</b>	<b>\$ 23,058,753</b>	<b>\$ 13,860,000</b>	<b>\$ 4,148,041</b>	<b>\$ 18,008,041</b>	<b>\$ 53,614,431</b>	
Estimated Average Annual Debt Service Requirements (2021-2041)						\$ 2,553,068	
Maximum Annual Debt Service Requirements (2022)						\$ 4,011,659	



**BOND DEBT SERVICE - WELLS RANCH II PROJECT****TABLE 11**

The Wells Ranch II Project consists of a well field and distribution system capable of producing 13,029 acre feet per year, financed through a take or pay contract (the "Wells Ranch II Contract") with certain participating members. The Debt Service payments shown below are supported by Contract Payments being made by City of Converse, City of Cibolo, City of Marion, Green Valley Special Utility District, East Central Special Utility District and Crystal Clear Special Utility District. The Wells Ranch II Contract stipulates that the participants will pay the Debt Service in the following percentages.

City of Converse	6.39%
Crystal Clear Special Utility District	6.28%
City of Cibolo	16.36%
City of Marion	1.28%
East Central Special Utility District	6.39%
Green Valley Special Utility District	<u>63.30%</u>
Totals	100.00%

**Tax-Exempt Contract Revenue Bonds (Wells Ranch II Project), Series 2015**

<u>FYE (9/30)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,800,000	\$ 759,174	\$ 2,559,174
2022	2,360,000	740,994	3,100,994
2023	2,395,000	713,618	3,108,618
2024	2,440,000	682,483	3,122,483
2025	2,485,000	648,567	3,133,567
2026	2,530,000	612,037	3,142,037
2027	2,585,000	570,545	3,155,545
2028	2,645,000	523,757	3,168,757
2029	2,710,000	471,915	3,181,915
2030	2,775,000	415,005	3,190,005
2031	2,845,000	353,955	3,198,955
2032	2,925,000	289,089	3,214,089
2033	3,000,000	221,229	3,221,229
2034	3,085,000	150,129	3,235,129
2035	<u>3,170,000</u>	<u>76,397</u>	<u>3,246,397</u>
Total	<u>\$ 39,750,000</u>	<u>\$ 7,228,888</u>	<u>\$ 46,978,888</u>

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Appendix B  
Information Relating to the Participating Members

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**COUNTY LINE SPECIAL UTILITY DISTRICT\***

\* 2020 Audit unavailable at the time of printing.

**UTILITY SYSTEM DEBT DATA <sup>(1)</sup>**

(As of December 31, 2019)

Utility System Note <sup>(2)</sup> \$281,250

<sup>(1)</sup> According to management, the District has not entered into additional debt in the fiscal year 2020.

<sup>(2)</sup> Interest free promissory note between District and the Authority for the Hays County Public Utility Authority project operating costs and expenses with original amount of \$375,000 payable in 20 annual installments of \$18,750.

**REVENUE BONDS AUTHORIZED BUT UNISSUED**

-NONE-

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

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

	Fiscal Year Ended			
	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Total Revenue	\$ 4,651,339	\$ 4,108,545	\$ 3,186,654	\$ 2,571,654
Operating Expenses (less: Depreciation and CRWA Payment)	\$ 1,299,039	\$ 1,203,378	\$ 1,171,414	\$ 858,281
CRWA Payment	<u>1,551,350</u>	<u>1,315,398</u>	<u>1,338,398</u>	<u>1,191,711</u>
Total Operating Expenses	<u>\$ 2,850,389</u>	<u>\$ 2,518,776</u>	<u>\$ 2,509,812</u>	<u>\$ 2,049,992</u>
Available for Debt Service	<u>\$ 1,800,950</u>	<u>\$ 1,589,769</u>	<u>\$ 676,842</u>	<u>\$ 521,662</u>
Annual Debt Service <sup>(1)</sup>	\$ 18,750	\$ 18,750	\$ 18,750	\$ 18,750
Coverage	96.05X	84.79X	36.10X	27.82X
Water Connections	3,665	3,325	3,298	2,787
Gallons Billed to Customers	305,057,700	267,957,600	236,042,000	235,496,900

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

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

**PROPERTY, PLANT AND EQUIPMENT**

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	<u>FYE 12/31/19</u>
Land and Easements	\$ 145,960
Water Rights	5,328,993
SUD Conversion and Legal Fees	157,181
System	7,595,179
Equipment	125,237
Water Plants	5,777,681
Waste Water	628,108
Buildings and Improvements	358,895
Vehicles	124,252
Construction in Process	<u>144,651</u>
Totals	\$ 20,386,137
Less: Accumulated Depreciation	<u>(4,743,554)</u>
Total Property Plant & Equipment	\$ 15,642,583

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

**TOP 10 USERS (FISCAL YEAR ENDING 2019)**

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<u>Name of Customer</u>	<u>Gallons</u>	<u>% of Total</u>
Sun Community - Sunset Ridge	9,213,700	3.02%
Five Star Concrete	5,961,500	1.95%
Uhland Elementary	5,588,000	1.83%
Simon Middle School - 4" Compound Meter	3,214,600	1.05%
Simon Middle School - 2" Compound Meter	1,971,200	0.65%
New Haven Assisted Living - 2" meter	1,722,600	0.56%
Waterleaf HOA - Irrigation on Sunnyside	1,440,900	0.47%
Cool Springs HOA - Amenity Center	868,600	0.28%
Bunton Creek HOA - Amenity Ctr Irrigation	677,000	0.22%
7-Eleven	<u>518,500</u>	<u>0.17%</u>
Total	31,176,600	10.22%

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

**CRYSTAL CLEAR SPECIAL UTILITY DISTRICT**

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**UTILITY SYSTEM DEBT DATA**

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*(As of September 30, 2020)*

Combination Water and Sewer System Revenue Refunding Bonds, Series 2015	\$3,021,000
Combination Water and Sewer System Revenue Bonds, Series 2017	13,990,000
Promissory Notes	4,332,874
Co-Bank Notes	<u>4,858,652</u>
	\$26,202,526

**REVENUE BONDS AUTHORIZED BUT UNISSUED**

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-NONE-

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

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

	Fiscal Year Ended			
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Total Revenue	\$ 10,701,779	\$ 8,997,789	\$ 8,679,922	\$ 8,046,595
Operating Expenses (less: Depreciation and CRWA Payment)	\$ 5,266,698	\$ 4,063,442	\$ 4,184,802	\$ 4,413,885
CRWA Payment	<u>2,018,705</u>	<u>1,537,611</u>	<u>1,416,903</u>	<u>1,241,989</u>
Total Operating Expenses	<u>\$ 7,285,403</u>	<u>\$ 5,601,053</u>	<u>\$ 5,601,705</u>	<u>\$ 5,655,874</u>
Available for Debt Service	<u>\$ 3,416,376</u>	<u>\$ 3,396,736</u>	<u>\$ 3,078,217</u>	<u>\$ 2,390,721</u>
Annual Debt Service <sup>(1)</sup>	\$ 1,395,697	\$ 1,392,747	\$ 787,164	\$ 588,036
Coverage	2.45X	2.44X	3.91X	4.07X
Water Connections	5,913	5,822	5,513	5,122
Gallons Billed to Customers	534,554,715	493,493,000	511,079,000	500,673,438

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

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

**PROPERTY, PLANT AND EQUIPMENT**

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	<u>FYE 9/30/20</u>
Land	\$ 388,509
Water Rights	7,079,526
Buildings and Improvements	983,582
Plant & Distribution System	26,694,898
Machinery and Equipment	1,303,386
Construction in Process	<u>7,073,138</u>
Totals	\$ 43,523,039
Less: Accumulated Depreciation	<u>(8,477,652)</u>
Total Property Plant & Equipment	\$ 35,045,387

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

**TOP 10 USERS (FISCAL YEAR ENDING 2020)**

---

<u>Name of Customer</u>	<u>Gallons</u>	<u>% of Total</u>
D&R Ranch RV Park	2,994,514	0.56%
Ameritex Pipe	2,738,500	0.51%
Kenneth Hoelscher	1,604,634	0.30%
Dale Dowden Excavating LLC	1,170,200	0.22%
Herbert Rizk Sr	902,039	0.17%
Gregory Ploch	887,835	0.17%
McEtheridge CO	645,172	0.12%
Mary Lou Villasana	591,968	0.11%
Maritex Pipe	349,599	0.07%
McIntyre Properties	<u>348,627</u>	<u>0.07%</u>
Total	12,233,088	2.29%

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



**MAXWELL SPECIAL UTILITY DISTRICT\***

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**UTILITY SYSTEM DEBT DATA <sup>(1)</sup>**

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*(As of December 31, 2020)*

USDA Note <sup>(2)</sup>	\$	57,816
CO Bank Note		<u>366,796</u>
Total	\$	424,612

<sup>(1)</sup> According to management, the District has not entered into additional debt in the fiscal year 2020.

<sup>(2)</sup> According to management, the District has repaid the USDA Note, and such note is no longer outstanding.

**REVENUE BONDS AUTHORIZED BUT UNISSUED**

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-NONE-

**WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**

---

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

	Fiscal Year Ended			
	<u>12/31/2020</u>	<u>12/31/2019</u>	<u>12/31/2018</u>	<u>12/31/2017</u>
Total Revenue	\$ 3,103,446	\$ 2,650,368	\$ 2,138,530	\$ 2,053,911
Operating Expenses (less: Depreciation and CRWA Payment)	\$ 1,271,949	\$ 1,137,861	\$ 914,316	\$ 760,354
CRWA Payment	1,000,735	915,483	846,143	836,078
Total Operating Expenses	<u>\$ 2,272,684</u>	<u>\$ 2,053,344</u>	<u>\$ 1,760,459</u>	<u>\$ 1,596,432</u>
Available for Debt Service	<u>\$ 830,762</u>	<u>\$ 597,024</u>	<u>\$ 378,071</u>	<u>\$ 457,479</u>
Annual Debt Service <sup>(1)</sup>	\$ 121,614	\$ 122,752	\$ 126,967	\$ 121,398
Coverage	6.83X	4.86X	2.98X	3.77X
Water Connections	1,871	1,769	1,709	1,682
Gallons Billed to Customers	172,839,617	152,664,498	147,103,393	139,087,078

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

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

**PROPERTY, PLANT AND EQUIPMENT**

---

	<u>FYE 12/31/20</u>
Land and Easements	\$ 463,573
Water Plant and Distribution	8,310,751
Vehicles and Equipment	209,804
Buildings and Improvements	<u>271,055</u>
Totals	\$ 9,255,183
Less: Accumulated Depreciation	<u>(4,486,890)</u>
Total Property Plant & Equipment	\$ 4,768,293

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

**TOP 10 USERS**

---

<u>Name of Customer</u>	<u>Gallons</u>	<u>% of Total</u>
Saddlebrook	17,576,630	10.17%
Hawthorne	9,571,371	5.54%
Saddlebrook	8,655,400	5.01%
Saddlebrook	4,940,000	2.86%
Alamo Concrete	4,522,962	2.62%
JL Construction	2,412,600	1.40%
Thames, David	2,221,160	1.29%
Soil ECO	1,728,380	1.00%
Timothy Price	1,383,624	0.80%
TXI	<u>1,121,209</u>	<u>0.65%</u>
Total	54,133,336	31.32%

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

Appendix C  
Audited General Purpose Financial Statements for  
the Fiscal Year Ending September 30, 2020

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**Armstrong, Vaughan & Associates, P.C.**  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Trustees  
Canyon Regional Water Authority  
New Braunfels, TX

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Canyon Regional Water Authority, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Canyon Regional Water Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Canyon Regional Water Authority, as of September 30, 2020, 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 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 standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Canyon Regional Water Authority'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.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.

December 15, 2020

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Canyon Regional Water Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the Authority's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The Authority's total net position was \$45 million at September 30, 2020.
- During the year, the Authority's operating revenues were \$11.8 million more than the \$11.8 million in operating expenses. After depreciation, operating income was a loss of \$2.2 million.
- Operating revenues increased by 10% and operating expenses increased by 5%.
- The Authority issued no new debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Figure A-2 summarizes the major features of the Authority's financial statements, including the portion of the Authority government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

### FINANCIAL ANALYSIS OF THE AUTHORITY

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

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

The Authority's combined net position was \$45 million at September 30, 2020. Of this amount, \$11 million is unrestricted, representing resources available to fund the operations of the Authority next year. (See Table A-1).

**Table A-1**  
Authority's Net Position  
(In thousands dollars)

	2020	2019	Percentage Change
<i>Assets:</i>			
Cash and Investments	\$ 6,856	\$ 7,252	-5%
Other Current Assets	2,967	2,330	27%
Other Assets	16,718	17,282	-3%
Capital Assets (Net)	143,291	144,843	-1%
<b>Total Assets</b>	<b>169,832</b>	<b>171,707</b>	<b>-1%</b>
<i>Deferred Outflows</i>			
	239	201	19%
<i>Liabilities:</i>			
Current	10,634	10,036	6%
Long Term	114,430	123,195	-7%
<b>Total Liabilities</b>	<b>125,064</b>	<b>133,231</b>	<b>-6%</b>
<i>Net Position:</i>			
Net Investment in Capital Assets	26,935	20,846	29%
Restricted	7,058	6,683	6%
Unrestricted	11,015	11,148	-1%
<b>Total Net Position</b>	<b>\$ 45,007</b>	<b>\$ 38,677</b>	<b>16%</b>

The Authority's total operating revenues were \$13 million, an increase of 10%. Water sales fluctuate with the environmental conditions and the ability of member entities to take water. The operating expenses were \$15.2 million, with a 5% increase from prior year. (See Table A-2)

**Table A-2**  
Changes in Authority Net Position  
(In thousands dollars)

	2020	2019	Percentage Change
Operating Revenues	\$ 12,986	\$ 11,782	10%
Operating Expenses	(15,229)	(14,548)	5%
Operating Income (Loss)	(2,243)	(2,766)	-19%
Nonoperating Income (Expense)	8,573	8,291	3%
Change in Net Position	\$ 6,330	\$ 5,525	15%

**BUDGETARY HIGHLIGHTS**

The Authority budgets on a modified accrual basis so that the billings to the members result in funds available to pay obligations of the Authority as they come due. The Authority exceeded revenue expectations in the current year due to increased water sales and expenses were lower than anticipated. The Authority ended the year with more operating income than was budgeted. Net position increased more than originally budgeted.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2020, the Authority had invested \$183 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. (See Table A-3.) More detailed information about the Authority's capital assets is presented in the notes to the financial statements.

**Table A-3**  
Authority's Capital Assets  
(In thousands of dollars)

	2020	2019	Percentage Change
Land	\$ 2,330	\$ 1,813	29%
Water Rights	3,440	3,440	0%
Building and Improvements	791	791	0%
Plant and Distribution System	165,305	148,478	11%
Machinery and Equipment	998	918	9%
Construction in Progress	10,113	25,861	-61%
Totals at Historical Cost	182,977	181,301	1%
Total Accumulated Depreciation	(39,686)	(36,458)	9%
Net Capital Assets	\$ 143,291	\$ 144,843	-1%

**Long-Term Debt**

At year-end, the Authority had \$123 million in principal outstanding on bonded debt. More detailed information about the Authority's debt is presented in the notes to the financial statements.

**Table A-4**  
Authority's Long Term Debt  
(In thousands of dollars)

	2020	2019	Percentage Change
Bonds Payable	\$ 123,195	\$ 131,203	-6%

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

For the fiscal year ending September 30, 2021, the Authority has budgeted \$28,558,130 in total revenues and expenses. The Authority expected an increase in water sales in preparing the 2020/2021 budget based on discussions with member entities. In addition, the Authority is monitoring any potential financial effects of the ongoing COVID-19 pandemic; however, they do not anticipate a significant financial or operational impact.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority at Canyon Regional Water Authority, 850 Lakeside Pass, New Braunfels, Texas 78130-8233.



## BASIC FINANCIAL STATEMENTS

The basic financial statements include:

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

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



CANYON REGIONAL WATER AUTHORITY  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 6,856,032
Receivables - Member Entities	2,907,383
Prepaid Expense	60,089
<b>Total Current Assets</b>	<u>9,823,504</u>
<i>Other Assets:</i>	
Long-term Receivables - Member Entities	3,239,111
Restricted Cash for Construction	8,062,393
Restricted Cash for Debt Service	5,412,729
Net Pension Asset	3,627
<b>Total Other Assets</b>	<u>16,717,860</u>
<b>Capital Assets (net)</b>	<u>143,291,486</u>
<b>TOTAL ASSETS</b>	<u>169,832,850</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Pension Related Outflows	61,592
Deferred Loss on Debt Refunding	177,272
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>238,864</u>

**LIABILITIES**

<i>Current Liabilities:</i>	
Accounts Payable	1,068,848
Salaries Payable	45,013
Accrued Leave	46,574
Accrued Interest, Payable from Restricted Assets	709,227
Bonds Payable - Current	8,764,209
<b>Total Current Liabilities</b>	<u>10,633,871</u>
<i>Long-term Liabilities:</i>	
Bonds Payable	114,430,341
<b>Total Long-term Liabilities</b>	<u>114,430,341</u>
<b>TOTAL LIABILITIES</b>	<u>125,064,212</u>

**NET POSITION**

Net Investment in Capital Assets	26,934,525
Restricted, Expendable:	
Debt Service	4,703,502
Membrane Replacement	2,354,405
Unrestricted	11,015,070
<b>TOTAL NET POSITION</b>	<u>\$ 45,007,502</u>

See accompanying notes to basic financial statements.

CANYON REGIONAL WATER AUTHORITY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Operating Revenues:</b>		
Water Sales	\$ 12,558,713	
Miscellaneous Income	427,381	
<b>Total Operating Revenues</b>	<u>12,986,094</u>	
<b>Operating Expenses:</b>		
Water Purchases	4,314,208	
Treatment Plant Operating Expenses	5,374,351	
Salaries and Wages	1,207,234	
Line Use and Transmission Costs	322,363	
Employment Related Expenses	223,549	
Professional Fees	371,237	
<b>Total Operating Expenses</b>	<u>11,812,942</u>	
<b>Operating Income (Loss) Before Depreciation</b>	1,173,152	
Depreciation	3,415,909	
<b>Operating Income (Loss)</b>	<u>(2,242,757)</u>	
<b>Non-Operating Revenues (Expenses):</b>		
Member Entity Debt Reimbursements	11,713,986	
Loss on Disposal of Asset	(156,551)	
Interest Income	271,217	
Interest Expense	(3,255,365)	
<b>Total Non-Operating Revenues (Expenses)</b>	<u>8,573,287</u>	
<b>Change in Net Position</b>	6,330,530	
Net Position at Beginning of Year	38,676,972	
<b>Net Position at End of Year</b>	<u>\$ 45,007,502</u>	

See accompanying notes to basic financial statements.

CANYON REGIONAL WATER AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 12,382,259
Cash Payments to Suppliers for Goods and Services	(10,765,548)
Cash Payments to Employees for Services	(1,172,124)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>444,587</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Bond Principal Payments	(6,785,000)
Member Entity Debt Reimbursements	11,713,986
Interest Paid	(4,494,565)
Purchase of Property, Plant and Equipment	(2,085,969)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(1,651,548)</u>
<b>Cash Flows from Investing Activities</b>	
Interest and Investment Income	271,217
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>271,217</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(935,744)

<b>Beginning Cash</b>	
Cash and Cash Equivalents	\$ 7,251,434
Restricted Cash	<u>14,015,464</u>
	<u>21,266,898</u>
<b>Ending Cash</b>	
Cash and Cash Equivalents	6,856,032
Restricted Cash	<u>13,475,122</u>
	<u>\$ 20,331,154</u>

See accompanying notes to basic financial statements. 11

CANYON REGIONAL WATER AUTHORITY  
STATEMENT OF CASH FLOWS (CONT.)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (2,242,757)
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:	
Depreciation	3,415,909
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(603,835)
(Increase) Decrease in Prepaid Expense	(5,801)
Increase (Decrease) in Accounts Payable	(154,039)
Increase (Decrease) in Salaries Payable	25,707
Increase (Decrease) in Accrued Leave	9,403
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 444,587</u>

See accompanying notes to basic financial statements. 12

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Canyon Regional Water Authority (the "Authority") was created by the Texas Legislature on August 28, 1989 under Article XVI, Section 59 of the Texas Constitution. The Authority operates under Chapter 65 of the Texas Water Code. The Authority 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 this state; and to protect, preserve and restore the purity and sanitary condition of water in the area. The Authority may not levy or collect ad valorem taxes, but does have the power of eminent domain and may issue bonds.

The Authority is comprised of eleven member entities, and the governing board consists of two voting members from each entity. The member entities consist of Crystal Clear Special Utility District, East Central Special Utility District, Springs Hill Water Supply Corporation, Green Valley Special Utility District, County Line Special Utility District, Maxwell Special Utility District, Martindale Water Supply Corporation and the cities of Marion, Cibolo, La Vernia, and Converse.

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

**1. REPORTING ENTITY**

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

**2. ENTERPRISE FUND**

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

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

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

Revenues are classified as *operating* and *non-operating*. Operating revenues include charges to member entities for water pumpage pursuant to their contractual agreements. Non-operating revenues are expense reimbursements from member entities, interest income, and other revenues not related to the sale of wholesale water.

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

**4. CASH AND INVESTMENTS**

State statutes authorize the Authority 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 investments 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 Authority reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which as three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Authority considers cash and cash equivalents to be amounts in checking accounts, savings accounts, money market accounts, local government investment pools and certificates of deposit with a maturity date within three months or less from the date of purchase.

**5. ACCOUNTS RECEIVABLE**

Accounts receivable consists of amounts due from member entities. Management considers all outstanding amounts to be collectible and has not recorded an allowance for doubtful accounts.



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

**6. PREPAID EXPENSES**

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

**7. 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. 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 50 years
Water Plants and Distribution Systems	10 to 50 years

**8. DEFERRED INFLOWS AND OUTFLOWS**

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

Losses on debt refundings arise when advance payments are made to refund outstanding obligations in excess of the carrying amount of those obligations. These losses are deferred and amortized over the life of the bond. Deferred Outflows.

**9. LONG-TERM OBLIGATIONS**

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

**10. NET POSITION**

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

**11. PENSIONS**

The net pension liability, deferred inflows, and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County District Retirement System (TCDRS), and additions to and deductions from TCDRS's fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refund of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**12. BUDGET**

An operating budget is adopted each fiscal year for the Authority. The budget is adopted on a modified accrual basis of accounting. Additional budgetary information is provided in the required supplementary information.

**13. USE OF ESTIMATES**

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

**14. RECLASSIFICATIONS**

Certain transactions are classified differently on the September 30, 2020 financial statements than previous fiscal years. These reclassifications had no effect on net income.

**NOTE B -- CASH AND INVESTMENTS**

**1. Cash and Cash Equivalents**

The Authority'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 Authority's agent bank approved pledge securities in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2020, the Authority's bank deposits were fully covered by a combination of federal deposit insurance and pledged securities.

**NOTE B -- CASH AND INVESTMENTS (Continued)**

2. Investments

The Authority is required by Government Code Chapter 2256, The Public Funds Investment 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) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the basic financial statements, disclosed that the Authority's investment practices, management reports and establishment of appropriate policies adhered to the requirements of the Act.

The Act determines the types of investments which are allowable for the Authority. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

As of September 30, 2020, the Authority had \$2,393,776 in LOGIC, a AAA rated local government investment pool. The pool strives to maintain a \$1 per share market value and is included in cash and cash equivalents.

**NOTE C -- LONG-TERM RECEIVABLE/ REIMBURSEMENT FOR JOINT VENTURE**

In previous fiscal years, the Authority assigned 100% of its interest in Alliance Water Authority (formerly Hays Caldwell Public Utility Agency) to four member entities. In exchange, the member entities agreed to reimburse the Authority for the related portion of all prior payments and they will assume responsibility for all future payments to Alliance Water. As of September 30, 2020, the outstanding amount from members was \$3,239,111. No repayment terms have been established. See Note I.

**NOTE D -- CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balances at 10/1/19	Additions	Transfers/ Disposals	Balances at 9/30/2020
Land	\$ 1,813,088	\$ 517,090	-	\$ 2,330,178
Water Rights	3,439,604	-	-	3,439,604
Building and Improvements	791,035	-	-	791,035
Plant and Distribution System	148,478,063	886,461	15,940,514	165,305,038
Machinery and Equipment	918,071	98,099	(18,387)	997,783
Construction in Progress	25,860,668	1,012,312	(16,759,554)	10,113,426
	181,300,529	2,513,962	(837,427)	182,977,064
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(350,189)	(20,676)	-	(370,865)
Plant and Distribution System	(35,458,112)	(3,326,748)	169,543	(38,615,317)
Machinery and Equipment	(649,297)	(68,485)	18,386	(699,396)
	(36,457,598)	(3,415,909)	187,929	(39,685,578)
Capital Assets, Net	\$ 144,842,931	\$ (901,947)	\$ (649,498)	\$ 143,291,486

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

**NOTE E -- LONG-TERM DEBT**

The Authority's long-term debt consists of bonds with interest payable on February 1 and interest and principal payable on August 1 of each year.

Series Name	Original Issue		Interest Rate	Maturity Date
	Amount	Date		
<i>Project Hays/Caldwell:</i>				
Taxable Contract Revenue Bonds, 2003	\$ 2,000,000	6/1/2003	2.9-5.9%	2028 *
Taxable Revenue Refunding Bonds, 2005	5,845,000	10/26/2005	6.4%	2024 *
Taxable Contract Revenue Bonds, 2017	5,000,000	7/27/2017	1.32-3.84%	2037 *
<i>Project Lake Dunlap/Mid-Cities:</i>				
Tax-Exempt Contract Revenue Refunding Bonds, 2016	34,800,000	8/15/2016	2-5%	2028
<i>Project Wells Ranch:</i>				
Tax-Exempt Contract Revenue Bonds, 2009	3,695,000	7/14/2009	2-5.5%	2029
Tax-Exempt Contract Revenue Bonds, 2011	15,575,000	12/22/2011	2.5-5%	2041
Tax-Exempt Contract Revenue Bonds, 2015	42,000,000	12/10/2015	.56-2.41%	2035 *
Tax-Exempt Contract Revenue Refunding Bonds, 2016	31,550,000	8/1/2016	3-5%	2032
<i>Project San Marcos River Rights:</i>				
Taxable Contract Revenue Bonds, 2008	3,200,000	1/1/2008	5.1%	2038 *
* Private Placement Bonds				

CANYON REGIONAL WATER AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE E -- LONG-TERM DEBT (Continued)**

The Authority's long-term debt activity as of and for the year ending September 30, 2020 is as follows:

Bonds Payable, Series	Balance		Retirements	Due Within One Year
	Outstanding 10/1/2019	Outstanding 9/30/2020		
<i>Private Placement Bonds:</i>				
2003, Hays Calkwell	\$ 1,060,000	\$ 965,000	\$ -	\$ 100,000
2005, Hays Calkwell	2,365,000	1,950,000	(415,000)	445,000
2008, San Marcos River	2,400,000	2,320,000	(80,000)	80,000
2015, Wells Ranch	40,950,000	39,750,000	(1,200,000)	1,800,000
2017, Hays Calkwell	4,975,000	4,750,000	(225,000)	230,000
<i>Total Private Placement Bonds:</i>	<u>51,750,000</u>	<u>49,735,000</u>	<u>(2,015,000)</u>	<u>2,655,000</u>
<i>Bonds Offered to Public:</i>				
2009, Wells Ranch	2,455,000	2,260,000	(195,000)	205,000
2011, Wells Ranch	13,465,000	13,075,000	(390,000)	405,000
2016, Wells Ranch	28,395,000	26,750,000	(1,645,000)	1,715,000
2016, Dumlup/Mid-Cities	27,540,000	25,000,000	(2,540,000)	2,645,000
<i>Total Bonds Offered to Public:</i>	<u>71,855,000</u>	<u>67,085,000</u>	<u>(4,770,000)</u>	<u>4,970,000</u>
Premiums & Discounts	7,597,589	6,374,550	(1,223,039)	1,139,209
Total	<u>\$131,202,589</u>	<u>\$ 123,194,550</u>	<u>\$ (8,008,039)</u>	<u>\$ 8,764,209</u>

The annual requirements to amortize private placements outstanding as of September 30, 2020, including interest payments, are as follows:

Year End September 30,	Private Placements		Total
	Principal Payments	Interest Payments	
2021	\$ 2,655,000	\$ 1,202,937	\$ 3,857,937
2022	3,250,000	1,142,560	4,392,560
2023	3,330,000	1,070,436	4,400,436
2024	3,425,000	991,631	4,416,631
2025	2,955,000	906,790	3,861,790
2026-2030	15,555,000	3,600,973	19,155,973
2031-2035	17,320,000	1,659,443	18,979,443
2036-2038	1,245,000	97,137	1,342,137
Total	<u>\$ 49,735,000</u>	<u>\$ 10,671,907</u>	<u>\$ 60,406,907</u>

CANYON REGIONAL WATER AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE E -- LONG-TERM DEBT (Continued)**

The annual requirements to amortize public offerings outstanding as of September 30, 2020, including interest payments, are as follows:

Year End September 30,	Public Offerings		Total
	Principal Payments	Interest Payments	
2021	\$ 4,970,000	\$ 3,052,424	\$ 8,022,424
2022	5,155,000	2,855,887	8,010,887
2023	5,415,000	2,605,939	8,020,939
2024	5,675,000	2,341,639	8,016,639
2025	5,950,000	2,062,338	8,012,338
2026-2030	26,130,000	6,046,945	32,176,945
2031-2035	8,730,000	2,066,808	10,796,808
2036-2040	4,110,000	871,120	4,981,120
2041	950,000	47,500	997,500
Total	<u>\$ 67,085,000</u>	<u>\$ 21,950,600</u>	<u>\$ 89,035,600</u>

The Authority has five bond series that were directly placed at local banking and other institutions. The bond documents do not contain subjective acceleration clauses, events of default with finance related consequences or termination events with finance-related consequences.

**NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

Plan Description

The Authority participates as one of 780 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCDRS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCDRS is responsible for the administration and management of the system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the Authority, within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with 8 or more years of service or with 20 years regardless of age or when the sum of their age and years of service equals 75 or more. A member is vested after 8 years but must leave his accumulated contributions in the plan. Members who withdraw their personal contributions in a partial lump sum are entitled to any amounts contributed by the employer.



**NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

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

Contributions

The Authority has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the Authority is actuarially determined annually. The Authority contributed using the actuarially determined rate of 6.68% for the calendar year of 2020.

The contribution rate payable by the employee members is 4% as adopted by the governing body of the Authority. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Benefits Provided

TCDRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the Authority, within the options available in the state statutes governing TCDRS. At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the Authority-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees Receiving Benefits	12/31/19
Inactive Employees	0
Active Employees	16
	<u>16</u>

Net Pension Liability

The Authority's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

**NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.00%

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The long-term expected rate of return on pension plan investments is 8.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

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

Asset Class	Target Allocation	Expected Real Rate of Return (Geometric)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.02%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.00%
	<u>100.00%</u>	

CANYON REGIONAL WATER AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Discount Rate

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following presents the net pension liability of the Authority, calculated using the discount rate of 8.10%, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.10%) or 1-percentage point higher (9.10%) than the current rate:

	Discount Rate 7.10%	Discount Rate 8.10%	Discount Rate 9.10%
Net Pension Liability (Asset)	\$ 1,712	\$ (3,627)	\$ (7,765)

Changes in Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ -	\$ -	\$ -
Changes for the year:			
Service Cost	24,085	-	24,085
Interest on total pension liability	1,951	-	1,951
Change of Benefit Terms	-	-	-
Economic/Demographic gains or losses	19	-	19
Changes of Assumptions	-	-	-
Refund of Contributions	-	-	-
Benefit Payments	-	-	-
Administrative Expense	-	(23)	23
Member Contributions	-	10,766	(10,766)
Net Investment Income	-	(29)	29
Employer Contributions	-	17,980	(17,980)
Other	-	988	(988)
Net Changes	26,055	29,682	(3,627)
Balance at December 31, 2019	\$ 26,055	\$ 29,682	\$ (3,627)

CANYON REGIONAL WATER AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE F -- TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained at [www.tcdtrs.com](http://www.tcdtrs.com).

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

For the year ended September 30, 2020, the Authority recognized pension expense of \$13,368. Also as of September 30, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Economic Experience	\$ 17	\$ -
Changes in Actuarial Assumptions	-	-
Net Difference between Projected and Actual Earnings	967	-
Contributions Subsequent to the Measurement Date	60,608	-
	\$ 61,592	\$ -

Deferred outflows of resources in the amount of \$60,608 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	For the Year ended December 31,
	2020
	2021
	2022
	2023
	2024
	Thereafter
	\$ 244
	244
	244
	243
	2
	7
	\$ 984



CANYON REGIONAL WATER AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE G -- WATER CONTRACTS**

The Authority has contracted to purchase water from Guadalupe Blanco River Authority (GBRA) to sell to member entities. The contract has a term of forty years with renewal options upon the agreement of both parties. In addition, the Authority has water lease agreements with several landowners in the region. The schedule below summarizes the minimum lease payments for the next five years on the Authority's water leases, calculated at rates currently in effect.

Year End	GBRA					Total
	Lake Dunlap	San Marcos River	Hays Caldwell	Wells Ranch	Others	
September 30,						
2021	\$ 1,700,825	\$ 307,738	\$ 24,000	\$ 2,079,383	\$ 7,600	\$ 4,119,546
2022	1,700,825	307,738	24,000	2,079,383	7,600	4,119,546
2023	1,700,825	307,738	24,000	2,079,383	7,600	4,119,546
2024	1,700,825	307,738	24,000	2,079,383	7,600	4,119,546
2025	1,700,825	307,738	24,000	2,079,383	7,600	4,119,546
Total	\$ 8,504,125	\$ 1,538,690	\$ 120,000	\$ 10,396,915	\$ 38,000	\$ 20,597,730
Acre Feet	10,575	2,038	320	14,601	152	27,686

The Authority also has contracts with its member entities in which the members agree to pay for the right to receive water from the Authority and the Authority agrees to sell its treated water to the members. A few member entities have leased their shares to other members. The following schedule summarizes the contracts in acre-feet commitments for each entity not taking into account any member to member agreements or any allocations of excess water capacity.

Member Entity	Lake Dunlap	Hays Caldwell		Wells Ranch		New Berlin	Total
City of Cibola	1,230	-	1,981	-	-	-	3,211
City of Converse	-	-	500	-	-	-	500
City of Marion	100	-	200	-	-	-	300
City of La Vernia	-	-	-	-	400	-	400
East Central SUD	1,400	-	1,000	-	-	-	2,400
Green Valley SUD	1,800	-	5,656	-	-	-	7,456
Springs Hill WSC	1,950	-	100	-	-	-	2,050
San Antonio Water System	4,000	-	2,800	-	-	-	6,800
Crystal Clear SUD	500	500	792	-	-	-	1,792
Maxwell SUD	-	-	900	-	-	-	900
County Line SUD	-	-	1,308	-	-	-	1,308
Marvindale WSC	-	-	200	-	-	-	200
Total	10,980	2,908	13,029	400	-	-	27,317

CANYON REGIONAL WATER AUTHORITY  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE H -- PROFIT SHARING PLAN**

The Authority participates in a defined contribution profit sharing plan for eligible employees. The Authority no longer contributes to the plan, but employees may contribute at their discretion. The plan is administered by Retirement Horizons Incorporated as a 401K profit sharing plan. Employees who have attained the age of 21 years, have completed one year of service, and have been credited 1,000 hours of service may participate in the plan. Annual contributions were \$0, \$72,007, and \$74,677 for the years ending September 30, 2020, 2019, and 2018, respectively.

**NOTE I -- JOINT VENTURE -- ALLIANCE WATER**

The Authority entered into a joint venture with three other entities in 2007, creating Hays Caldwell Public Utility Agency (the Agency). In 2017, the Agency converted from a public utility agency to Alliance "RWA" - a regional water authority. The Agency was created to design, construct, maintain and operate a project to deliver water to the participating entities and other purchasers in the region. The participating entities are contractually obligated to fund a pro-rated portion of the Agency's operations and project costs. The Authority has pledged its system revenues to fund its share of the Agency's operations. The Agency has issued bonds in the amount of \$17.39 million, of which the Authority is responsible for \$7.06 million. The debt service on these bonds, which matures 2037, will be added to the Authority's annual share of operating expenses of the Agency. The Authority does not have an equity interest in the Agency and acts as a conduit for the responsible entities below. Unaudited Agency financial statements for the year ending September 30, 2020 reported \$148.7 million in assets and \$123.7 million in liabilities (including the bonds mentioned previously). Annual, audited financial statements for the Agency may be obtained by writing to Alliance Water, 1040 Highway 123, San Marcos, Texas 78666.

The Authority has assigned all of its interest in the Agency to member entities. These member entities will reimburse the Authority for their share of the Agency costs. Contracts in place as of September 30, 2020 allocated the Authority's share in the Agency as follows:

Responsible Entity	Authority Share Allocation
Green Valley SUD	33.33%
Crystal Clear SUD	53.52%
Marvindale WSC	3.15%
County Line SUD	10.00%
Total	100%

**NOTE J -- LITIGATION**

Management is currently in disputes with contractors over construction defects; however, management and legal counsel do not believe any pending or threatened litigation will have a material effect on the Authority's financial position.

CANYON REGIONAL WATER AUTHORITY  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

**NOTE K -- RISK MANAGEMENT**

The Authority has identified possible risk of losses related to torts; theft of, damage to, or destruction of assets; business interruption; errors and omissions; job-related illnesses or injuries to employees; and other claims of various natures. The Authority contracts with the Texas Municipal League (TML) to provide insurance coverage for identified risks. TML is a multi-employer group that provides for a combination of modified self-insurance and stop-loss coverage. Contributions are set annually by TML. Annual contributions for the year ended September 30, 2020, were \$74,047. Liability by the Authority is generally limited to the contributed amounts up to coverage limits as follows:

	Limits of Coverage
General Liability	\$ 5,000,000
Errors and Omissions	5,000,000
Automobile Liability	5,000,000
Cyber Liability	1,050,000
Real and Personal Property	78,598,415
Mobile Equipment	139,304
Boiler and Machinery	10,000,000

REQUIRED SUPPLEMENTARY INFORMATION

CANYON REGIONAL WATER AUTHORITY  
REQUIRED SUPPLEMENTARY INFORMATION  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget Amounts		Actual Results (Budgetary Basis)	Variance With Final Budget-Positive (Negative)
	Original	Final		
<b>Operating Revenues:</b>				
Water Sales	\$ 12,571,656	\$ 12,571,656	\$ 12,558,713	\$ (12,943)
Miscellaneous Income	324,847	324,847	427,381	102,534
<b>Total Operating Revenues</b>	<b>12,896,503</b>	<b>12,896,503</b>	<b>12,986,094</b>	<b>89,591</b>
<b>Operating Expenses:</b>				
Water Purchases	4,328,835	4,328,835	4,314,208	14,627
Treatment Plant Operating Expenses	6,162,677	6,162,677	5,374,351	788,326
Salaries and Wages	1,227,061	1,227,061	1,207,234	19,827
Line Use and Transmission Costs	324,847	324,847	322,363	2,484
Employment Related Expenses	329,133	329,133	223,549	105,584
Professional Fees	523,950	523,950	371,237	152,713
<b>Total Operating Expenses</b>	<b>12,896,503</b>	<b>12,896,503</b>	<b>11,812,942</b>	<b>1,083,561</b>
<b>Operating Income (Loss)</b>	<b>-</b>	<b>-</b>	<b>1,173,152</b>	<b>1,173,152</b>
<b>Non-Operating Revenues (Expenses)</b>				
Member Entity Debt Reimbursements	11,714,455	11,714,455	11,713,986	(469)
Principal and Interest Payments	(11,714,455)	(11,714,455)	(11,279,207)	435,248
<b>Total Non-Operating</b>	<b>-</b>	<b>-</b>	<b>434,779</b>	<b>434,779</b>
<b>Net Income</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,607,931</b>	<b>\$ 1,607,931</b>

CANYON REGIONAL WATER AUTHORITY  
NOTES TO SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -  
BUDGET AND ACTUAL (BUDGETARY BASIS)  
SEPTEMBER 30, 2020

**Budgetary Information** – The budget is prepared on a modified accrual basis of accounting. The Authority maintains strict budgetary controls. The annually adopted budget is not a legally binding document, but is used as a planning tool. The Authority does not use encumbrance accounting.

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

Net Income (Budgetary Basis)	\$ 1,607,931
Amortization of Bond Premiums	1,223,039
Bond Principal Payments	6,785,000
Loss on Disposal of Asset	(156,551)
Amortization of Deferred Loss	(24,005)
Changes in Interest Accrual	39,808
Interest Income	271,217
Depreciation Expense	<u>(3,415,909)</u>
Change in Net Position (GAAP Basis)	<u>\$ 6,330,530</u>

CANYON REGIONAL WATER AUTHORITY  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
LAST CALENDAR YEAR

Total Pension Liability	2019
Year Ended December 31,	\$ 24,085
Service Cost	1,951
Interest (on the Total Pension Liability)	-
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	19
Change of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	-
Net Change in Total Pension Liability	26,055
Total Pension Liability - Beginning	-
Total Pension Liability - Ending	\$ 26,055
<hr/>	
Plan Fiduciary Net Position	2019
Year Ended December 31,	\$ 17,980
Contributions - Employer	10,766
Contributions - Employee	(29)
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(23)
Administrative Expense	988
Other	-
Net Change	29,682
Beginning Plan Fiduciary Net Position	-
Ending Plan Fiduciary Net Position	\$ 29,682
Net Pension Liability - Ending	\$ (3,627)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	113.92%
Covered Payroll	\$ 269,158
Net Pension Liability as a Percentage of Covered Payroll	-1.35%

Information in this schedule is being accumulated until ten years are presented.  
See Independent Auditor's Report.

CANYON REGIONAL WATER AUTHORITY  
SCHEDULE OF EMPLOYER CONTRIBUTIONS- PENSION PLAN  
LAST FISCAL YEAR

Year Ending	Actuarially	Contribution	Contributions
September 30,	Determined	Deficiency	As Percent
2020	Contribution	(Excess)	of Payroll
\$ 78,588	\$ 78,588	\$ -	6.70%
		\$ 1,176,474	

**Valuation Timing:**

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/19 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service, 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Health Annuity Mortality Table for males and 110% of the RP-2014 Health Annuity Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.
Changes in Assumptions	2019: No changes in plan provisions were reflected.
Changes in Plan Provisions	2019: No changes in plan provisions were reflected in the Schedule.

Information in this schedule is being accumulated until ten years are presented.  
See Independent Auditor's Report.

Appendix D  
Audited Financial Statements of the Participating Members

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**ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED  
SEPTEMBER 30, 2020**



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CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
TABLE OF CONTENTS	ii
ANNUAL FILING AFFIDAVIT	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	8
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
STATEMENT OF CASH FLOWS	11
NOTES TO BASIC FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION	26
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	27
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS	28
SCHEDULE OF EMPLOYER CONTRIBUTIONS	29
SUPPLEMENTARY INFORMATION	30
TSI-1. SERVICES AND RATES	31
TSI-2. ENTERPRISE FUND EXPENSES	33
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS	34
TSI-6. CHANGES IN LONG-TERM BONDED DEBT	37
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES	38
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS	40
COMPLIANCE SECTION	41
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	42
REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE	44
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	46
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	47
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	48

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :  
COUNTY OF HAYS :

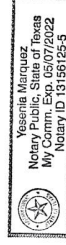
I, Mike Taylor, of Crystal Clear Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Trustees on the 28<sup>th</sup> day of January, 2021, its annual audit report of the fiscal period ended September 30, 2020, and that copies of the annual audit report have been filed in the District's office located at 2370 FM 1979, San Marcos, TX 78666.

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

Date: January 28, 2021 By: [Signature]  
(Signature of District Official)

Mike Taylor - General Manager  
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 28<sup>th</sup> day of January, 2021.



[Signature]  
(Signature of Notary)

Commission expires on May 7, 2022  
Notary Public in the State of Texas



Armstrong, Vaughan & Associates, P. C.  
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Crystal Clear Special Utility District  
San Marcos, TX

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Crystal Clear Special Utility District, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise Crystal Clear Special Utility District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions 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 *Government 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Crystal Clear Special Utility District, as of September 30, 2020, 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.

941 West Byrd Blvd., Suite 101 • Universal City, Texas 78148  
Phone: 210-658-6229 • Fax: 210-659-7611 • Email: info@avaacpa.com • www.avaacpa.com

**Other Matters**

**Required Supplementary Information**

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

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crystal Clear Special Utility District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality and the schedule of expenditures of federal awards as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2021 on our consideration of Crystal Clear 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 Crystal Clear Special Utility District's internal control over financial reporting and compliance.

*Armstrong, Vaughan & Associates, P.C.*

Armstrong, Vaughan & Associates, P.C.  
January 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Crystal Clear Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended September 30, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

- The District's total net position was \$19.2 million at September 30, 2020, an increase of \$1.8 million. The increase was reinvested in capital assets, leaving a deficit in unrestricted net position of \$916 thousand.
- During the year, the District's operating revenues were \$112 thousand more than the \$8.3 million in operating expenses.
- The District signed promissory notes in 2020 for \$4.5 million to purchase water rights.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**FINANCIAL ANALYSIS OF THE DISTRICT**

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

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

The District's combined net position was \$19.2 million at September 30, 2020. Of this amount, \$19.6 million was invested in capital assets, leaving a deficit unrestricted net position of \$916 thousand. (See Table A-1).

Table A-1  
District's Net Position

	2020	2019	Percentage Change
<i>Assets:</i>			
Cash and Investments	\$ 654,265	\$ 1,001,696	-35%
Other Current Assets	1,752,970	1,851,354	-5%
Other Assets	13,052,486	14,723,330	-11%
Capital Assets (Net)	35,045,387	25,736,799	36%
<i>Total Assets</i>	<u>50,505,108</u>	<u>43,313,179</u>	17%
<i>Deferred Outflows</i>	<u>152,554</u>	<u>85,422</u>	79%
<i>Liabilities:</i>			
Current	6,625,988	4,166,031	59%
Long Term	24,842,116	21,869,823	14%
<i>Total Liabilities</i>	<u>31,468,104</u>	<u>26,035,854</u>	21%
<i>Deferred Inflows</i>	<u>5,720</u>	<u>7,394</u>	-23%
<i>Net Position:</i>			
Net Investment in Capital Assets	19,604,596	16,781,764	17%
Restricted	495,028	547,772	-10%
Unrestricted	(915,796)	25,817	-3647%
<i>Total Net Position</i>	<u>\$ 19,183,828</u>	<u>\$ 17,355,353</u>	11%

The District's total operating revenues were \$8.4 million, an increase of 12% over the prior year. The operating expenses were \$8.3 million, also an increase of 26% over the prior year. Non-operating revenues increased from impact fees and line extensions. (See Table A-2)

Table A-2  
Changes in District Net Position

	2020	2019	Percentage Change
Operating Revenues	\$ 8,379,875	\$ 7,512,305	12%
Operating Expenses	(8,267,682)	(6,540,955)	26%
Operating Income (Loss)	112,193	971,350	-88%
Non-operating Income (Expense)	1,716,282	901,817	90%
Change in Net Position	<u>\$ 1,828,475</u>	<u>\$ 1,873,167</u>	-2%

**BUDGETARY HIGHLIGHTS**

District revenues exceeded expectations in the budget by \$339 thousand. Operating expenses were \$324 thousand over budget from higher than expected depreciation and repairs and maintenance on the system. The net change in net position was an increase of \$1.8 million, \$148 thousand less than the budget anticipated.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of September 30, 2020, the District had invested \$44 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. Significant additions include water rights and ongoing engineering and construction for the Texas Water Development Board project. (See Table A-3.) More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Table A-3**  
District's Capital Assets

	2020	2019	Percentage Change
Land	\$ 388,509	\$ 388,509	0%
Water Rights	7,079,526	2,522,628	181%
Building and Improvements	983,582	983,582	0%
Plant and Distribution System	26,694,898	25,994,167	3%
Machinery and Equipment	1,303,386	1,249,030	4%
Construction in Progress	7,073,138	2,108,088	236%
Totals at Historical Cost	<u>43,523,039</u>	<u>33,246,004</u>	<u>31%</u>
Total Accumulated Depreciation	<u>(8,477,652)</u>	<u>(7,509,205)</u>	<u>13%</u>
Net Capital Assets	<u>\$ 35,045,387</u>	<u>\$ 25,736,799</u>	<u>36%</u>

**Long-Term Debt**

At year-end, the District had \$26 million in principal outstanding on bonded debt and notes. \$4.5 million in notes were issued in 2020 to buy water rights. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-4**  
District's Long Term Debt

	2020	2019	Percentage Change
Bonds Payable	\$ 17,011,000	\$ 17,564,000	-3%
Notes Payable	9,091,526	5,121,098	78%
Total Long-Term Debt	<u>\$ 26,102,526</u>	<u>\$ 22,685,098</u>	<u>15%</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2021 budget contemplates continued expenditures from the 2017 Texas Water Development Board Bonds for the Capital Improvement Plan. Water and wastewater rates are largely unchanged for fiscal year 2021 except for a \$7 per month increase in the water base rate. Aside from the construction, the District expects no major changes to services or operations. Rapid development in the area continues to put demands on the District's system and for more water sources.

**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 2370 FM 1979, San Marcos, TX 78666.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020

<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 654,265
Accounts Receivable (net)	1,746,688
Prepaid Expense	6,282
<i>Total Current Assets</i>	<u>2,407,235</u>
<i>Other Assets:</i>	
Restricted Cash for Construction	12,346,172
Restricted Cash for Debt Service	230,031
Restricted Cash for USDA Reserve	433,609
Net Pension Asset	42,674
<i>Total Other Assets</i>	<u>13,052,486</u>
<i>Capital Assets (net)</i>	35,045,387
<b>TOTAL ASSETS</b>	<u>50,505,108</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred Pension Related Outflows

\$ 152,554

**LIABILITIES**

*Current Liabilities:*

Accounts Payable	\$ 2,347,252
Payroll Liabilities	88,043
Accrued Wages	15,039
Customer Deposits	885,672
Accrued Interest	168,612
Accrued Compensated Absences	39,722
Payable to Canyon Regional Water Authority	1,821,238
Bonds and Notes Payable - Current	1,260,410
<i>Total Current Liabilities</i>	<u>6,625,988</u>

*Long-term Liabilities:*

Bonds and Notes Payable - Net of Current Portion	24,842,116
<i>Total Long-term Liabilities</i>	<u>24,842,116</u>
<b>TOTAL LIABILITIES</b>	<u>31,468,104</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred Pension Related Inflows

5,730

**NET POSITION**

Net Investment in Capital Assets	19,604,596
Restricted:	
Debt Service and USDA Reserve	495,028
Unrestricted (Deficit)	(915,796)
<b>TOTAL NET POSITION</b>	<u>\$ 19,183,828</u>

**BASIC FINANCIAL STATEMENTS**

The basic financial statements include:

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

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

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>OPERATING REVENUES</b>	
Water Sales	\$ 7,900,012
Wastewater Charges	142,853
Other Charges	337,010
<b>TOTAL OPERATING REVENUES</b>	<u>8,379,875</u>
<b>OPERATING EXPENSES</b>	
Water Purchase	2,562,292
Personnel	2,259,003
Depreciation	982,279
Operations and Maintenance	926,973
Professional Fees	968,284
Admin Expenses	240,311
Vehicles and Equipment	111,862
Utilities	132,537
Insurance	84,141
<b>TOTAL OPERATING EXPENSES</b>	<u>8,267,682</u>
<b>OPERATING INCOME (LOSS)</b>	<u>112,193</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Interest Income	91,256
Impact and Installation Fees	2,230,648
Loss on Disposal of Capital Assets	(3,219)
Interest Expense	(602,403)
<b>TOTAL NON-OPERATING REVENUES</b>	<u>1,716,282</u>
<b>CHANGE IN NET POSITION</b>	<u>1,828,475</u>
Net Position at Beginning of Year	<u>17,355,353</u>
Net Position at End of Year	<u>\$ 19,183,828</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$ 8,450,038	
Cash Payments to Suppliers for Goods and Services	(3,047,412)	
Cash Payments to Employees for Services	(2,289,813)	
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>3,112,813</u>	
<b>Cash Flows from Capital and Related Financing Activities</b>		
Issuance of Promissory Notes	4,516,898	
Principal Payments on Bonds and Notes Payable	(1,099,470)	
Impact and Installation Fees	2,230,648	
Interest Paid	(610,335)	
Proceeds from the Sale of Equipment	6,000	
Purchase of Property, Plant and Equipment	(10,300,086)	
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>(5,256,345)</u>	
<b>Cash Flows from Investing Activities</b>		
Interest and Investment Income	91,256	
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>91,256</u>	
Net Increase (Decrease) in Cash and Cash Equivalents		(2,052,276)
<b>Beginning Cash and Cash Equivalents</b>		
Unrestricted	1,001,696	
Restricted	14,714,657	
<b>Ending Cash and Cash Equivalents</b>		<u>15,716,353</u>
Unrestricted	654,265	
Restricted	13,009,812	
		<u>\$ 13,664,077</u>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 112,193
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:	
Depreciation	982,279
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(5,139)
(Increase) Decrease in Prepaid Expenses	47,269
(Increase) Decrease in Inventory	56,254
(Increase) Decrease in Deferred Pension Related Outflows	(67,132)
Increase (Decrease) in Accounts Payable	1,875,465
Increase (Decrease) in Payroll Liabilities	71,694
Increase (Decrease) in Accrued Wages	(13,379)
Increase (Decrease) in Customer Deposits	75,302
Increase (Decrease) in Accrued Compensated Absences	13,672
Increase (Decrease) in Net Pension Liability/Asset	(34,001)
Increase (Decrease) in Deferred Pension Related Inflows	(1,664)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 3,112,813</b>

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Crystal Clear Special Utility District (the "District") was created pursuant to Texas Senate Bill 116, 83<sup>rd</sup> Legislature, R.S. (2013), further codified in Texas Special District Local Laws Code Chapter 7206, enacted under the authority granted to the Texas Legislature in Texas Constitution article XVI Section 59. Prior to that date the District operated as a Water Supply Corporation. The District was organized to furnish potable water and wastewater utility services. The District is managed by a Board of Directors consisting of seven members elected by voters residing in the District's boundaries. The District serves customers in Hays, Comal and Guadalupe counties.

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

**1. REPORTING ENTITY**

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

**2. ENTERPRISE FUND**

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

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

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

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

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. CASH AND INVESTMENTS**

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

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.

**5. ACCOUNTS RECEIVABLE**

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

**6. INVENTORY**

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

**7. PREPAID EXPENSES**

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

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**8. CAPITAL ASSETS**

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

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

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

**9. DEFERRED INFLOWS AND OUTFLOWS**

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

**10. CUSTOMER DEPOSITS**

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

**11. LONG-TERM OBLIGATIONS**

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

**12. NET POSITION**

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



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**13. PENSION**

The net pension liability (asset), deferred inflows and outflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Texas County and District Retirement System (TCDRS), and additions to and deductions from TCDRS' fiduciary net position have been determined on the same basis as they are reported by TCDRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**14. 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.

**15. USE OF ESTIMATES**

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

**NOTE B – CASH AND INVESTMENTS**

**1. Cash and Cash Equivalents**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At September 30, 2020, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities. All of the District's deposits were fully collateralized.

**2. Investments**

As of September 30, 2020, the District's investments consisted of Texas Class local government investment pools presented at net asset value. The Texas Class pool maintains a AAAAm rating and a stable net asset value of \$1.00 per share. Texas Class is a 2a7-like pool which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Therefore, the Texas Class is reported at \$1 per share, which approximates fair value and is included in cash and cash equivalents. The amount invested in Texas Class at September 30, 2020 is \$692,586.

**NOTE C – RESTRICTED CASH AND EQUIVALENTS**

Restricted cash consists of a debt service and loan reserve related to the United States Department of Agriculture (USDA) Series 2015 Revenue Bonds and Texas Water Development Board (TWDB) 2017 Revenue Bonds. The District is required to make monthly transfers to these accounts up to certain limits and may only spend the balances on debt service or USDA/TWDB approved activities.

In addition, the proceeds of the 2017 bonds are held in escrow for construction and are released only upon approval by the TWDB.

**NOTE D – ACCOUNTS RECEIVABLE**

District receivables as of September 30, 2020, consisted of the following:

Customer Balances	\$ 925,421
Unbilled Services Rendered	756,841
Bulk Water Agreement	136,527
Allowance for Uncollectible Accounts	<u>(72,101)</u>
Total Accounts Receivable (net)	<u>\$ 1,746,688</u>

**NOTE E – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020 was as follows:

	Balances at 10/1/19	Additions	Transfers/ Disposals	Balances at 9/30/2020
Land	\$ 388,509	-	-	\$ 388,509
Water Rights	2,522,628	4,556,898	-	7,079,526
Building and Improvements	983,582	-	-	983,582
Plant and Distribution System	25,994,167	341,592	359,139	26,694,898
Machinery and Equipment	1,249,030	77,407	(23,051)	1,303,386
Construction in Progress	2,108,088	5,324,189	(359,139)	7,073,138
	<u>33,246,004</u>	<u>10,300,086</u>	<u>(23,051)</u>	<u>43,523,039</u>
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(275,762)	(24,916)	-	(300,678)
Plant and Distribution System	(6,517,256)	(759,465)	-	(7,276,721)
Machinery and Equipment	(716,187)	(197,898)	13,832	(900,253)
	<u>(7,509,205)</u>	<u>(982,279)</u>	<u>13,832</u>	<u>(8,477,652)</u>
Capital Assets, Net	<u>\$ 25,736,799</u>	<u>\$ 9,317,807</u>	<u>\$ (9,219)</u>	<u>\$ 35,045,387</u>

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

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE F – LONG-TERM DEBT**

The District's long-term debt activity as of and for the year ending September 30, 2020 is as follows:

	Balance Outstanding 10/1/2019	Additions	Retirements	Balance Outstanding 9/30/2020
Bonds Payable, Series	\$ 22,685,098	\$ 4,516,898	\$ (1,099,470)	\$ 26,102,526
Notes and Bonds	(8,673)	65,481	(99,482)	(42,674)
Net Pension Liability (Asset)	26,050	39,722	(26,050)	39,722
Compensated Absences	-	-	-	-
<b>Totals</b>	<b>\$ 22,702,475</b>	<b>\$ 4,622,101</b>	<b>\$ (1,225,002)</b>	<b>\$ 26,099,574</b>

The District's bond and note activity as of and for the year ending September 30, 2020 is as follows:

	Balance Outstanding 10/1/2019	Additions	Retirements	Balance Outstanding 9/30/2020	Due Within One Year
Bonds Payable, Series	\$ 5,121,098	-	\$ (262,446)	\$ 4,858,652	\$ 270,991
CoBank Notes	-	4,516,898	(284,024)	4,232,874	430,419
Promissory Notes	3,069,000	-	(48,000)	3,021,000	49,000
Revenue Bonds, Series 2015	14,495,000	-	(505,000)	13,990,000	510,000
Revenue Bonds, Series 2017	-	-	-	-	-
<b>Totals</b>	<b>\$ 22,685,098</b>	<b>\$ 4,516,898</b>	<b>\$ (1,099,470)</b>	<b>\$ 26,102,526</b>	<b>\$ 1,260,410</b>

All debt was privately placed with no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

**Bonds Payable**

Combination Water and Sewer System Revenue Refunding Bonds, Series 2015 were issued by the District in July 2016 to pay off short term borrowings for construction of system improvements. The bonds were purchased at closing by the United States Department of Agriculture. The bonds bear interest at 2.75% and mature serially through December 1, 2055. The bonds require debt service and reserve accounts to which the District has substantially complied.

Combination Water and Sewer System Revenue Bonds, Series 2017 were issued by the District in November 2017 to fund system improvements. The bonds were placed with the Texas Water Development Board. The bonds bear interest at rates ranging from 0.02% to 2.35% and mature serially through December 1, 2043. The bonds require debt service and reserve accounts to which the District has substantially complied.

**CoBank Notes**

The District signed promissory notes with CoBank to refinance existing notes in 2015. The CoBank notes bear interest at 4.5-4.8% and require quarterly payments of interest and principal until maturity on April 20, 2036. The notes require the District to maintain debt service coverage and debt to capitalization ratios to which the District has complied.

**NOTE F – LONG-TERM DEBT (Continued)**

**Promissory Notes**

The District signed promissory notes to purchase water rights from landowners in 2020 for \$4,516,898. The notes require monthly payments of \$40,000 until maturity at January 10, 2030. The notes bear simple interest of 5% until maturity, which is an effective interest rate of 1.23%.

The annual requirements to amortize all outstanding privately-placed debt as of September 30, 2020, including interest payments, are as follows:

Year End September 30,	Principal Payments	Interest Payments	Total
2021	\$ 1,260,410	\$ 602,976	\$ 1,863,386
2022	1,280,732	581,097	1,861,829
2023	1,297,420	557,722	1,855,142
2024	1,318,499	532,951	1,851,450
2025	1,346,073	506,174	1,852,247
2026-2030	6,799,504	2,079,266	8,878,770
2031-2035	4,857,115	1,333,659	6,190,774
2036-2040	4,000,773	716,923	4,717,696
2041-2045	2,677,000	284,103	2,961,103
2046-2050	526,000	138,637	664,637
2051-2055	607,000	60,850	667,850
2056	132,000	1,820	133,820
<b>Total</b>	<b>\$ 26,102,526</b>	<b>\$ 7,396,178</b>	<b>\$ 33,498,704</b>

**NOTE H – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM**

**Plan Description**

The District participates as one of 800 plans in the nontraditional, defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). TCDRS is an agency created by the state of Texas and administered in accordance with the TCERS Act as an agent multiple-employer retirement system for County and District employees in the State of Texas. The Board of Trustees of TCERS is responsible for the administration and management of the system. TCERS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at PO Box 2034, Austin, Texas 78768-2034.

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

**NOTE H – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

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

Contributions

The District has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the District is actuarially determined annually. The District contributed more than the actuarially determined rate of 4.00% and 3.89% for the calendar years of 2019 and 2020, respectively.

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

Benefits Provided

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

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

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	12/31/2019
Inactive Employees Receiving Benefits	1
Inactive Employees	18
Active Employees	28
	47

**NOTE H – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Continued)**

Net Pension Liability

The District's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0 Years (based on contribution rate calculated in 12/31/19 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.

The long-term expected rate of return on pension plan investments is 8.00%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 – December 31, 2016 for more details.

**NOTE H – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Cont.)**

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

Asset Class	Target Allocation	Expected Real Rate of Return (Geometric)
US Equities	14.50%	5.20%
Private Equity	20.00%	8.20%
Global Equities	2.50%	5.50%
International Equities - Developed	7.00%	5.20%
International Equities - Emerging	7.00%	5.70%
Investment-Grade Bonds	3.00%	-0.20%
Strategic Credit	12.00%	3.14%
Direct Lending	11.00%	7.16%
Distressed Debt	4.00%	6.90%
REIT Equities	3.00%	4.50%
Master Limited Partnerships (MLPs)	2.00%	8.40%
Private Real Estate Partnerships	6.00%	5.50%
Hedge Funds	8.00%	2.30%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 8.10%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.10%) or 1-percentage point higher (9.10%) than the current rate:

	Discount Rate	Discount Rate	Discount Rate
	7.10%	8.10%	9.10%
Net Pension Liability (Asset)	\$ 32,991	\$ (42,674)	\$ (103,284)

**Changes in Net Pension Liability**

The below schedule presents the changes in the Net Pension Liability as of December 31, 2019:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2018	\$ 238,786	\$ 247,459	\$ (8,673)
Changes for the year:			
Service Cost	123,711	-	123,711
Interest on total pension liability	28,758	-	28,758
Change of Benefit Terms	-	-	-
Economic/Demographic gains or losses	37,023	-	37,023
Changes of Assumptions	-	-	-
Refund of Contributions	(14,035)	(14,035)	-
Benefit Payments	(1,190)	(1,190)	-
Administrative Expense	-	(347)	347
Member Contributions	-	113,104	(113,104)
Net Investment Income	-	40,473	(40,473)
Employer Contributions	-	64,636	(64,636)
Other	-	5,627	(5,627)
Net Changes	174,267	208,268	(34,001)
Balance at December 31, 2019	\$ 413,053	\$ 455,727	\$ (42,674)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained at [www.tcdtrs.com](http://www.tcdtrs.com).

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
SEPTEMBER 30, 2020

**NOTE H – TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM (Cont.)**

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

For the year ended September 30, 2020, the District recognized pension expense of \$15,950. Also as of September 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows Outflows of of Resources	Deferred Inflows Inflows of of Resources
Differences between Expected and Actual Economic Experience	\$ 56,292	\$ 4,919
Changes in Actuarial Assumptions	-	40
Differences Between Projected and Actual Investment Earnings	-	771
Contributions Subsequent to the Measurement Date	96,262	-
	<u>\$ 152,554</u>	<u>\$ 5,730</u>

Deferred outflows of resources in the amount of \$96,262 result from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the plan year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	For the Year ended December 31,	
2020	\$	8,572
2021		8,173
2022		8,434
2023		6,626
2024		9,379
Thereafter		9,378
	<u>\$</u>	<u>50,562</u>

**NOTE I – 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 13, are contractually obligated to fund a pro-rata portion of CRWA's operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 7%). For the fiscal year ended September 30, 2020, CRWA reported assets of \$170 million and liabilities of \$125 million, including bonds payable of \$123 million. Annual required funding payments are recorded as water purchases.

In addition, CRWA is a member of Alliance Regional Water Authority under a similar arrangement. In 2014, the District agreed to reimburse CRWA for 53.52% of CRWA's share of Alliance in exchange for the future water developed by Alliance. The agreement required the District to fund the annual requirements in addition to the past costs incurred by CRWA in relation to the Alliance project. The District makes regular contributions for annual funding, but is not required at this time to make payments on the prior costs, which are recognized as a liability on the Statement of Net Position in the amount of \$1,821,238. The District is responsible for approximately 16% of Alliance's budget and debt. For the fiscal year ended September 30, 2019 (the most recent year available), Alliance reported assets of \$57 million and liabilities of \$41 million, including bonds payable of \$37 million. Annual required funding payments are recorded as water purchases.

Furthermore, the District entered into a reservation agreement with a development neighboring the District's CCN. The reservation agreement reserves 20.19% of the District's 53.52% of the Alliance responsibility and benefits. The development is billed monthly their share of the costs resulting from the Alliance project as a reservation fee.

**NOTE J – COMMITMENTS**

As of September 30, 2020, the District had the following commitments:

	Total Commitment	Expended to Date	Estimated Remaining
Construction	\$ 5,578,850	\$ 3,073,743	\$ 2,505,107
Engineering	612,653	207,893	404,760
	<u>\$ 6,191,503</u>	<u>\$ 3,281,636</u>	<u>\$ 2,909,867</u>

**NOTE K – LITIGATION**

The District is subject to various claims regarding easements, decertifications from the District's CCN, water rights and impact fees. If decided adversely to the District, the outcomes would not be expected to have a significant impact on these financial statements. No loss contingencies have been recorded.

**NOTE L – SUBSEQUENT EVENT**

In October 2019, Crystal Clear agreed to sell a portion of its CCN and all pipes, meters, tanks and easements included in that CCN to the City of San Marcos for \$1.14 million. The sale was approved by the Public Utility Commission and is expected to occur in 2021.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budget Amounts		Actual Amounts	Variance With Final Budget-Positive (Negative)
	Original	Final		
<b>Operating Revenues:</b>				
Water Sales	\$ 7,697,934	\$ 7,697,934	\$ 7,900,012	\$ 202,078
Waterwater Charges	70,600	70,600	142,853	72,253
Other Charges	272,000	272,000	337,010	65,010
<b>Total Operating Revenues</b>	<b>8,040,534</b>	<b>8,040,534</b>	<b>8,379,875</b>	<b>339,341</b>
<b>Operating Expenses:</b>				
Water Purchase	2,532,000	2,532,000	2,562,292	(30,292)
Personnel	2,306,650	2,306,650	2,259,003	47,647
Depreciation	800,000	800,000	982,279	(182,279)
Operations and Maintenance	665,500	665,500	926,973	(261,473)
Professional Fees	933,900	933,900	968,284	(34,384)
Admin Expenses	335,000	335,000	240,311	94,689
Vehicles and Equipment	143,000	143,000	111,862	31,138
Utilities	151,200	151,200	132,537	18,663
Insurance	76,000	76,000	84,141	(8,141)
<b>Total Operating Expenses</b>	<b>7,943,250</b>	<b>7,943,250</b>	<b>8,267,682</b>	<b>(324,432)</b>
<b>Operating Income (Loss)</b>	<b>97,284</b>	<b>97,284</b>	<b>112,193</b>	<b>14,909</b>
<b>Non-Operating Revenues (Expenses):</b>				
Interest Income	15,000	15,000	91,256	76,256
Capital, Reservation and Installation Fees	1,263,388	1,263,388	2,230,648	967,260
Gain on Sale of Assets	1,200,000	1,200,000	(3,219)	(1,203,219)
Interest Expense	(599,000)	(599,000)	(602,403)	(3,403)
<b>Non-Operating Revenues</b>	<b>1,879,388</b>	<b>1,879,388</b>	<b>1,716,282</b>	<b>(163,106)</b>
<b>Net Income</b>	<b>\$ 1,976,672</b>	<b>\$ 1,976,672</b>	<b>\$ 1,828,475</b>	<b>\$ (148,197)</b>

REQUIRED SUPPLEMENTARY INFORMATION

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
FOR THE LAST FOUR PLAN (CALENDAR) YEARS

	Total Pension Liability		
	2016	2017	2018
Service Cost	\$ 51,116	\$ 81,798	\$ 86,710
Interest (on the Total Pension Liability)	2,030	10,608	16,376
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	44	(9,839)	32,719
Change of Assumptions	-	(83)	-
Benefit Payments, Including Refunds of Employee Contributions	-	(8,217)	(24,475)
Net Change in Total Pension Liability	53,190	74,267	111,330
Total Pension Liability - Beginning	-	53,190	127,457
Total Pension Liability - Ending	\$ 53,190	\$ 127,457	\$ 238,787

Plan Fiduciary Net Position

	2016	2017	2018	2019
	Contributions - Employer	\$ 17,706	\$ 32,415	\$ 45,759
Contributions - Employee	32,109	58,016	82,279	64,636
Net Investment Income	-	8,704	(1,498)	40,473
Benefit Payments, Including Refunds of Employee Contributions	-	(8,217)	(24,475)	(15,225)
Administrative Expense	-	(95)	(199)	(347)
Other	754	1,101	3,101	5,627
Net Change in Plan Fiduciary Net Position	50,569	91,924	104,967	208,268
Plan Fiduciary Net Position - Beginning	-	50,569	142,493	247,460
Plan Fiduciary Net Position - Ending	\$ 50,569	\$ 142,493	\$ 247,460	\$ 455,728

Net Pension Liability - Ending	\$ 2,621	\$ (15,036)	\$ (8,673)	\$ (42,674)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.07%	111.80%	103.63%	110.33%
Covered Payroll	\$ 458,699	\$ 828,805	\$ 1,175,420	\$ 1,615,767

Net Pension Liability as a Percentage of Covered Payroll	0.57%	-1.81%	-0.74%	-2.64%
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The District began participating in the plan in 2016. Information will be accumulated until ten years are presented.

See Independent Auditor's Report.

28

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM  
LAST FIVE FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions As Percent of Payroll
2020	\$ 56,085	\$ 114,509	(58,424)	\$ 1,831,356	6.25%
2019	55,134	55,134	-	1,384,658	3.98%
2018	41,861	41,923	(62)	1,077,933	3.89%
2017	29,934	29,934	-	775,492	3.86%
2016	11,039	11,039	-	285,984	3.86%

**Valuation Timing:**

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

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	0 years (based on contribution rate calculated in 12/31/19 valuation)
Asset Valuation Method	5 Year Smoothed Market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation.
Investment Rate of Return	8.00%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Health Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.
Changes in Assumptions	2015: New inflation, mortality and other assumptions
Changes in Plan Provisions	2017: New mortality assumptions 2017: New annuity purchase rates

The District began participating in the plan in 2016. Information will be accumulated until ten years are presented.

See Independent Auditor's Report.

29

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES  
 FISCAL YEAR ENDING SEPTEMBER 30, 2020

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

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

2. Retail Service Providers

Retail Rates for a 5/8" Meter		Flat Rate	Minimum Usage	Rate	Rate per 1,000 Gallons Over Minimum	Usage Level
Minimum Charge						
Water	\$ 58.83	No	N/A		\$ 5.09	0 to 5,000
					\$ 5.60	5,000 to 10,000
					\$ 6.66	10,000 to 20,000
					\$ 9.00	20,000 to 50,000
					\$ 11.50	50,000 to 70,000
					\$ 12.00	Over 70,000
Wastewater	\$ 33.64	No	N/A		\$ 2.66	0 to 5,000
					\$ 2.92	Over 5,000
Surcharge	\$ -				\$ -	

District employs winter averaging for wastewater usage? No

Total Charges per 10,000 gallons usage:

Water	\$ 112.28
Wastewater	\$ 61.54

Water and Wastewater Retail Connections

Meter Size	Total Connections		ESFC Factor	Active ESFCs
	Connections	Active Connections		
Unmetered	0	0	1.0	0
<=3/4"	5,865	5,845	1.0	5,845
1"	39	38	2.5	95
1 1/2"	4	4	5.0	20
2"	24	24	8.0	192
3"	2	2	15.0	30
4"	0	0	25.0	0
6"	0	0	50.0	0
8"	0	0	80.0	0
10"	0	0	115.0	0
Total Water	5,934	5,913		6,182
Total Wastewater	125	125	1.0	125

SUPPLEMENTARY INFORMATION

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



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES (CONTINUED)  
 FISCAL YEAR ENDING SEPTEMBER 30, 2020

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

Gallons pumped into system	690,147	Water	Accountability Ratio:
Gallons billed to customers:	493,493	(Gallons billed/Gallons pumped)	72%

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

Does the District have Debt Service standby Fees? Yes  No

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

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

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

5. Location of District:

Countries in which the District is located: Guadalupe, Comal, Hays

Is the District located entirely within one county? Yes  No

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

Cities in which the District is located: San Marcos, Seguin, New Braunfels

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

ETJs in which the District is located: San Marcos, Seguin, New Braunfels

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

If Yes, by whom? \_\_\_\_\_

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-2. ENTERPRISE FUND EXPENSES  
 FISCAL YEAR ENDING SEPTEMBER 30, 2020

<b>Personnel Expenditures</b> (including benefits)	\$ 2,259,003
<b>Professional Fees:</b>	
Legal	608,704
Engineering	240,152
Accounting and Audit	15,000
Other	104,428
<b>Water and Transmission Costs</b>	2,562,292
<b>Utilities</b>	132,537
<b>Repairs and Maintenance</b>	1,038,835
<b>Administrative Expenses</b>	324,452
<b>Depreciation and Amortization</b>	982,279
<b>Interest</b>	602,403
<b>Total Expenses</b>	<u>\$ 8,870,085</u>
Total number of persons employed by the District	<u>27</u>
Full-Time	<u>0</u>
Part-Time	

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

- TSI-3. Temporary Investments
- TSI-4. Taxes Levied and Receivable

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

Combination Water and Sewer System Revenue Bonds, Series 2017					
Fiscal Year Ending September 30,	Principal Due		Interest Due		Total
	Each Year	Each Year	Each Year	Each Year	
2021	\$ 510,000	\$ 245,652	\$ 245,652	\$ 755,652	
2022	515,000	243,369	243,369	758,369	
2023	515,000	240,125	240,125	755,125	
2024	520,000	235,827	235,827	755,827	
2025	530,000	230,547	230,547	760,547	
2026	535,000	224,261	224,261	759,261	
2027	545,000	216,940	216,940	761,940	
2028	555,000	208,714	208,714	763,714	
2029	560,000	199,681	199,681	759,681	
2030	575,000	189,917	189,917	764,917	
2031	585,000	179,504	179,504	764,504	
2032	595,000	168,499	168,499	763,499	
2033	605,000	156,887	156,887	761,887	
2034	620,000	144,604	144,604	764,604	
2035	630,000	131,728	131,728	761,728	
2036	645,000	118,339	118,339	763,339	
2037	660,000	104,374	104,374	764,374	
2038	675,000	89,821	89,821	764,821	
2039	690,000	74,737	74,737	764,737	
2040	705,000	59,147	59,147	764,147	
2041	725,000	42,951	42,951	767,951	
2042	740,000	26,139	26,139	766,139	
2043	755,000	8,796	8,796	763,796	
	<u>\$ 13,990,000</u>	<u>\$ 3,540,559</u>	<u>\$ 3,540,559</u>	<u>\$ 17,530,559</u>	

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS  
 SEPTEMBER 30, 2020

Combination Water and Sewer Revenue Refunding Bonds, Series 2015					
Fiscal Year Ending September 30,	Principal Due		Interest Due		Total
	Each Year	Each Year	Each Year	Each Year	
2021	\$ 49,000	\$ 82,406	\$ 82,406	\$ 131,406	
2022	50,000	81,044	81,044	131,044	
2023	52,000	79,642	79,642	131,642	
2024	53,000	78,410	78,410	131,410	
2025	55,000	76,680	76,680	131,680	
2026	56,000	75,187	75,187	131,187	
2027	58,000	73,620	73,620	131,620	
2028	60,000	72,192	72,192	132,192	
2029	61,000	70,334	70,334	131,334	
2030	63,000	68,629	68,629	131,629	
2031	65,000	66,869	66,869	131,869	
2032	67,000	65,229	65,229	132,229	
2033	69,000	63,184	63,184	132,184	
2034	71,000	61,259	61,259	132,259	
2035	73,000	59,279	59,279	132,279	
2036	75,000	57,398	57,398	132,398	
2037	77,000	55,154	55,154	132,154	
2038	79,000	53,009	53,009	132,009	
2039	82,000	50,796	50,796	132,796	
2040	84,000	48,643	48,643	132,643	
2041	86,000	46,176	46,176	132,176	
2042	89,000	43,770	43,770	132,770	
2043	91,000	41,295	41,295	132,295	
2044	94,000	38,854	38,854	132,854	
2045	97,000	36,125	36,125	133,125	
2046	100,000	33,416	33,416	133,416	
2047	102,000	30,639	30,639	132,639	
2048	105,000	27,865	27,865	132,865	
2049	108,000	24,864	24,864	132,864	
2050	111,000	21,853	21,853	132,853	
2051	115,000	18,746	18,746	133,746	
2052	118,000	15,580	15,580	133,580	
2053	121,000	12,256	12,256	133,256	
2054	125,000	8,873	8,873	133,873	
2055	128,000	5,395	5,395	133,395	
2056	132,000	1,820	1,820	133,820	
	<u>\$ 3,021,000</u>	<u>\$ 1,746,491</u>	<u>\$ 1,746,491</u>	<u>\$ 4,767,491</u>	

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS (CONTINUED)  
 SEPTEMBER 30, 2020

Fiscal Year Ending September 30,	Annual Requirements for all Series			Total
	Principal Due Each Year	Interest Due Each Year		
2021	\$ 559,000	\$ 328,058	\$	887,058
2022	565,000	324,413		889,413
2023	567,000	319,767		886,767
2024	573,000	314,237		887,237
2025	585,000	307,227		892,227
2026	591,000	299,448		890,448
2027	603,000	290,560		893,560
2028	615,000	280,906		895,906
2029	621,000	270,015		891,015
2030	638,000	258,546		896,546
2031	650,000	246,373		896,373
2032	662,000	233,728		895,728
2033	674,000	220,071		894,071
2034	691,000	205,863		896,863
2035	703,000	191,007		894,007
2036	720,000	175,737		895,737
2037	737,000	159,528		896,528
2038	754,000	142,830		896,830
2039	772,000	125,533		897,533
2040	789,000	107,790		896,790
2041	811,000	89,127		900,127
2042	829,000	69,909		898,909
2043	846,000	50,091		896,091
2044	94,000	38,854		132,854
2045	97,000	36,125		133,125
2046	100,000	33,416		133,416
2047	102,000	30,639		132,639
2048	105,000	27,865		132,865
2049	108,000	24,864		132,864
2050	111,000	21,853		132,853
2051	115,000	18,746		133,746
2052	118,000	15,580		133,580
2053	121,000	12,256		133,256
2054	125,000	8,873		133,873
2055	128,000	5,395		133,395
2056	132,000	1,820		133,820
	<u>\$ 17,011,000</u>	<u>\$ 5,287,050</u>	<u>\$</u>	<u>22,298,050</u>

See Independent Auditor's Report.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-6. CHANGES IN LONG-TERM BONDED DEBT  
 FISCAL YEAR ENDING SEPTEMBER 30, 2020

	USDA		TWDB		Total
	Series 2015	Series 2017	Series 2015	Series 2017	
Interest Rate	2.75%	0.02-2.33%			
Dates Interest Payable	Jun 1; Dec 1	Jun 1; Dec 1			
Maturity Dates	12/1/2055	12/1/2042			
Beginning Bonds Outstanding	\$ 3,069,000	\$ 14,495,000	\$	\$ 17,564,000	
Bonds Sold During the Year	-	-	-	-	
Bonds Retired During the Year	(48,000)	(505,000)		(553,000)	
Ending Bonds Outstanding	<u>\$ 3,021,000</u>	<u>\$ 13,990,000</u>		<u>\$ 17,011,000</u>	
Interest Paid During the Year	\$ 83,967	\$ 247,075	\$	\$ 331,042	
Paying Agent's Name	USDA	BOKEF, NA			
City	Seguin, TX	Austin, TX			
<i>Bond Authority</i>					
Amount Authorized by					
The Board of Directors	\$ 3,200,000	\$ 15,000,000	\$	\$ 18,200,000	
Amount Issued	<u>3,200,000</u>	<u>15,000,000</u>		<u>18,200,000</u>	
Remaining to be Issued	<u>\$ -</u>	<u>\$ -</u>		<u>\$ -</u>	
Debt Service Cash and Investments as of September 30			\$	\$ 230,031	
Average Annual Debt Service			\$	\$ 619,390	

See Independent Auditor's Report.



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CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
FISCAL YEAR ENDING SEPTEMBER 30, 2020

	Percent of Total Revenues				
	2016	2017	2018	2019	2020
<b>Operating Revenues:</b>					
Water Sales	\$4,357,605	\$6,590,266	\$6,947,697	\$7,104,895	\$7,900,012
Wastewater Charges	4,764	29,904	55,266	65,111	142,853
Other Charges	121,604	163,698	388,946	342,299	337,010
<b>Total Operating Revenues</b>	<b>4,483,973</b>	<b>6,783,868</b>	<b>7,391,909</b>	<b>7,512,305</b>	<b>8,379,875</b>
<b>Operating Expenses:</b>					
Water Purchase	1,045,458	1,609,122	1,710,218	1,959,600	2,562,292
Personnel	719,587	1,061,422	1,488,070	1,868,559	2,259,003
Depreciation	434,683	602,968	803,179	939,902	982,279
Operations and Maintenance	429,316	1,531,186	901,956	578,206	926,973
Professional Fees	809,393	874,215	805,627	501,652	968,284
Admin Expenses	209,177	333,568	351,224	313,057	240,311
Vehicles and Equipment	49,707	67,264	142,321	184,048	111,862
Utilities	112,539	125,982	138,267	126,794	132,537
Insurance	29,461	53,115	64,022	69,137	84,141
<b>Total Operating Expenses</b>	<b>3,839,321</b>	<b>6,258,842</b>	<b>6,404,884</b>	<b>6,540,955</b>	<b>8,267,682</b>
<b>Operating Income (Loss)</b>	<b>644,652</b>	<b>525,026</b>	<b>987,025</b>	<b>971,350</b>	<b>112,193</b>
<b>Non-Operating Revenues (Expenses):</b>					
Interest Income	3,841	2,899	126,882	271,436	91,256
Capital, Reservation and Installation Fees	2,157,661	1,243,828	1,105,122	1,199,198	2,230,648
Gain on the Sale of Property/Equipment	-	16,000	56,009	14,850	(3,219)
Interest Expense	(246,227)	(362,435)	(536,081)	(583,667)	(602,403)
Other Expenses	(54,265)	(305)	(681,467)	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>1,861,010</b>	<b>895,987</b>	<b>70,465</b>	<b>901,817</b>	<b>1,716,282</b>
<b>Change in Net Position</b>	<b>\$2,505,662</b>	<b>\$1,425,013</b>	<b>\$1,057,490</b>	<b>\$1,873,167</b>	<b>\$1,828,475</b>

\* 2016 figures represent nine months ending September 30.

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS  
 FISCAL YEAR ENDING SEPTEMBER 30, 2020

Complete Entity Mailing Address: 2370 FM 1979, San Marcos, TX 78666

Entity Business Telephone Number: 830-372-1031

Submission Date of the most recent Registration Form: May 2020

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

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office		Title at Year End
		Paid* 9/30/20	Expense Reimbursements 9/30/20	
Don Bosworth	7/14-12/21	---	\$ 60	Secretary
Amy Galle	1/16-12/21	---	\$ 60	Director
Jack Carson	11/08-12/22	---	---	Vice President
Mike Cox	1/11-12/22	---	\$ 3,855	President
Allen Pooley	4/20-12/22	---	---	Director
Ernest Hartman, Jr	12/17-12/23	---	\$ 60	Director
Marchell Camp-Gebhardt	11/18-12/23	---	---	Treasurer

COMPLIANCE SECTION

**Administrative Personnel:**

Mike Taylor	5/1/2013	\$ 156,379	\$ -	Gen. Manager
Regina Franke	8/15/2016	\$ 114,114	\$ -	Asst Gen Mgr

**Consultants:**

M&S Engineering		\$ 1,122,001		Engineer
Armstrong, Vaughan & Associates, P.C.		\$ 15,000		Auditor
Terrill & Waldrop		\$ 292,211		Attorney
Texas Land & Right of Way Company		\$ 716,543		ROW Agent
Freese and Nichols		\$ 28,295		Engineer

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



Armstrong, Vaughan & Associates, P. C.  
 Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
 Crystal Clear Special Utility District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Crystal Clear Special Utility District as of September 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise Crystal Clear Special Utility District's basic financial statements, and have issued our report thereon dated January 18, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Crystal Clear Special Utility District in a separate letter dated January 18, 2021.

**Purpose of this Report**

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

Armstrong, Vaughan & Associates, P.C.

January 18, 2021



Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

#### INDEPENDENT AUDITOR'S REPORT

#### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Directors  
Crystal Clear Special Utility District  
San Marcos, TX

#### Report on Compliance for Each Major Federal Program

We have audited Crystal Clear Special Utility District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020. Crystal Clear Special Utility District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Crystal Clear Special Utility District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Crystal Clear Special Utility District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our compliance audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Crystal Clear Special Utility District's compliance.

#### Opinion on Each Major Federal Program

In our opinion, Crystal Clear Special Utility District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

#### Report on Internal Control over Compliance

The management of Crystal Clear Special Utility District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Crystal Clear Special Utility District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Crystal Clear Special Utility District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

January 18, 2021



CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S ENVIRONMENTAL PROTECTION AGENCY</b> <i>Passed through Texas Water Development Board</i> Drinking Water State Revolving Funds	66.468	L1000615	\$ 3,668,021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Any material weaknesses identified?      Yes   X   No

Any significant deficiencies identified?      Yes   X   No

Noncompliance material to financial Statements noted?      Yes   X   No

2. Federal Awards

Internal control over major programs:

Any material weaknesses identified?      Yes   X   No

Any significant deficiencies identified?      Yes   X   No

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?      Yes   X   No

Identification of major programs:

CFDA Number(s) 66.468 Name of Federal Program or Cluster Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and type B Programs: \$750,000

Auditee qualified as low-risk auditee?      Yes   X   No

B. Financial Statement Findings  
NONE

C. Federal Award Findings and Questioned Costs  
NONE

D. Prior Audit Findings  
NONE

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal grant funds are considered to be expended as purchases are made under the provisions of the grant, and accordingly, may be in advance of the reimbursements received.

The Drinking Water State Revolving Funds program is a loan through the Texas Water Development Board and not from the Federal government. Thus, the loan amount is not reported on the face of the Schedule of Federal Expenditures and federal expenditures are recorded when expenses are incurred, not when advances from loan proceeds are made.

The District has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance.



**ANNUAL FILING AFFIDAVIT**

STATE OF TEXAS}  
COUNTY OF HAYS}

I, Christopher Betz, of the County Line Special Utility District hereby swear, or affirm, that the District above has reviewed and approved at the meeting of the District's Board of Directors on the \_\_\_ day of \_\_\_\_\_, 2020 its annual audit report for the fiscal period ended December 31, 2019 and the copies of the annual audit report have been filed in the District's office, located at 131 South Camino Real, Uhliland, Texas 78640.

**COUNTY LINE SPECIAL UTILITY DISTRICT**

Comparative Financial Statements  
With TSI Supplementary Information

December 31, 2019

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

Date: \_\_\_\_\_, 2020 By: \_\_\_\_\_

Sworn to and subscribed to before me this \_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

My commission expires on: \_\_\_\_\_  
Notary Public in the State of Texas

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Annual Financial Report  
For the Year Ended December 31, 2019



Table of Contents

<b>ANNUAL FILING AFFIDAVIT</b>	<b>Page</b>	
	1	
<b>BASIC FINANCIAL STATEMENTS</b>		
Auditor's Report	3-4	
Management's Discussion and Analysis	5-8	
Statement of Net Position	9	
Statement of Revenues, Expenses and Changes in Net Position	10	
Statement of Cash Flows	11-12	
Notes to the Financial Statements	13-21	
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Statement of Revenues, Expenses and Changes in Net Position - Budget and Actual	22	
<b>COMPLIANCE</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	23-24	
<b>TEXAS SUPPLEMENTARY INFORMATION (TSI Schedules)</b>		
TSI 1: Services and Rates	25-26	
TSI 2: Enterprise Fund Expenses	27	
TSI 7: Comparative Schedule of Revenues and Expenses - Five Years	28	
TSI 8: Board Members, Key Personnel and Consultants	29	

**Independent Auditor's Report**

Board of Directors  
County Line Special Utility District  
Uhlard, Texas

We have audited the accompanying financial statements of the County Line Special Utility District (District) as of and for the year ended December 31, 2019, 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 County Line Special Utility District as of December 31, 2019, 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.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Management's Discussion and Analysis  
December 31, 2019

**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 County Line Special Utility District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information 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 May 31, 2020 on our consideration of County Line Special Utility District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering County Line Special Utility District's internal control over financial reporting and compliance.

Williams, Crow, Mask, LLP  
May 31, 2020  
San Antonio, Texas

*William, Crow, Mask LLP*

**Using this Annual Report**

Within this section of the County Line 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 \$7,233,755 to \$24,900,196.
- Total liabilities increased \$5,709,954 to \$13,863,909.
- Total net position increased \$1,523,801 to \$11,036,287.
- Net operating revenues increased \$499,434.
- Net operating expenses increased \$595,467.

**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 and obligations to creditors (liabilities); (5) The Statement of Cash Flows. The Statement of Cash Flows 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 (6) 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 other supplementary information required by TCEQ which may be beneficial to the reader. This information is in conformity with Generally Accepted Accounting Principles (GAAP).

**COUNTY LINE 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	\$ 6,662,352	\$ 4,249,561
Other current assets	470,989	172,752
Capital assets, net	15,642,583	12,944,128
Other assets	2,124,272	300,000
<b>Total Assets</b>	<b>24,900,196</b>	<b>17,666,441</b>
Current liabilities	1,588,850	946,490
Long-term liabilities	12,275,059	7,207,465
<b>Total Liabilities</b>	<b>13,863,909</b>	<b>8,153,955</b>
Net investment in capital assets	6,514,792	6,338,653
Unrestricted	4,521,495	3,173,833
<b>Total Net Position</b>	<b>11,036,287</b>	<b>9,512,486</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 24,900,196</b>	<b>\$ 17,666,441</b>

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	\$ 4,522,672	\$ 4,023,238
Operating expenses	2,850,389	2,254,922
<b>Operating Income (Loss)</b>	<b>1,672,283</b>	<b>1,768,316</b>
Non-operating income (expense)	(148,482)	(180,547)
<b>Change in Net Position</b>	<b>\$ 1,523,801</b>	<b>\$ 1,587,769</b>

**COUNTY LINE 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 \$20.4 million in a broad range of capital assets, including land, buildings, equipment, plants, and distribution systems. Significant additions include water rights with ARWA, system improvements/additions, wastewater additions and construction in process related to system line additions. 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	\$ 145,960	\$ 145,960
Water rights	5,328,993	2,591,097
SUD conversion and legal fees	157,181	157,181
System	7,595,177	7,474,235
Equipment	125,237	125,237
Water plants	5,777,681	5,777,681
Wastewater	628,109	603,971
Building and improvements	358,896	242,581
Vehicles	124,252	124,252
Construction in process	144,651	-
<b>Totals at cost</b>	<b>20,386,137</b>	<b>17,242,195</b>
Total accumulated depreciation	(4,743,554)	(4,298,067)
<b>Net capital assets</b>	<b>\$ 15,642,583</b>	<b>\$ 12,944,128</b>

**Long-Term Debt**

At year-end, the District had \$9 million in principal outstanding on notes. New debt in the amount of \$2,737,896 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
Notes payable	\$ 9,014,178	\$ 6,495,959
<b>Totals at cost</b>	<b>\$ 9,014,178</b>	<b>\$ 6,495,959</b>



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
 Management's Discussion and Analysis  
 December 31, 2019

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
 Statement of Net Position  
 December 31, 2019

**Budgetary Highlights**

The District's revenues exceeded expectations by \$1.1 million, primarily because of an increase in water sales and other charges such as meter impact fees and installations. Operating expenses were \$493 thousand more than the budget. The overall change in net position was an increase of \$1.67 million, which is \$637 thousand more than what the budget anticipated.

**Economic Factors and Next Year's Budget**

The 2020 budget contemplates continued income and expenditures from the new wastewater agreement with Plum Creek Utility. Water rates are not expected to increase. Aside from the Plum Creek Utility agreement, 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 and Mailing address:  
 8870 Camino Real  
 Kyle, Texas, 78640  
 Phone: (512-398-4748)

Current assets:	
Cash	\$ 1,896,604
Investments	4,765,748
Accounts receivable, net	456,489
Inventory	14,500
Total Current Assets	<u>7,133,341</u>
Capital assets, net	15,642,583
Other assets:	
CRWA membership	281,250
Reserved meter receivables	1,843,022
	<u>2,124,272</u>
<b>Total Assets</b>	<u><u>24,900,196</u></u>
Current liabilities:	
Accounts payable	309,829
Payroll liabilities	153,666
Accrued interest	23,268
Customer deposits	677,158
Current portion of long-term debt	424,929
Total Current Liabilities	<u>1,588,850</u>
Notes payable, net of current portion	8,589,249
Other liabilities:	
Reserved meters	3,685,810
	<u>13,863,909</u>
<b>Total Liabilities</b>	<u>13,863,909</u>
Net position:	
Capital assets in excess of debt	6,514,792
Unrestricted	4,521,495
Total Net Position	<u>11,036,287</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 24,900,196</u></u>

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

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended December 31, 2019

Operating revenue:	
Water sales	\$ 2,926,322
Water impact fees	1,314,230
Wastewater service charges	1,185
Wastewater impact fees	60,063
Other charges	220,872
<b>Total operating revenues</b>	<u>4,522,672</u>
Operating expenses	2,850,389
<b>Operating income (loss)</b>	<u>1,672,283</u>
Non-operating revenues (expenses)	
Rental income	35,526
Interest income	93,141
Interest expense	(276,396)
Other expense	(753)
<b>Total non-operating revenues (expenses)</b>	<u>(148,482)</u>
<b>Change in net position</b>	<u>1,523,801</u>
Net position at beginning of year	10,017,504
Prior period adjustment	(505,018)
Net position at end of year	<u><u>\$ 11,036,287</u></u>

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

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Statement of Cash Flows  
For the Year Ended December 31, 2019

Cash flow from operating activities	
Cash received from customers	\$ 5,093,691
Operating costs	(1,589,728)
Payments to employees for services	(340,235)
<b>Net cash flow provided by operating activities</b>	<u>3,163,728</u>
Cash flows from capital and related financing activities	
Proceeds from note	2,737,896
Principal paid on debt	(219,676)
Interest paid	(253,128)
Purchase of property, plant and equipment	(2,999,292)
Construction in process	(144,651)
<b>Net cash used by capital and related financing activities</b>	<u>(878,851)</u>
Cash flows from investing activities	
Interest and investment income	127,914
<b>Net cash provided by investing activities</b>	<u>127,914</u>
Net increase (decrease) in cash and cash equivalents	2,412,791
Beginning cash and cash equivalents	4,249,561
Ending cash and cash equivalents	<u><u>\$ 6,662,352</u></u>

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



COUNTY LINE SPECIAL UTILITY DISTRICT  
Statement of Cash Flows (Continued)  
For the Year Ended December 31, 2019

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 1,672,283
Adjustments to reconcile income from operations to net cash provided by operating activities:	
Depreciation	445,487
Changes in operating assets and liabilities:	
Decrease (increase) in assets:	
Accounts receivable	(298,237)
Operating fees	18,750
Reserved meters	(1,843,022)
Increase (decrease) in liabilities:	
Accounts payable	309,819
Payroll liabilities	146,370
Deferred revenue	2,619,920
Customer deposits	92,358
<b>Net cash flow provided by operating activities</b>	<b>\$ 3,163,728</b>

COUNTY LINE SPECIAL UTILITY DISTRICT  
Notes to the Financial Statements  
December 31, 2019

1) Reporting Entity

County Line 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. County Line Water Supply Corporation was dissolved, and all assets and liabilities and equity of that organization were transferred to the newly created County Line Special Utility District. This transfer took place in June of 2010, for financial reporting purposes.

The Board of Directors (Board), a seven-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 County Line 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.

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

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 of 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.

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.

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 2010 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 June of 2010.

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.

COUNTY LINE SPECIAL UTILITY DISTRICT  
Notes to the Financial Statements  
December 31, 2019

2) Summary of Significant Accounting Policies (Continued)

Compensated Absences

County Line 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	1-3	40	None
	4-10	80	None
	Over 10	120	None
Sick	All	48	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.

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.

COUNTY LINE SPECIAL UTILITY DISTRICT  
Notes to the Financial Statements  
December 31, 2019

3) Cash and Investments (Continued)

Investments (Continued)

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 \$4,765,748 in a local government investment pool account.

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 collateralized 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.



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Notes to the Financial Statements  
December 31, 2019

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Notes to the Financial Statements  
December 31, 2019

**4) Receivables**

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

Customer balances	\$ 456,489
Allowance for doubtful	-
	<u>\$ 456,489</u>

**5) 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 43% of the related debt.

In addition, CRWA is a member of Alliance Regional Water Authority under a similar arrangement. In 2015, the District agreed to reimburse CRWA for their share of Alliance in exchange for the future water developed by Alliance. The agreement required the District to fund the annual requirements related to the Alliance project. The District is responsible for approximately 10% of CRWA's debt to Alliance, which equates to, the District being responsible for approximately 3% of Alliance's total debt. Principal and interest payments are made monthly to CRWA.

**6) 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.

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.

**7) Capital Assets**

As of December 31, 2019, the District had \$11,036,287 in Net Position. The District had capital assets in excess of related debt in the amount of \$6,514,792.

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

	<u>Balances at 12/31/18</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balances at 12/31/19</u>
<b>Capital Assets</b>				
Non-depreciable:				
Land and easements	145,960	-	-	145,960
Water rights	2,591,097	2,737,896	-	5,328,993
Total assets non-depreciable	<u>2,737,057</u>	<u>2,737,896</u>	<u>-</u>	<u>5,474,953</u>
Depreciable:				
SUD conversion and legal fees	157,181	-	-	157,181
System	7,474,235	120,944	-	7,595,179
Equipment	125,237	-	-	125,237
Water plants	5,777,681	-	-	5,777,681
Waste water	603,971	24,137	-	628,108
Building and improvements	242,581	116,314	-	358,895
Vehicles	124,252	-	-	124,252
Total assets depreciable	<u>14,505,138</u>	<u>261,395</u>	<u>-</u>	<u>14,766,533</u>
Less accumulated depreciation	4,298,067	445,487	-	4,743,554
Total depreciable assets, net	<u>10,207,071</u>	<u>(184,092)</u>	<u>-</u>	<u>10,022,979</u>
Construction in process	-	144,651	-	144,651
Total assets	<u>12,944,128</u>	<u>2,698,455</u>	<u>-</u>	<u>15,642,583</u>
Depreciation was \$445,487.				
Land, water rights and construction in process are not depreciated.				

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Notes to the Financial Statements  
December 31, 2019

**8) Long-Term Debt**

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

Notes Payable	Balance Outstanding at 12/31/18	Additions	Retirements	Balance Outstanding at 12/31/19	Due Within One Year
ARWA, Series 2015A	\$ 364,272	\$ -	\$ 12,876	\$ 351,396	\$ 19,092
ARWA, Series 2017A	1,009,524	-	18,288	991,236	27,348
ARWA, Series 2019A	-	2,737,896	-	2,737,896	-
CRWA, Series 2003	503,825	-	27,037	476,788	42,731
CRWA, Series 2005	1,180,783	-	117,006	1,063,777	186,667
CRWA, Series 2008	892,299	-	18,219	874,080	29,136
CRWA, Series 2017	2,245,255	-	7,500	2,237,755	101,205
CRWA Note	300,000	-	18,750	281,250	18,750
	<u>\$ 6,495,958</u>	<u>\$ 2,737,896</u>	<u>\$ 219,676</u>	<u>\$ 9,014,178</u>	<u>\$ 424,929</u>

Notes Payable

The District signed a promissory note with CRWA in 2017. The note bears no interest and requires monthly payments of principal until maturity in 2034. In addition to the note, the District is liable for a portion of CRWA and ARWA 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	\$ 424,929	\$ 279,221	\$ 704,150
2021	519,805	276,293	796,098
2022	536,668	256,426	793,094
2023	557,513	235,333	792,846
2024	580,607	212,856	793,463
2025-2029	1,771,112	846,334	2,617,446
2030-2034	1,732,920	608,736	2,341,656
2035-2039	1,411,768	325,686	1,737,454
2040-2041	1,478,856	222,369	1,701,225
Total	<u>\$ 9,014,178</u>	<u>\$ 3,263,254</u>	<u>\$ 12,277,432</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
Notes to the Financial Statements  
December 31, 2019

**9) Commitments**

As of February 2016, the District has entered into an agreement that will pay Daniel Heideman a total of \$144,000 over 48 months or upon death. The term of this contract will commence the day following Heideman's last day of employment. Monthly payments will be made in the amount of \$3,000 within 15 days of the beginning of the month. Termination of this contract for any reason will result in the District paying out the remainder of the \$144,000 within 90 days.

**10) Subsequent Events**

Subsequent events were evaluated through May 31, 2020, which is the report date. There were no significant subsequent events.

**11) Prior Period Adjustment**

Prior period adjustments have been made to correct an error made in prior years. The error relates to an understatement of assets and an understatement of liabilities. The effect of the adjustment was to decrease capital assets at December 31, 2018 by \$465,891 and increase membership deposits by \$39,127. Net assets at the beginning of 2019 have been adjusted by \$505,018 for the effect of the adjustment on prior years.



**COUNTY LINE 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		Variance
	Budget	Actual	Budget	Actual	Favorable (Unfavorable)
<b>Operating revenue:</b>					
Water sales	2,000,000	2,926,322	2,200,000	2,450,838	250,838
Water impact fees	1,100,000	1,314,230	700,000	1,337,270	637,270
Wastewater service charges	-	1,185	-	-	-
Wastewater impact fees	-	60,063	-	-	-
Other charges	318,500	220,872	190,000	235,130	45,130
<b>Total operating revenue</b>	<b>3,418,500</b>	<b>4,522,672</b>	<b>3,090,000</b>	<b>4,023,238</b>	<b>933,238</b>
<b>Operating expenses:</b>					
Water purchases	1,640,060	1,120,841	1,638,860	891,285	747,575
Personnel	510,000	630,605	400,000	443,921	(43,921)
Repairs and maintenance	64,000	256,397	19,756	296,865	(277,110)
Depreciation	-	445,467	-	387,984	(387,984)
Professional fees - Water	60,000	118,317	10,500	69,271	(58,771)
Professional fees - Wastewater	-	83,237	-	-	-
Administrative expenses	82,200	71,997	47,650	64,240	(16,590)
Vehicles and equipment	27,500	27,090	17,500	20,608	(3,108)
Utilities	38,000	34,266	39,000	33,888	5,112
Insurance	68,000	62,152	48,000	46,859	1,141
<b>Total operating expenses</b>	<b>2,469,750</b>	<b>2,850,389</b>	<b>2,221,266</b>	<b>2,254,922</b>	<b>(33,656)</b>
<b>Operating income (loss)</b>	<b>928,750</b>	<b>1,672,283</b>	<b>868,734</b>	<b>1,768,316</b>	<b>899,582</b>
<b>Non-operating revenues (expenses)</b>					
Rental income	32,400	35,526	18,750	6,646	(12,104)
Interest income	70,000	93,141	4,000	78,661	74,661
Interest expense	-	(276,396)	-	(265,854)	(265,854)
Other expense	-	(752)	-	-	-
<b>Total non-operating revenues (expenses)</b>	<b>102,400</b>	<b>(148,461)</b>	<b>22,750</b>	<b>(180,547)</b>	<b>(203,297)</b>
<b>Net income</b>	<b>\$ 1,031,150</b>	<b>\$ 1,523,802</b>	<b>\$ 891,484</b>	<b>\$ 1,587,769</b>	<b>\$ 696,285</b>

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of County Line Special Utility District (District) which comprise the balance sheet as of December 31, 2019, statement of revenues, expenses and changes in net position, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 31, 2020.

**Internal Control over Financial Reporting**

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

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

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

**COUNTY LINE SPECIAL UTILITY DISTRICT**

TSI – 1 Services and Rates

For the year ended December 31, 2019

**Compliance and Other Matters**

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

**Purpose of the Report**

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

*William, Gov. Mont LLP*

May 31, 2020  
San Antonio, Texas

1. Services Provided by the District:

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

2. Retail Rates Based on 5/8" Meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate Per 1,000 Gallons over Minimum	Usage Levels
Water \$	36.50	-	Y	\$ 3.25	0 to 10,000
				\$ 3.50	10,001 to 15,000
				\$ 3.75	15,001 to 20,000
				\$ 4.00	20,001 and over
Wastewater \$	65.00	-	Y		

District employs winter averaging for wastewater usage? No

Total charges per 10,000 gallons usage: \$69.00

Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections
Unmetered	3,639	3,517
5/8"	-	-
3/4"	-	-
1.0"	14	14
1.5"	3	3
2.0"	6	6
3.0"	-	-
4.0"	3	3
6.0"	-	-
8.0"	-	-
10.0"	-	-
Total Water	3,665	3,543
Wastewater	116	116

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
 TSI - 1 Services and Rates (Continued)  
 For the year ended December 31, 2019

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
 TSI - 2 Enterprise Fund Expenses  
 For the year ended December 31, 2019

3. Total water consumption during the fiscal year:

Gallons pumped into system: 324,822,900  
 Gallons billed to customers: 305,057,700  
 Water accountability ratio: 93.92%

4. District does not levy standby fees.

5. Location of District:

County(ies) in which the District is located.

Hays, Caldwell

Is the District located entirely within one county?

Yes  No

Is the District located within a city?

Entirely  Partly  Not at all

City(ies) in which the District is located.

Uhländ, Kyle

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

Entirely  Partly  Not at all

ETJ's in which District is located.

Uhländ, Kyle, San Marcos

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

Yes  No

If yes, by whom?

N/A

Water purchases	1,120,841
Personnel	630,605
Operations and maintenance	256,397
Depreciation	445,487
Professional fees	-
Legal	-
Legal - wastewater	38,080
Engineering	97,167
Engineering - wastewater	45,157
Surveying	13,400
Accounting and Audit	7,750
Administrative expenses	71,997
Vehicles and equipment	27,090
Utilities	34,266
Insurance	62,152
Interest	276,396
Other	752
<b>Total expenses</b>	<b>3,127,537</b>

Total number of persons employed by the District

Full time	8
Part time	-

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

- TSI-3 Temporary Investments
- TSI-4 Taxes Levied and Receivable
- TSI-5 Long-Term Debt Service Requirements by Years
- TSI-6 Changes in Long-Term Bonded Debt

See Independent Auditor's Report.



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
 TSI - 7 Comparative Schedule of Revenues and Expenses  
 Five Years Ended  
 Year Ended December 31, 2019

	2015	2016	2017	2018	2019
<b>Operating revenue:</b>					
Water sales	1,915,932	1,930,624	2,055,655	2,450,838	2,926,322
Water impact fees	257,041	455,054	676,173	1,337,270	1,314,230
Wastewater service charges	-	-	-	-	1,185
Wastewater impact fees	-	-	-	-	60,063
Other charges	111,480	90,664	174,953	235,130	220,872
<b>Total operating revenues</b>	<b>2,284,453</b>	<b>2,476,342</b>	<b>2,906,781</b>	<b>4,023,238</b>	<b>4,522,672</b>

**Operating expenses:**

Water purchases	794,427	811,136	1,016,352	891,285	1,120,841
Personnel	366,648	405,067	439,497	443,921	630,605
Repairs and maintenance	134,036	263,959	227,981	296,866	256,397
Depreciation	254,875	254,875	265,324	387,984	445,487
Professional fees - Water	-	43,061	47,244	69,271	118,317
Professional fees - Wastewater	-	-	-	-	83,237
Administrative expenses	4,441	11,368	8,887	64,240	71,997
Vehicles and equipment	15,522	14,077	14,392	20,608	27,090
Utilities	38,035	36,021	38,884	33,888	34,266
Insurance	15,180	14,683	18,692	46,859	62,152
<b>Total operating expenses</b>	<b>1,623,164</b>	<b>1,854,247</b>	<b>2,097,243</b>	<b>2,254,922</b>	<b>2,850,389</b>

**Operating income (loss)**

	661,289	622,095	809,538	1,768,316	1,672,283
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**Non-operating revenues (expenses)**

Rental income	19,511	78,369	44,364	6,646	35,526
Interest income	4,434	16,943	35,512	78,661	93,141
Interest expense	(232,507)	(195,745)	(213,191)	(265,854)	(276,396)
Other expense	-	-	-	-	(752)
<b>Total non-operating revenues (expenses)</b>	<b>(208,562)</b>	<b>(100,433)</b>	<b>(133,315)</b>	<b>(180,547)</b>	<b>(148,481)</b>

**Change in Net Position**

	\$ 452,727	\$ 521,662	\$ 676,223	\$ 1,587,769	\$ 1,523,802
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**COUNTY LINE SPECIAL UTILITY DISTRICT**  
 TSI - 8 Board Members, Key Personnel and Consultants  
 Year Ended December 31, 2019

Complete District Mailing Address: 8870 Camino Real, Kyle, TX 78640

District Business Telephone Number: (512) 398-4748

Submission Date of the most recent District Registration Form: June 2010

Limit on Fees of Office that a Director may receive during a fiscal year: \$6,000

Name	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 12/31/19	Expense Reimbursements 12/31/19	Title at Year End
<b>Board of Directors:</b>				
Chris Betz	2018	4,650	-	President
Toni Brewer	2018	800	-	Vice President
William Ilse	2017	750	-	Treasurer
Ken Dodson	2019	750	-	Director
Joe Howe	2019	150	-	Director
Rene Harbinson	2019	-	-	Director
Bob Diaz	2019	-	-	Director

**Administrative Personnel:**

Daniel Heideman	93,288	Manager
Doug Schnautz	71,184	Asst Manager
Susan Browning	62,466	Office Manager

**Consultants:**

Southwest Engineering, Inc.	Engineer
John Hohn	Attorney
Lloyd GosseLink Rochelle & Townsend, P.C.	Attorney
Williams, Crow, Mask LLP	Auditor

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MAXWELL SPECIAL UTILITY DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	PAGE
TITLE PAGE	i
TABLE OF CONTENTS	ii
ANNUAL FILING AFFIDAVIT	1
INDEPENDENT AUDITOR'S REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	8
STATEMENT OF NET POSITION	9
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	10
STATEMENT OF CASH FLOWS	11
NOTES TO BASIC FINANCIAL STATEMENTS	13
REQUIRED SUPPLEMENTARY INFORMATION	20
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BUDGET AND ACTUAL	21
SUPPLEMENTARY INFORMATION	22
TSI-1. SERVICES AND RATES	23
TSI-2. ENTERPRISE FUND EXPENSES	25
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES	26
TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS	27
COMPLIANCE SECTION	28
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING</i> <i>STANDARDS</i>	29

# MAXWELL SPECIAL UTILITY DISTRICT

## ANNUAL FINANCIAL REPORT

**FISCAL YEAR ENDED  
DECEMBER 31, 2020**



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Maxwell Special Utility District  
Maxwell, TX

Report on the Financial Statements

We have audited the accompanying financial statements of the Maxwell Special Utility District, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Maxwell Special Utility District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 Government 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 Maxwell Special Utility District, as of December 31, 2020, 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.

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS :  
COUNTIES OF HAYS AND CALDWELL :

I, Robert Karasch, of Maxwell Special Utility District hereby swear, or affirm, that the District named above has reviewed and approved, at a meeting of the District's Board of Directors on the 22nd day of April, 2021, its annual audit report of the fiscal period ended December 31, 2020, and that copies of the annual audit report have been filed in the District's office located at 216 Main Street, Maxwell, TX 78656.

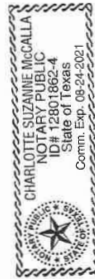
This annual filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of the Texas Water Code Section 49.194.

Date: April 22, 2021 By: [Signature]  
(Signature of District Official)

Robert Karasch, President, Board of Directors  
(Typed Name & Title of District Representative)

Sworn to and subscribed to before me this 22<sup>nd</sup> day of April, 2021.

[Signature]  
(Signature of Notary)



Commission expires on August 24, 2021  
Notary Public in the State of Texas

### Other Matters

#### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2021 on our consideration of Maxwell 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 Maxwell Special Utility District's internal control over financial reporting and compliance.



Armstrong, Vaughan & Associates, P.C.  
April 16, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Maxwell Special Utility District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended December 31, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The District took over operations and employees of Maxwell Water Supply Corporation in July 2020. All of the Corporation's assets, and liabilities were assumed by the District for a net contribution of \$6.6 million. The District ended 2020 with net assets of \$6.9 million.
- During the year, the District's operating revenues were \$84 thousand less than the \$1.3 million in operating expenses. Utility revenues and expenses transitioned to the District in July 2020.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

### FINANCIAL ANALYSIS OF THE DISTRICT

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

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

The District's combined net position was \$6.9 million at December 31, 2020. Of this amount, \$4.4 million was invested in capital assets, leaving an unrestricted net position of \$2.5 million. (See Table A-1).

**Table A-1**  
District's Net Position

	2020	2019
<i>Assets:</i>		
Cash and Investments	\$ 2,535,001	\$ 6,469
Other Current Assets	338,210	-
Other Assets	54,397	-
Capital Assets (Net)	4,768,293	-
<i>Total Assets</i>	<u>7,695,901</u>	<u>6,469</u>
<i>Liabilities:</i>		
Current	790,725	649,16
<i>Total Liabilities</i>	<u>790,725</u>	<u>649,16</u>
<i>Net Position:</i>		
Net Investment in Capital Assets	4,398,078	-
Unrestricted	2,507,098	(58,447)
<i>Total Net Position</i>	<u>\$ 6,905,176</u>	<u>\$ (58,447)</u>

The District's total operating revenues were \$1.3 million, which represented a little less than half of the year. The operating expenses were \$1.3 million. Non-operating revenues increased from impact fees. (See Table A-2)

**Table A-2**  
Changes in District Net Position

	2020	2019
Operating Revenues	\$ 1,253,779	\$ -
Operating Expenses	(1,337,621)	(58,447)
Operating Income (Loss)	(83,842)	(58,447)
Non-operating Income	407,432	-
Change in Net Position	<u>\$ 323,590</u>	<u>\$ (58,447)</u>

**BUDGETARY HIGHLIGHTS**

District revenues and expenses were under budget as the transition from the Water Supply Corporation happened later in 2020 than expected. The only item over budget was for legal fees related to the SUD conversion being more than anticipated. The net change in net position was an increase of \$324 thousand, \$192 thousand more than the budget projected.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**  
As of December 31, 2020, the District had invested \$9.3 million in a broad range of capital assets, including land, buildings, equipment, treatment plants, and distribution systems. No significant projects were undertaken in 2020. These assets were contributed by the water supply corporation. (See Table A-3.) More detailed information about the District's capital assets is presented in the notes to the financial statements.

**Table A-3**  
District's Capital Assets

	2020	2019
Land	\$ 463,573	\$ -
Building and Improvements	271,055	-
Plant and Distribution System	8,310,751	-
Machinery and Equipment	209,804	-
Totals at Historical Cost	<u>9,255,183</u>	<u>-</u>
Total Accumulated Depreciation	(4,486,890)	-
Net Capital Assets	<u>\$ 4,768,293</u>	<u>\$ -</u>

**Long-Term Debt**

At year-end, the District had \$425 thousand in principal outstanding on two notes assumed from the water supply corporation. Both of these notes are scheduled to be paid off in 2021. More detailed information about the District's debt is presented in the notes to the financial statements.

**Table A-4**  
District's Long Term Debt

	2020	2019
Notes Payable	\$ 424,612	\$ -
Total Long-Term Debt	<u>\$ 424,612</u>	<u>\$ -</u>

#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The 2021 budget will include a full year of operations and expects continued development throughout the District that will generate significant impact fees. Rapid development in the area continues to put demands on the District's system and for more water sources.

#### **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 P.O. Box 158, Maxwell, TX 78656.

#### **BASIC FINANCIAL STATEMENTS**

The basic financial statements include:

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

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

MAXWELL SPECIAL UTILITY DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2020

MAXWELL SPECIAL UTILITY DISTRICT  
STATEMENT OF NET POSITION  
DECEMBER 31, 2020

<b>ASSETS</b>	
<i>Current Assets:</i>	
Cash and Cash Equivalents	\$ 2,555,001
Accounts Receivable (net)	320,339
Prepaid Expense	17,871
<i>Total Current Assets</i>	<u>2,873,211</u>
<i>Other Assets:</i>	
CoBank Financing Certificates	54,397
Capital Assets (net)	4,768,293
<i>Total Other Assets</i>	<u>4,822,690</u>
<b>TOTAL ASSETS</b>	<u>7,695,901</u>
<b>LIABILITIES</b>	
<i>Current Liabilities:</i>	
Accounts Payable	139,200
Accrued Wages	4,074
Accrued Compensated Absences	8,157
Customer Deposits	214,682
Notes Payable - Current Portion	424,612
<i>Total Current Liabilities</i>	<u>790,725</u>
<b>TOTAL LIABILITIES</b>	<u>790,725</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	4,398,078
Unrestricted	2,507,098
<b>TOTAL NET POSITION</b>	<u>\$ 6,905,176</u>
<b>OPERATING REVENUES</b>	<u>\$ 1,245,791</u>
Water Sales	7,988
Other Charges	<u>1,253,779</u>
<b>TOTAL OPERATING REVENUES</b>	
<b>OPERATING EXPENSES</b>	
Water Purchase	580,090
Repairs and Maintenance	227,960
Personnel	178,992
Professional Fees	166,288
Depreciation	116,804
Office and Other Expenses	61,682
Utilities	5,805
<b>TOTAL OPERATING EXPENSES</b>	<u>1,337,621</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(83,842)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Miscellaneous Income	77
Impact Fees	292,948
Acquisition, Inquiry and Installation Fees	120,439
Interest Expense	(6,032)
<b>TOTAL NON-OPERATING REVENUES</b>	<u>407,432</u>
<b>CHANGE IN NET POSITION</b>	323,590
<b>BEGINNING NET POSITION (DEFICIT)</b>	(58,447)
WSC Conversion Contribution (See Note G)	6,640,033
<b>ENDING NET POSITION</b>	<u>\$ 6,905,176</u>



MAXWELL SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Cash Flows from Operating Activities</b>	
Cash Received from Customers	\$ 1,148,122
Other Cash Receipts	77
Cash Payments to Suppliers for Goods and Services	(936,264)
Cash Payments to Employees for Services	(166,761)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>45,174</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal Payments on Notes Payable	(42,579)
WSC Conversion Cash Contributions	2,118,582
Impact and Installation Fees	413,387
Interest Paid	(6,032)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>2,483,358</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,528,532
<b>Beginning Cash and Cash Equivalents</b>	<u>6,469</u>
<b>Ending Cash and Cash Equivalents</b>	<u>\$ 2,535,001</u>

MAXWELL SPECIAL UTILITY DISTRICT  
STATEMENT OF CASH FLOWS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2020

<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (83,842)
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities:	
Other Cash Receipts	77
Depreciation	116,804
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable	(320,339)
(Increase) Decrease in Prepaid Expenses	(17,871)
Increase (Decrease) in Accounts Payable	123,432
Increase (Decrease) in Accrued Wages	4,074
Increase (Decrease) in Accrued Vacation	8,157
Increase (Decrease) in Customer Deposits	214,682
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 45,174</u>

**NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Maxwell Special Utility District (the "District") was created pursuant to Texas Senate Bill 1422, 86<sup>th</sup> Legislature, R.S. (2019), further codified in Texas Special District Local Laws Code Chapter 7222, enacted under the authority granted to the Texas Legislature in Texas Constitution article XVI Section 59. Prior to that date the District operated as a Water Supply Corporation. The District was organized to furnish potable water and wastewater utility services. The District is managed by a Board of Directors consisting of nine members elected by voters residing in the District's boundaries. The District serves customers in Hays, and Caldwell counties.

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

**1. REPORTING ENTITY**

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

**2. ENTERPRISE FUND**

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

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

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

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

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

**4. CASH AND INVESTMENTS**

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

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.

**5. ACCOUNTS RECEIVABLE**

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

**6. PREPAID EXPENSES**

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

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

**7. 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 Distribution Systems	20 to 50 years

**8. COMPENSATED ABSENCES**

Employees of the District are entitled to vacation leave of 5 to 15 days per year depending on the length of service. Time is accrued each month and employees may carry over 20 days each calendar year. All of the paid time off is payable upon termination. The balance of the unpaid vacation is accrued on these financial statements at the end of each year.

**9. CUSTOMER DEPOSITS**

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

**10. LONG-TERM OBLIGATIONS**

Bonds, notes and capital leases are recorded as liabilities on the statement of net position. Bond issue costs 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.

**11. NET POSITION**

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

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

**12. 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.

**13. USE OF ESTIMATES**

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

**NOTE B -- CASH AND INVESTMENTS**

**1. Cash and Cash Equivalents**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledge securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. At December 31, 2020, the District's bank deposits were covered by a combination of federal deposit insurance and pledged securities. All of the District's deposits were fully collateralized.

**2. Investments**

The District does not currently have investments. However, the District has adopted an investment policy in compliance with the Public Funds Investment Act and will obtain the necessary training prior to purchasing any investments.

**NOTE C -- ACCOUNTS RECEIVABLE**

District receivables as of December 31, 2020, consisted of the following:

Customer Balances	\$	262,707
Unbilled Services Rendered		77,632
Allowance for Uncollectible Accounts		(20,000)
Total Accounts Receivable (net)	\$	<u>320,339</u>

MAXWELL SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

MAXWELL SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

**NOTE C -- CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balances at		WSC Conversion	Additions	Transfers/ Disposals	Balances at 12/31/2020
	1/1/20	12/31/2020				
Land	\$ -	\$ 463,573	\$ -	\$ -	\$ -	\$ 463,573
Building and Improvements	-	292,420	-	(21,365)	-	271,055
Plant and Distribution System	-	8,311,771	-	(1,020)	-	8,310,751
Machinery and Equipment	-	209,804	-	-	-	209,804
	-	9,277,568	-	(22,385)	-	9,255,183
<i>Less: Accumulated Depreciation</i>						
Building and Improvements	-	(249,700)	(2,542)		21,365	(230,877)
Plant and Distribution System	-	(4,015,107)	(101,391)		1,020	(4,115,478)
Machinery and Equipment	-	(127,664)	(12,871)		-	(140,535)
	-	(4,392,471)	(116,804)		22,385	(4,486,890)
Capital Assets, Net	\$ -	\$ 4,885,097	\$ (116,804)	\$ -	\$ -	\$ 4,768,293

Land is not depreciated.

**NOTE D -- LONG-TERM DEBT**

Name	Original Issue		Interest Rate	Maturity Date	Monthly Payment
	Amount	Date			
USDA Note Payable	\$500,000	4/26/2001	4.75%	3/26/2041	\$ 2,350
CoBank Note Payable	840,000	12/28/1999	2.9% (V)	8/20/2021	8,225

These debts are secured by a pledge of the District's net revenues and property and equipment. Payments on the CoBank note fluctuate based on a set principal amortization schedule and floating interest calculation. Interest rate varies weekly.

CoBank is a financing cooperative that requires refundable equity contributions to obtain financing. These equity contributions are recorded as financing certificates on the Statement of Net Position. The equity contributions are refunded as the debts are repaid, which is expected to occur in 2021. CoBank requires certain ratios to which the District has met.

The USDA loan was scheduled to mature in 2041. However, in early 2021, USDA requested the District to refinance the loan as the District now has access to other financing options. The District chose to pay off the note in March 2021. Because of the request from USDA, the note is shown as a current liability on the Statement of Net Position.

**NOTE D -- LONG-TERM DEBT (CONT.)**

The District's long-term debt activity as of and for the year ending December 31, 2020 is as follows:

Issue	WSC		Retirements	Balance	
	Conversion	Additions		Outstanding 12/31/2020	Due Within One Year
CoBank Note	\$ 371,173	\$ -	\$ (4,377)	\$ 366,796	\$ 366,796
USDA Note	96,018	-	(38,202)	57,816	57,816
Totals	\$ 467,191	\$ -	\$ (42,579)	\$ 424,612	\$ 424,612

Year End December 31,	Principal Payments		Interest Payments	
	Total	Total	Total	Total
2021	\$ 424,612	\$ 182,16	\$ 182,16	\$ 442,828
Total	\$ 424,612	\$ 182,16	\$ 182,16	\$ 442,828

The annual requirements to amortize all outstanding privately-placed debt as of December 31, 2020, including interest payments, are as follows:

**NOTE E -- 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; protect, preserve and restore the purity and sanitary condition of water in the area. The participating entities, of which there are 13, are contractually obligated to fund a pro-rata portion of CRWA's operating, debt service and project costs. The District has pledged its system revenues to fund its share of CRWA costs and debts (approximately 5%). For the fiscal year ended September 30, 2020, CRWA reported assets of \$170 million and liabilities of \$125 million, including bonds payable of \$123 million. Annual required funding payments are recorded as water purchases. Annual financial reports of the Authority may be obtained by contacting Authority management at 850 Lakeside Pass, New Braunfels, Texas 78130.

**NOTE F -- LITIGATION**

Management is not aware of any pending or likely litigation that will have a significant impact on these financial statements.

MAXWELL SPECIAL UTILITY DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 2020

**NOTE G -- WATER SUPPLY CORPORATION CONVERSION**

The District was formed in 2019 and incurred minimal start-up costs in 2019. In 2020, the Water Supply Corporation's (Corporation) assets and liabilities were transferred to the District. These assets were recorded on the District's financial statements at the Corporation's book value. These assets and liabilities were as follows:

	Book Amount
Cash	\$ 2,118,582
Receivables (net)	146,183
Prepaid Expenses	70,213
CoBank Certificates	54,397
Capital Assets (net)	4,885,097
Accrued Compensated Absences	(6,257)
Customer Deposits	(160,991)
Notes Payable	(467,191)
Net Conversion Contribution	\$ 6,640,033

REQUIRED SUPPLEMENTARY INFORMATION

MAXWELL SPECIAL UTILITY DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 BUDGET AND ACTUAL  
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Budget Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Operating Revenues:</b>				
Water Sales	\$ 2,009,387	\$ 2,009,387	\$ 1,245,791	\$ (763,596)
Other Charges	46,050	46,050	7,988	(38,062)
<b>Total Operating Revenues</b>	<b>2,055,437</b>	<b>2,055,437</b>	<b>1,253,779</b>	<b>(801,658)</b>
<b>Operating Expenses:</b>				
Water Purchase	1,039,843	1,039,843	580,090	459,753
Repairs and Maintenance	362,000	362,000	227,960	134,040
Personnel	378,042	383,756	178,992	204,764
Professional Fees	118,200	118,200	166,288	(48,088)
Depreciation	262,900	262,900	116,804	146,096
Office and Other Expenses	145,908	145,908	61,682	84,226
Utilities	11,000	11,000	5,805	5,195
<b>Total Operating Expenses</b>	<b>2,317,893</b>	<b>2,323,607</b>	<b>1,337,621</b>	<b>985,986</b>
<b>Operating Income (Loss)</b>	<b>(262,456)</b>	<b>(268,170)</b>	<b>(83,842)</b>	<b>184,328</b>
<b>Non-Operating Revenues (Expenses):</b>				
Miscellaneous Income	18,100	18,100	77	(18,023)
Impact Fees	210,000	210,000	292,948	82,948
Acquisition, Inquiry and Installation Fees	213,200	213,200	120,439	(92,761)
Interest Expense	(42,000)	(42,000)	(6,032)	35,968
<b>Non-Operating Revenues</b>	<b>399,300</b>	<b>399,300</b>	<b>407,432</b>	<b>8,132</b>
<b>Net Income</b>	<b>\$ 136,844</b>	<b>\$ 131,130</b>	<b>\$ 323,590</b>	<b>\$ 192,460</b>

SUPPLEMENTARY INFORMATION

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

MAXWELL SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES  
 FISCAL YEAR ENDING DECEMBER 31, 2020

MAXWELL SPECIAL UTILITY DISTRICT  
 TSI-1. SERVICES AND RATES (CONTINUED)  
 FISCAL YEAR ENDING DECEMBER 31, 2020

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

- Retail Water
- Retail Wastewater
- Parks/Recreation
- Solid Waste/Garbage
- Participates in joint venture, regional system, and/or wastewater service (other than emergency interconnect)
- Other (specify): \_\_\_\_\_

Gallons pumped into system	92,923	Water - Accountability Ratio: (Gallons billed/Gallons pumped)
Gallons billed to customers:	85,007	91%

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

Does the District have Debt Service standby Fees? Yes  No

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

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

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

5. Location of District:

Countries in which the District is located: Caldwell, Hays

Is the District located entirely within one county? Yes  No

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

Cities in which the District is located: San Marcos, Maxwell

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely  Partly  Not at all

ETJs in which the District is located: San Marcos

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

If Yes, by whom? \_\_\_\_\_

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

2. Retail Service Providers

	Minimum Charge		Flat Rate	Rate per 1,000 Gallons Over		Usage Level
	Minimum	Usage		Minimum	Level	
Water	\$ 31.40	N/A	No	\$ 7.25	0 to 5,000	
				\$ 7.50	5,000 to 10,000	
				\$ 7.75	10,000 to 15,000	
				\$ 8.00	Over 15,000	
Wastewater	N/A	N/A	N/A	\$ -	0 to 5,000	
Surcharge	\$ -	-	-	\$ -	Over 5,000	

District employs winter averaging for wastewater usage?

N/A

Total Charges per 10,000 gallons usage:

Water \$ 105.67  
 Wastewater N/A

Water and Wastewater Retail Connections

Meter Size	Total Connections		Active Connections	ESFC Factor	Active ESFCs
	Unmetered	Metered			
<=3/4"	0	0	0	1.0	0
1"	1,742	1,742	1,742	1.0	1,742
1 1/2"	75	75	188	2.5	188
2"	4	4	20	5.0	20
3"	5	5	40	8.0	40
4"	9	9	135	15.0	135
6"	1	1	25	25.0	25
8"	0	0	0	50.0	0
10"	0	0	0	80.0	0
Total Water	0	1,836	2,150	115.0	2,150
Total Wastewater	0	0	0	1.0	0

MAXWELL SPECIAL UTILITY DISTRICT  
 TSI-2. ENTERPRISE FUND EXPENSES  
 FISCAL YEAR ENDING DECEMBER 31, 2020

MAXWELL SPECIAL UTILITY DISTRICT  
 TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES  
 FISCAL YEAR ENDING DECEMBER 31, 2020

<b>Personnel Expenditures</b> (including benefits)	\$ 178,992
<b>Professional Fees:</b>	
Legal	133,276
Engineering	21,650
Accounting and Audit	0
Other	11,362
<b>Water and Transmission Costs</b>	580,090
<b>Utilities</b>	5,805
<b>Repairs and Maintenance</b>	227,960
<b>Administrative Expenses</b>	61,682
<b>Depreciation and Amortization</b>	116,804
<b>Interest</b>	<u>6,032</u>

<b>Total Expenses</b>	<u>\$ 1,343,653</u>
Total number of persons employed by the District	6
	<u>0</u>

Full-Time  
Part-Time

<b>Operating Revenues:</b>	<u>2020</u>	<u>2020</u>	
Water Sales	\$ 1,245,791	99.4%	
Other Charges	7,988	0.6%	
<b>Total Operating Revenues</b>	<u>1,253,779</u>	<u>100.0%</u>	
<b>Operating Expenses:</b>			
Water Purchase	580,090	46.3%	
Repairs and Maintenance	227,960	18.2%	
Personnel	178,992	14.3%	
Professional Fees	166,288	13.3%	
Depreciation	116,804	9.3%	
Office and Other Expenses	61,682	4.9%	
Utilities	5,805	0.5%	
<b>Total Operating Expenses</b>	<u>1,337,621</u>	<u>106.7%</u>	
<b>Operating Income (Loss)</b>	(83,842)	-6.7%	
<b>Non-Operating Revenues (Expenses):</b>			
Miscellaneous Income	77	0.0%	
Impact Fees	292,948	23.4%	
Acquisition and Installation Fees	120,439	9.6%	
Interest Expense	(6,032)	-0.5%	
<b>Total Non-Operating Revenues (Expenses)</b>	<u>407,432</u>	<u>32.5%</u>	
<b>Change in Net Position</b>	<u>\$ 323,590</u>	<u>25.8%</u>	

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

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

\* 2020 was the first year of operations. Information will be accumulated until a rolling 5 years is presented.







Armstrong, Vaughan & Associates, P. C.

Certified Public Accountants

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Maxwell Special Utility District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Maxwell Special Utility District as of December 31, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise Maxwell Special Utility District's basic financial statements, and have issued our report thereon dated April 16, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

We noted certain matters that we have reported to management of Maxwell Special Utility District in a separate letter dated April 16, 2021.

**Purpose of this Report**

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

Armstrong, Vaughan & Associates, P.C.

April 16, 2021

Appendix E  
Form of Opinion of Bond Counsel

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**June 16, 2021**

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**FINAL**

IN REGARD to the authorization and issuance of the “Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project - San Marcos River Rights Project), Series 2021” (the “Bonds”), dated June 1, 2021, in the aggregate original principal amount of \$2,115,000, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Canyon Regional Water Authority (the “Authority”). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 1 in each of the years 2022 through 2029, and on August 1, 2032, August 1, 2035 and August 1, 2038 unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the bond resolution (the “Resolution”) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the respective meanings ascribed thereto in the Resolution.

WE HAVE SERVED AS BOND COUNSEL for the Authority solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Authority’s obligations being refunded by certain proceeds of the Bonds, 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 Authority or the Authority’s and the Participating Members’ utility systems. We have not assumed any responsibility with respect to the financial condition or capabilities of the Authority 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 Authority’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 Authority in connection with the issuance of the Bonds, including the

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**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CANYON REGIONAL WATER AUTHORITY TAX-EXEMPT CONTRACT REVENUE REFUNDING BONDS (HAYS/CALDWELL COUNTIES AREA PROJECT - SAN MARCOS RIVER RIGHTS PROJECT), SERIES 2021”**

Resolution, the Amended and Restated Regional (Hays/Caldwell Counties Area) Water Supply and Treatment Contract, dated as of February 9, 2021 (the “Contract”), and documents approved by each of the Participating Members (as defined in the Contract, as amended), the Escrow Deposit Letter (the “Escrow Agreement”) between the Authority and UMB Bank, N.A., Austin, Texas (the “Escrow Agent”), and the certification (the “Sufficiency Certificate”) by SAMCO Capital Markets, Inc., as the Financial Advisor to the Authority, concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (2) customary certifications and opinions of officials of the Authority; (3) certificates executed by officers of the Authority relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Authority, and to certain other facts solely within the knowledge and control of the Authority and the Participating Members; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Authority, 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.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Authority and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (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), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the resolution authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized by the Authority and issued in conformity with the Constitution and laws of the State of Texas now in force, and the Bonds issued in compliance with the provisions of the Resolution are valid, legally binding and enforceable special obligations of the Authority, payable solely from and equally and ratably secured by a lien on and pledge of the Special Payments (being the Annual Payments as defined in the Contract) to be received by the Authority from the Participating Members pursuant to the Contract, together with certain other funds on deposit in the accounts established in the Resolution, and 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. In the

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CANYON REGIONAL WATER AUTHORITY TAX-EXEMPT CONTRACT REVENUE REFUNDING BONDS (HAYS/CALDWELL COUNTIES AREA PROJECT - SAN MARCOS RIVER RIGHTS PROJECT), SERIES 2021”**

Resolution, the Authority retains the right to issue Additional Bonds and Additional Obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Authority, except with respect to the Annual Payments. 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.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Authority and the Participating Members with the provisions of the Resolution and the Contract and in reliance upon the Sufficiency Certificate as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Authority 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 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.

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Appendix F  
Selected Provisions of the Resolution

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## SELECTED PROVISIONS OF THE RESOLUTION

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

SECTION 9: Definitions. For all purposes of this Resolution (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 36 and 50 of this Resolution 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 Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision.

A. The term *Additional Bonds* shall mean the obligations issued in accordance with the terms and conditions prescribed in Section 17 hereof.

B. The term *Additional Obligations* shall mean, collectively, any Prior Lien Obligations, Junior Lien Obligations, or Inferior Lien Obligations hereafter issued by the Authority.

C. The term *Authority* shall mean Canyon Regional Water Authority and any other public agency succeeding to the powers, rights, privileges and functions of the Authority and, when appropriate, the Board of Trustees of the Authority.

D. The term *Authorized Officials* shall mean the President, Board of Trustees, the Vice President, Board of Trustees, the Secretary, Board of Trustees, and/or the General Manager of the Authority.

E. 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 Requirement 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 Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Bonds Similarly Secured. For 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 shall be excluded in making the aforementioned computation.

F. The term *Bond Fund* shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

G. The term *Bonds* shall mean the \$2,115,000 “CANYON REGIONAL WATER AUTHORITY TAX-EXEMPT CONTRACT REVENUE REFUNDING BONDS

(HAYS/CALDWELL COUNTIES AREA PROJECT - SAN MARCOS RIVER RIGHTS PROJECT), SERIES 2021”, dated June 1, 2021, authorized by this Resolution.

H. The term *Bonds Similarly Secured* shall mean the Bonds and any Additional Bonds hereafter issued by the Authority 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 lien on and pledge of the Special Payments.

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

J. The *Contract* shall mean the Amended and Restated Regional (Hays/Cadwell Counties Area) Water Supply and Treatment Contract, dated as of February 9, 2021, together with any amendments and supplements thereto (which by the term of such instrument is designated as a supplement or amendment to such Contract), a conformed copy of such Contract, as amended, being attached hereto as Exhibit E for the purposes of identification.

K. 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 Authority 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 such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming (i) that the interest rate for every 12-month period on such bonds 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 rate of interest then being paid on United States Treasury obligations of like maturity and (ii) 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 further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto.

L. The term *Depository* shall mean an official depository bank of the Authority.

M. The term *Fiscal Year* shall mean the twelve month accounting period used by the Authority in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the Authority, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

N. The term *Government Securities* 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 authorized by the laws of the State of Texas as eligible for use to accomplish the discharge of obligations such as the Bonds.

O. The term *Gross Revenues* shall mean all income and increment, including, but not limited to, connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, but shall not mean the income and increment derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of the Authority’s Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board of Trustees of the Authority may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Bonds Similarly Secured for any lawful purpose in accordance with this Resolution and the Contract.

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

Q. The term *Inferior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the Authority payable wholly or in part from a pledge of and lien on Net Revenues of the System, all as further provided in Section 19 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Prior Lien Obligations or Junior Lien Obligations hereafter issued by the Authority, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board of Trustees of the Authority in accordance with any applicable law.

R. The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being February 1 and August 1 of each year, commencing February 1, 2022, while any of the Bonds remain Outstanding.

S. The term *Junior Lien Obligations* shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the Authority that are payable wholly or in part from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues of the System, all as further provided in Section 19 of this Resolution

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 Trustees in accordance with any applicable law.

T. The term *Maintenance and Operation Expenses* shall mean the expenses necessary to provide for the administration, efficient operation and adequate maintenance of the Authority's System, including the cost of purchasing water, paying necessary wages, salaries, and benefits, the acquisition of property and materials necessary to maintain the System in good condition and to operate it efficiently, together with such other costs and expenses as may now or hereafter be defined by law as proper maintenance and operation expenses of the System, including Operation and Maintenance Expenses (as defined in the Contract).

U. The term *Net Revenues* shall mean Gross Revenues of the System, with respect to any period, after deducting the System's Maintenance and Operation Expenses during such period.

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

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

(2) those Bonds for which payment has been duly provided by the Authority in accordance with the provisions of Section 38 of this Resolution 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 Resolution 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 32 of this Resolution.

W. The term *Participating Members* shall mean County Line Special Utility District, Crystal Clear Special Utility District, and Maxwell Special Utility District and will include their lawful assigns under applicable law.

X. The term *Prior Lien Obligations* shall mean (i) any bonds, notes, warrants, or other evidences of indebtedness which the Authority reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 18 of this Resolution 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 if issued in a manner so as to be payable from and secured

by a first and prior lien on and pledge of the Net Revenues as determined by the Board in accordance with applicable law.

Y. The term *Purchasers* shall mean the initial purchaser or purchasers of the Bonds named in Section 33 of this Resolution.

Z. The term *Resolution* shall mean this resolution adopted by the Board on May 10, 2021.

AA. The term *Special Payments* shall mean the payments that the Authority expects to receive from the Participating Members pursuant to the terms of the Contract and identified therein as Annual Payments.

BB. The term *Special Project Bonds* shall mean obligations which the Authority expressly reserves the right to issue in Section 20 of this Resolution.

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

DD. The term *System* shall mean the works, improvements, facilities, plants, equipments, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the Authority now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the Authority has contractual rights of use, including the Project (as defined in the Contract), except the facilities which the Authority may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

SECTION 10: Pledge of Special Payments. (a) The Authority hereby covenants and agrees that the Special Payments are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided; and it is hereby resolved that the Bonds Similarly Secured, and the interest thereon, shall constitute a lien on and pledge of the Special Payments and be valid and binding without any physical delivery thereof or further act by the Authority, and the lien created hereby on the Special Payments 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 Authority or the System payable pursuant to the terms of the Contract. The Authority shall deposit the Special Payments, as collected and received, into a separate fund and account known as the "Special Payment Account" to be utilized pursuant to the Contract and Section 13 hereof; provided, however, that the Board of Trustees of the Authority may utilize any revenues, including those generated by the Contract, in excess of the Debt Service Requirements on the Bonds Similarly Secured for any lawful purpose in accordance with this Resolution and the Contract.

(b) Chapter 1208, as amended, Texas Government Code, applies to the issuance of the Bonds Similarly Secured and the lien on and pledge of Special Payments granted by the Authority 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 Similarly Secured are outstanding and unpaid such that the pledge of the Special Payments granted by the Authority 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 Similarly Secured 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.** For the benefit of the Holders of the Bonds Similarly Secured and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the Authority hereby expressly stipulates and agrees, while any of the Bonds Similarly Secured are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System, including the Special Payments, that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- A. To pay all Maintenance and Operation Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;
- B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Prior Lien Obligations hereafter issued by the Authority and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Prior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues of the System;
- C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the Authority and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues of the System;
- D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the Authority and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues of the System; and



E. To produce Net Revenues, together with any other lawfully available funds, including Special Payments (being the Annual Payments pursuant to the Contract), to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable and to deposit the amounts required to be deposited in any special fund or account created and established for the payment and security of the Bonds Similarly Secured.

SECTION 12: System Fund. The Authority hereby covenants and agrees that the Gross Revenues of the System shall be deposited, as collected and received, into a separate fund or account to be created, established, and maintained with the Depository known as the “Canyon Regional Water Authority Utility Revenue Fund” (the “System Fund”) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the Authority. All Gross Revenues deposited into the System Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

FIRST: to the payment of all necessary and reasonable Maintenance and Operation Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

SECOND: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Prior Lien Obligations hereafter issued by the Authority as the same become due and payable.

THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the Authority as the same become due and payable.

FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the Authority as the same become due and payable.

FIFTH: to the payment of the amounts that must be deposited in any special funds or accounts created and established for the payment and security of the Bonds Similarly Secured.

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

SECTION 13: Bond Fund – Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Bonds Similarly Secured as the same become due and payable, the Authority agrees to maintain, at the Depository, a separate and special fund or account to be created and known as the “Canyon Regional Water Authority Tax-Exempt Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project - San Marcos River Rights Project), Series 2021 Interest and Sinking Fund” (the “Bond Fund”). The Authority covenants that there

shall be deposited into the Bond Fund prior to each principal and interest payment date from the available Special Payments deposited into the Special Payment Account pursuant to Section 10 of this Resolution an amount equal to one hundred per cent (100%) of the amount required to fully pay the interest on and the principal of the Bonds Similarly Secured then falling due and payable, such deposits to pay maturing principal and accrued interest on the Bonds Similarly Secured to be made in substantially equal monthly installments on or before the tenth day of each month, beginning on or before the tenth day of the month next following the delivery of the Bonds to the Purchasers. If the Special Payments in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Bonds Similarly Secured shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding Bonds Similarly Secured (principal and interest) or, (ii) the Bonds Similarly Secured are no longer Outstanding.

Accrued interest and premium, 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 therefrom, not expended for authorized purposes shall be deposited into the Bond Fund, and such amounts so deposited shall reduce the sum otherwise required to be deposited in the Bond Fund from Special Payments.

#### SECTION 14: Deficiencies - Excess Net Revenues.

A. If on any occasion there shall not be sufficient Special Payments to make the required deposits into the Bond Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Special Payments, 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 when and as required by this Resolution or any resolutions authorizing the issuance of Additional Bonds or Additional Obligations, the excess Net Revenues of the System may be used by the Authority for any lawful purpose including, but not limited to, the redemption of any Bonds Similarly Secured.

SECTION 15: Payment of Bonds. While any of the Bonds Similarly Secured are outstanding, any Authorized Official shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond 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 at the close of the business day next preceding the date a debt service payment is due on the Bonds Similarly Secured.

SECTION 16: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the Authority, be invested as

permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, or any other law (collateralized pursuant to the Public Funds Collateral Act, as amended, Chapter 2257, Texas Government Code), and secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, including time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, 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. 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 such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

**SECTION 17: Issuance of Additional Bonds.** In addition to the right to issue bonds of prior and inferior lien as authorized by the laws of this State of Texas, the Authority reserves the right hereafter to issue Additional Bonds. The Additional Bonds, when issued, shall be payable from and secured by a lien on and pledge of the Special Payments in the same manner and to the same extent as the Bonds and the Bonds Similarly Secured, shall in all respects be of equal dignity. The Additional Bonds may be issued in one or more installments provided, however, that no Additional Bonds, shall be issued unless and until the following conditions have been met:

- A. Except for a refunding to cure a default, the Authority is not then in default as to any covenant, condition or obligation prescribed in the resolutions authorizing the issuance of the Bonds Similarly Secured or the Contract (including any amendment or supplement thereto).
- B. A consulting engineer certifies to the Authority the need for an estimated amount of additional financing required for completion, expansion, enlargement or improvement of the System; provided, however this certification shall not be necessary for the issuance of any refunding bonds.
- C. The Participating Members (as defined in the Contract), shall have approved the resolution(s) authorizing the issuance of the Additional Bonds as to form and content and acknowledged that the payment of principal of and interest on such Additional Bonds is payable, in whole or in part, from the Special Payments to be made to the Authority under and pursuant to the Contract.

D. The Additional Bonds are made to mature on February 1 or August 1 or both in each of the years in which they are scheduled to mature.

E. The resolution authorizing the issuance of the Additional Bonds provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Bonds as the same become due.

The Bonds Similarly Secured may be refunded (pursuant to any law then available) upon such terms and conditions as the Board of Trustees of the Authority may deem to be in the best interest of the Authority; provided, however, such refunding bonds do not have to comply with paragraph B hereof.

**SECTION 18: Issuance of Prior Lien Obligations.** Subject to the limitations set forth in the Contract, the Authority also reserves the right to issue Prior Lien Obligations that are payable from and secured by a first and prior lien and pledge of the Net Revenues of the System. The Authority covenants and agrees, however, it will not issue any Prior Lien Obligations unless:

A. Except for a refunding to cure a default, the Authority is not then in default as to any covenant, condition or obligation prescribed by the 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.

In addition, the Prior Lien Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Board may deem to be in the best interest of the Authority and its inhabitants.

**SECTION 19: Obligations of Inferior Lien and Pledge.** Subject to the limitations set forth in the Contract, the Authority hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues of the System, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Prior Lien Obligations hereafter issued by the Authority as may be authorized by the laws of the State of Texas.

**SECTION 20: Special Project Bonds.** Subject to the limitations set forth in the Contract, the Authority further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility 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 Authority 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 or as otherwise permitted by the laws of the State of Texas.

**SECTION 21: Maintenance of System - Insurance.** The Authority 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 Operation Expenses. Nothing in this Resolution shall be construed as requiring the Authority 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 Authority from doing so.

SECTION 22: Records and Accounts - Annual Audit. The Authority 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 thereto as provided by applicable law. The Holders of the Bonds 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 Authority further agrees that following (and in no event later than 150 days after) 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. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Maintenance and Operation Expenses.

SECTION 23: Sale or Encumbrance of System. While any Bonds Similarly Secured remain Outstanding, the Authority will not sell, dispose of or, except as permitted in Sections 17, 18, 19 and 20, further encumber the Net Revenues of the System or any substantial part thereof; provided, however, that this provision shall not prevent the Authority from disposing of any of the Project or the System which is being replaced or is deemed by the Authority to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the Authority contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 24: Competition. To the extent it legally may, the Authority will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 25: Special Covenants. The Authority further covenants and agrees that:

- A. Encumbrance and Sale.

(1) The Special Payments and the Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the Authority except with respect to the Bonds Similarly Secured; and while any of the Bonds Similarly Secured are Outstanding, the Authority will not, except as provided in this Resolution, additionally encumber the Special Payments or the Net Revenues.

(2) While the Bonds Similarly Secured are Outstanding, and except as specifically permitted in Section 17, 18, 19 and 20, of this Resolution, the Authority shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the Net Revenues of the System or any significant or substantial part thereof.

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

C. Liens. The Authority will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, provided, however, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the Authority.

D. Performance. The Authority will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the resolutions authorizing the issuance of Bonds Similarly Secured, and in each and every Bond Similarly Secured and pay from the Special Payments the principal of and interest on every Bond Similarly Secured on the dates and in the places and manner prescribed in such resolutions and Bonds Similarly Secured; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Special Payments the amounts required to be deposited into the Bond Fund; and the Holder of the Bonds Similarly Secured may require the Authority, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Bonds Similarly Secured including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the Authority, its officials, agents, and employees.

E. Legal Authority. The Authority is duly authorized under the laws of the State of Texas to issue the Bonds Similarly Secured; that all action on its part for the authorization and issuance of the Bonds Similarly Secured has been duly and effectively

taken, and the Bonds Similarly Secured in the hands of the Holders thereof are and will be valid and enforceable special obligations of the Authority in accordance with their terms.

F. Budget. The Authority will prepare, adopt, and place into effect an annual budget (the “Annual Budget”) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

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

SECTION 26: Limited Obligations of the Authority. The Bonds Similarly Secured are limited, special obligations of the Authority payable from and equally and ratably secured solely by a lien on and pledge of the Special Payments, 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 Authority.

SECTION 27: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution 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 Texas for the security of public funds (including as required by and in accordance with the Texas Public Funds Collateral Act, codified at Chapter 2257, as amended, Texas Government Code), and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 28: Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the Authority covenants and agrees particularly that in the event the Authority (a) defaults in the payments to be made to the Bond Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Resolution, 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 Authority and other officers of the Authority to observe and perform any covenant, condition, or obligation prescribed in this Resolution.

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 remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 29: Notices to Holders Waiver. Wherever this Resolution 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.

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 Resolution 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 30: Bonds Are Negotiable Instruments. Each of the Bonds Similarly Secured 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 31: Cancellation. All Bonds Similarly Secured surrendered for payment, transfer, redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the Authority, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The Authority may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds Similarly Secured previously certified or registered and delivered which the Authority 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 Authority.

SECTION 32: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the Authority and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Authority 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 Authority or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the Authority 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 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 has become or is about to become due and payable, the Authority in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the Authority may require payment by the Holder of a sum sufficient to cover any tax or other



governmental charge or fee 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 issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the Authority, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

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

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Appendix G  
Amended and Restated Contract

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AMENDED AND RESTATED  
REGIONAL (HAYS/CALDWELL COUNTIES AREA)  
WATER SUPPLY AND TREATMENT CONTRACT

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February 9, 2021

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by and among  
CANYON REGIONAL WATER AUTHORITY  
and  
COUNTY LINE WATER SUPPLY SPECIAL UTILITY DISTRICT,  
CRYSTAL CLEAR WATER SUPPLY SPECIAL UTILITY DISTRICT,  
MARTINDALE WATER SUPPLY CORPORATION,  
MAXWELL SPECIAL UTILITY DISTRICT, and  
CITY OF SAN MARCOS, TEXAS

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**Table of Contents**

ARTICLE I Definitions..... 3  
    Section 1.01. Definitions..... 3  
    Section 1.02. Construction..... 9

ARTICLE II Representations and Warranties..... 10  
    Section 2.01. Representations and Warranties of Authority..... 10  
    Section 2.02. Representations and Warranties of Participating Members..... 10  
    Section 2.03. Representations of City..... 11

ARTICLE III Construction of Project and Issuance of Bonds ..... 11  
    Section 3.01. Agreements of the Parties ..... 11  
    Section 3.02. Contribution of the City ..... 11  
    Section 3.03. Allocation of the Projects..... 12  
    Section 3.04. Allocation of Special Project Bonds ..... 13  
    Section 3.05. Construction of Project ..... 13  
    Section 3.06. Compliance with Certain City Rules and Regulations ..... 13  
    Section 3.07. Issuance of Bonds ..... 14  
    Section 3.08. Liens..... 15  
    Section 3.09. Tax-Exempt Bonds ..... 15  
    Section 3.10. Payment to Rebate Fund ..... 15  
    Section 3.11. Sale and Offering Documents..... 16  
    Section 3.12. Authority’s Rights Assigned to Trustee..... 16

ARTICLE IV Sale and Purchase of Treated Water; Operating Requirements..... 16  
    Section 4.01. Water Conveyance; Right of First Refusal to Purchase  
        Capacity ..... 16  
    Section 4.02. Points of Delivery ..... 17  
    Section 4.03. Other Contracts ..... 17  
    Section 4.04. Quality..... 18  
    Section 4.05. Metering Equipment ..... 18  
    Section 4.06. Pressure, Backflow, Maximum Rate of Flow ..... 19

ARTICLE V Fiscal Provisions ..... 19  
    Section 5.01. Annual Requirement of the Participating Members ..... 19  
    Section 5.02. Annual City Payment..... 20  
    Section 5.03. Annual Budget ..... 20  
    Section 5.04. Payments by Contracting Parties ..... 21  
    Section 5.05. Unconditional Payments ..... 23  
    Section 5.06. Continuing Right to Treated Water..... 24

ARTICLE VI Additional Participating Members..... 24  
    Section 6.01. Additional Participating Members..... 24

ARTICLE VII	Special Conditions .....	25
Section 7.01.	Operation and Maintenance of the Project.....	25
Section 7.02.	Project Schedule.....	25
Section 7.03.	Permits, Financing, and Applicable Laws .....	25
Section 7.04.	Title to Water; Indemnification .....	25
Section 7.05.	Payments Solely From Revenues.....	26
Section 7.06.	Operating Expenses .....	26
Section 7.07.	Rates for Water .....	26
Section 7.08.	Use of Funds and System.....	26
Section 7.09.	Rights-of-Way.....	27
Section 7.10.	Insurance .....	27
Section 7.11.	Additional Special Provisions.....	27
ARTICLE VIII	Continuing Disclosure .....	28
Section 8.01.	Continuing Disclosure Annual Reports .....	28
Section 8.02.	Material Event Notices .....	28
Section 8.03.	Limitations, Disclaimers, and Amendments.....	30
ARTICLE IX	Miscellaneous .....	31
Section 9.01.	Force Majeure .....	31
Section 9.02.	Allocation of Water During Drought.....	32
Section 9.03.	Conservation .....	32
Section 9.04.	Term of Amended and Restated Contract.....	32
Section 9.05.	Approval and Consent.....	33
Section 9.06.	Modification and Amendment .....	33
Section 9.07.	Addresses and Notice.....	33
Section 9.08.	State or Federal Laws, Roles, Orders, or Regulations .....	35
Section 9.09.	Remedies Upon Default .....	35
Section 9.10.	Severability .....	35
Section 9.11.	Venue .....	36
Section 9.12.	Assignment .....	36
Section 9.13.	Entire Agreement .....	36
Section 9.14.	Applicable Law .....	36
Section 9.15.	Waiver of Governmental Immunity.....	36
Section 9.16.	No Sale, Lease, or Other Transfer of Contracting Party's Utility System .....	37
Section 9.17.	Counterparts .....	37

**AMENDED AND RESTATED REGIONAL (HAYS/CALDWELL COUNTIES AREA)  
WATER SUPPLY AND TREATMENT CONTRACT**

THIS AMENDED AND RESTATED REGIONAL (HAYS/CALDWELL COUNTIES AREA) WATER SUPPLY AND TREATMENT CONTRACT (this “Amended and Restated Contract”) dated as of the 9<sup>th</sup> day of February, 2021 (the “Contract Date”), amending and restating that certain Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract dated August 1, 1998, as amended (the “Original Contract”), is by and among the CANYON REGIONAL WATER AUTHORITY, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas, and the hereinafter defined Authority Act (the “Authority”), and:

COUNTY LINE SPECIAL UTILITY DISTRICT, a special utility district organized pursuant to Texas Water Code, Chapters 49 and 65 (“County Line SUD”);

CRYSTAL CLEAR SPECIAL UTILITY DISTRICT, a special utility district organized pursuant to Chapter 7206 of the Texas Special Districts Local Laws Code (“Crystal Clear SUD”);

MAXWELL SPECIAL UTILITY DISTRICT, a special utility district organized pursuant to Chapter 7222 of the Texas Special Districts Local Laws Code (“Maxwell SUD”);

MARTINDALE WATER SUPPLY CORPORATION, a Texas water supply corporation, organized originally pursuant to Texas Revised Civil Statutes Annotated Article 1434a, as amended (“Martindale WSC,” and, together with County Line SUD, Crystal Clear SUD and Maxwell SUD, the “Original Participating Members,” which, together with any Additional Participating Members as hereinafter defined, are collectively or individually referred to herein as “Participating Members”); and

CITY OF SAN MARCOS, TEXAS, a Texas home-rule municipality (the “City,” and, together with the Participating Members, the “Contracting Parties”).

**P R E A M B L E :**

WHEREAS, pursuant to applicable law, and particularly Article XVI, Section 59 of the Texas Constitution and the laws of the State of Texas (the “State”), particularly Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended (“the Authority Act”) and Chapter 791 of the Texas Government Code, as amended (the “Interlocal Cooperation Act”), the Authority is empowered to purchase, own, hold, lease, and otherwise acquire sources of a potable water supply; to build, operate, and maintain facilities for the treatment and transportation of water; to sell potable water to local governments, water supply corporations, and other persons in the State of Texas; and to protect, preserve, and restore the purity and sanitary condition to water in the Authority; and

WHEREAS, the Authority Act also authorizes the Authority, acting through its Board of Trustees (the “Board”) to issue revenue bonds to finance such projects, payable solely from the revenues derived from payments to be made to the Authority by the participating members and other customers for the purpose of defraying the cost of financing, acquiring, and constructing the projects; and



WHEREAS, pursuant to the provisions of the Interlocal Cooperation Act and the other laws of the State, the Authority and the Original Participating Members have previously entered into the Original Contract, as amended, as a taxable take-or-pay contract pursuant to which the Authority agreed to plan, design, acquire, construct, finance, and refinance treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land, including water rights acquisitions for the Hays/Caldwell Area Water Treatment Plant (the “Original Project”) and pursuant to such terms the Original Participating Members would agree to make payments to or on behalf of the Authority in amounts sufficient to meet all of the Authority’s obligations relating to bonds issued to finance the Original Project and to operate and maintain the Original Project; and

WHEREAS, the Board has previously approved and issued, upon the request of the Original Participating Members, the following series of revenue bonds pursuant to the Original Contract to finance (or refinance) the costs of the Original Project: (i) “Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 1999” (the “Series 1999 Bonds”); (ii) “Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2001” (the “Series 2001 Bonds”); (iii) “Original Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2003” (the “Series 2003 Bonds”); (iv) “Taxable Contract Revenue Refunding Bonds (Hays/Caldwell Counties Area Project), Series 2005” (the “Series 2005 Bonds”); and (v) “Taxable Contract Revenue Bonds (Hays/Caldwell Counties Area Project), Series 2017” (the “Series 2017 Bonds”); and

WHEREAS, the Board has previously approved and issued, upon the request of County Line SUD, Crystal Clear SUD, and Maxwell SUD, its “Taxable Contract Revenue Bonds (San Marcos River Rights Project), Series 2008” (the “Series 2008 Bonds” or “Special Project Bonds”) in an initial amount of \$3,200,000 (of which \$2,320,000 is currently outstanding) pursuant to the Original Contract for the purposes of financing the acquisition of certain San Marcos River water rights for the three Participating Members listed above;

WHEREAS, the Series 2003 Bonds, Series 2005 Bonds, and Series 2017 Bonds are currently outstanding in the aggregate principal amount of \$7,665,000 (the “Outstanding Bonds”); and

WHEREAS, the Contracting Parties have requested that the Authority upgrade and expand the Original Project to (i) increase the capacity of the Hays/Caldwell Area Plant from 2,908 acre feet to 4,468 acre feet, and (ii) install additional disinfection, storage and sludge handling improvements along with new raw water intake infrastructure (the “2020 Project”, and together with the Original Project, the “Project”) which will allow the Contracting Parties the ability to purchase treated water from the Authority; and

WHEREAS, the City will make a cash contribution to the Authority in the amount of \$7,918,624, which amount represents a City contribution to the Original Project (\$2,772,049) and a City Contribution to the 2020 Project (\$5,146,575) (which includes a City contribution to “pay down” the cost of the 2020 Project (\$511,593) so that the Series 2021 Bonds (as defined herein) can be issued on a tax-exempt basis); and

WHEREAS, the anticipated upgrade and expansion of the Original Project, being the 2020 Project, will cost approximately \$17,500,000 and will necessitate that the Authority issue approximately \$12,355,000 in tax-exempt, new money contract revenue bonds (the “Series 2021 Bonds”); and

WHEREAS, the City is requesting to purchase a right to use the hereinafter defined System, including the 2020 Project, to purchase treated water from the Authority; and

WHEREAS, to memorialize the terms pursuant to which the 2020 Project is financed by the Authority through participation in the 2020 Project by the Participating Members and the purchase of rights to the 2020 Project by the City after taking into effect the City’s purchase of capacity rights in the System, the Parties hereto now desire to enter into this Amended and Restated Contract; and

WHEREAS, the Authority recognizes that the Contracting Parties continue to hold and possess the material portions of their respective Certificates of Convenience and Necessity issued by the Commission, and continue to own and operate the material portions of their respective water pumping, storage, distribution, facilities, and any respective water treatment facilities currently owned by each of the Contracting Parties; and

WHEREAS, this Amended and Restated Contract shall constitute an interlocal cooperative agreement as authorized pursuant to the Interlocal Cooperation Act; and

WHEREAS, the adoption of this Amended and Restated Contract is hereby found and determined to be in the best interest of the Authority, its customers, the Participating Members, the City and their respective residents and customers;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereinafter set forth, the Authority and each of the Contracting Parties agree and contract as follows:

## **ARTICLE I**

### **Definitions**

#### Section 1.01. Definitions.

The following terms and expressions as used in this Amended and Restated Contract, unless the context clearly shows otherwise, shall have the following meanings:

“2020 Project” means the costs to finance, refinance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land, including water rights acquisitions, including all Project Costs, to expand the Original Project from a capacity of 2,908 acre feet to an increased capacity of 4,468 acre-feet as further described in Exhibit A attached hereto.

“Additional Participating Member(s)” means any entity or entities hereafter agreeing pursuant to Section 6.01 of this Amended and Restated Contract to be bound by the terms of this Amended and Restated Contract, as it may be amended from time to time.

“Adjusted Annual Payment” means the Annual Payment as adjusted by the Board during or after an Annual Payment Period, as provided by this Amended and Restated Contract.

“Amended and Restated Contract” means this Amended and Restated Regional (Hays/Caldwell Counties Area) Water Supply and Treatment Contract, as initially executed and as it may be amended from time to time.

“Annual City Payment” means the amount of money to be paid to the Authority by the City, during each Annual Payment Period, for the City Operation and Maintenance Expenses.

“Annual Payment” means the amount of money to be paid to the Authority by each Participating Member during each Annual Payment Period as its share of the Annual Requirement.

“Annual Payment Period” means the Authority’s fiscal year, which currently begins on October 1 of each calendar year and ends on September 30 of the next following calendar year, but which may be any twelve consecutive month period fixed by the Authority; the first Annual Payment Period under this Amended and Restated Contract is anticipated to be the period of October 1, 2020, through September 30, 2021.

“Annual Requirement” means, during an Annual Payment Period, the total amount required from the Participating Members to pay all Participating Members Operation and Maintenance Expenses of the Authority and the Project and all costs and payments due and payable for the amortization of the Bonds.

“Authority” means the Canyon Regional Water Authority, a regional water authority created under and essential to accomplish the purposes of Article XVI, Section 59 of the Constitution of the State of Texas created in accordance with the Authority Act. Except as otherwise noted herein, actions required or permitted to be taken by the Authority under this Amended and Restated Contract may be taken by the General Manager on behalf of the Authority.

“Authority Act” means Chapter 670, Acts of the 71st Legislature, Regular Session, 1989, as amended.

“Board” means the governing body of the Authority.

“Bond Resolution” means any resolution or other financing documents of the Authority which authorizes any Bonds.

“Bonds” means all bonds, notes, or other debt obligations payable from and secured, in whole or in part, from the payments to the Authority under the Original Contract or this Amended and Restated Contract and the interest thereon, previously issued or hereafter issued by the Authority to finance or refinance the costs to acquire, construct, and equip the Project, and/or all bonds, notes, or other obligations issued subsequently to finance or refinance the costs to improve and extend the Project, and any bonds, notes or other obligations issued to refund any Bonds.

“City” means the City of San Marcos, Texas.

“City Operation and Maintenance Expenses” means that portion of the Operations and Maintenance Expenses allocated to the City pursuant to Section 5.02 herein.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

“Commission” means the Texas Commission on Environmental Quality or any successor entity thereto.

“Contracting Parties” means the Participating Members and the City.

“Credit Agreement” means any credit agreement, as defined in and authorized by the provisions of Chapter 1371, Texas Government Code, as amended, which the Authority enters into relating to its obligations with respect to the Bonds.

“EMMA” means the MSRB’s Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

“Force Majeure” means such term as it is defined in Section 9.01 of this Amended and Restated Contract.

“GBRA Contract” means that certain water purchase contract entered into by and between the Authority and the Guadalupe Blanco River Authority dated as of June 16, 1999, as may be amended from time to time.

“General Manager” means the general manager of the Authority’s operations, including any party or entity that the Authority enters into a management contract to provide these services.

“Land Interests” means the easements, right-of-way, and other interests in real property necessary for the acquisition, construction, and operation of the Project.

“MSRB” means the Municipal Securities Rulemaking Board and any successor to its duties.

“Operation and Maintenance Expenses” means, during an Annual Payment Period, all direct costs and expenses incurred by the Authority for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under the GBRA Contract

and/or any contract with any federal, state, or local agency for the construction, operation, and/or water storage rights or other interests in water in Canyon Lake or other source of raw water, any contribution or payment in lieu of taxes or any fee or charge by any government authority (including Contracting Parties) relating to the Authority's transmission or sale of treated water hereunder, the costs of utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the Project, Overhead Expenses, and costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the Project, including an amount to fund a special reserve for the Operation and Maintenance Expenses or for additional capital improvements to the Project; the total amount to be accumulated for such operating and additional capital improvements reserve shall not exceed 25% of the annual Operation and Maintenance Expenses (estimated to be approximately three (3) months' expenses). The term "Operation and Maintenance Expenses" does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Amended and Restated Contract. "Operation and Maintenance Expenses" include the "Participating Members Operation and Maintenance Expenses" and the "City Operation and Maintenance Expenses."

"Original Contract" means that Regional (Hays/Caldwell Counties Area) Taxable Water Supply Contract entered into by the Authority and the Original Participating Members dated August 1, 1998, as amended by an Amendment dated May 12, 2003, an Amendment No. 2 dated November 1, 2003, and as further amended an Amendment date No. 3 dated February 28, 2008.

"Original Participating Members" means County Line SUD, Crystal Clear SUD, Martindale WSC, and Maxwell SUD.

"Overhead Expenses" means the Authority's reasonable and necessary costs and expenses incurred and directly related to the issuance and servicing of the Bonds, the acquisition of Land Interests required for the Project, the design, permitting, financing, acquisition, construction, and ownership of the Project and any other activities required of or involving the Authority in connection with or attributable to the Project or the Bonds, including, but not limited to:

(a) per diem and reimbursable expenses incurred by the Board for special meetings of the Board related to the Project,

(b) services of the professional, technical skilled and unskilled persons and firms engaged by or associated with the Authority, other than Authority staff personnel, together with their reimbursable expenses paid or required to be paid by the Authority;

(c) salaries of the Authority's staff attributable to the Project or the Bonds based on time expended, as documented or reasonably estimated by the General Manager of the Authority, times an overhead factor of two (2), which factor shall be subject to adjustment by the Authority from time to time in response to actual or reasonably projected overhead expenses of the Authority;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the Project or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance; including any insurance deductible charged to or required to be paid by the Authority;

(f) all costs incurred in litigation involving or relating to the Project; and

(g) any and all other reasonable and necessary costs and expenses, including out-of-pocket expenses, incurred by the Authority attributable to the Project or the Bonds, whether enumerated above or not and whether or not included in the definition or as a part of Project Costs.

“Original Project” means the costs to finance, refinance, acquire, and construct treatment facilities, water supply pipelines, booster pumps, other appurtenances, and necessary easements and other interests in land, including water rights acquisitions pursuant to the Original Contract to serve the Original Participating Members.

“Outstanding Bonds” means the Series 2003 Bonds, Series 2005 Bonds, and Series 2017 Bonds that are currently outstanding in the aggregate principal amount of \$10,800,000.

“Participating Member(s)” means certain of the Original Participating Members and all Additional Participating Members from time to time subject to this Amended and Restated Contract.

“Participating Members Operation and Maintenance Expenses” means that portion of the Operations and Maintenance Expenses allocated to the Participating Members pursuant to Section 5.01 herein.

“Parties” means the Participating Members, the Authority, the City, and all Additional Participating Members from time to time subject to this Amended and Restated Contract.

“Permitted Liens” means:

(a) Minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(b) Easements for roads (as used in this Amended and Restated Contract, the term “roads” shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Amended and Restated Contract shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the Project which, in the opinion of counsel to the Authority, do not materially impair the use of the Project for the purposes for which it is designed.

(c) Rights of the United States or any state or political subdivision, thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent

domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

“Point(s) of Delivery” means the point or points designated in Exhibit B to this Amended and Restated Contract or by subsequent agreement where water will be delivered by the Authority to the Contracting Parties from the Project.

“Project” means the Original Project and the 2020 Project.

“Project Costs” means and includes, without limitation, the following costs incurred for the Project by or on behalf of the Authority:

(a) the cost of acquisition of the Land Interests, including appraisals, closing costs and title insurance policies;

(b) the cost of acquisition, construction, repair, replacement, or improvement of any structure, item of equipment, or other item, used for, or in connection with, the Project;

(c) the cost of site preparation of the Land Interests, including demolition or removal of structures and improvements as necessary or incident to accomplishing the Project;

(d) the cost of engineering, legal, architectural or other related services;

(e) the preparation cost of plans, specifications, studies, surveys, cost estimates, and other expenses necessary or incident to planning, providing, or financing the Project;

(f) the cost of machinery, equipment, furnishings, and facilities necessary or incident to placing the Project in operation;

(g) finance charges and interest before, during, and after construction;

(h) costs incurred in connection with financing the Project, including, without limitation:

(1) financing, legal, accounting, financial advisory, rating agency, and auditing fees, expenses and disbursements;

(2) the costs of a Credit Agreement;

(3) the cost of printing, engraving, and reproduction services; and

(4) the cost of a trustee’s or paying agent’s initial or acceptance fee and subsequent fees.

(i) all costs, fees and expenses of litigation of all kinds;

(j) the cost of property casualty and public liability insurance;

(k) the Authority’s Overhead Expenses; and

(l) other costs generally recognized as a part of project construction costs.

“Refunding Bonds” means any bonds issued to refund the Outstanding Bonds.

“Rule” means SEC Rule 15c2-12, as amended from time to time.

“SEC” means the United States Securities and Exchange Commission and any successor to its duties.

“Series 2021 Bonds” means the Bonds that the Authority intends to issue to finance the construction of the 2020 Project.

“Sale and Offering Documents” means any official notice of sale, official bid form, preliminary official statement, official statement, application to the Texas Water Development Board, or other offering document for the Bonds.

“Special Project Bonds” means the Authority’s “Taxable Contract Revenue Bonds (San Marcos River Rights Project), Series 2008”.

“State” means the State of Texas.

“System” means all properties, facilities and plants (including the projects relating to the Hays/Caldwell Area Water Treatment Plant) currently owned, operated, and maintained by the Authority for the supply, treatment, and transmission of treated potable water, together with all future extensions, improvements, replacements and additions thereto, whether situated within or without the limits of the Authority; 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 Authority with the proceeds from the issuance of bonds, as special revenue obligations of the Authority which are not payable from revenues of the System but which are payable from and equally and ratably secured by other liens on and pledges of any revenues, sources or payments, not pledged to the payment of the System bonds including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities.

#### Section 1.02. Construction.

Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Amended and Restated Contract and all the terms and provisions hereof shall be construed to effectuate the purposes set forth herein and to sustain the validity of this Amended and Restated Contract.



## ARTICLE II

### **Representations and Warranties**

#### Section 2.01. Representations and Warranties of Authority.

The Authority hereby represents to the Parties that:

A. The Authority is a political subdivision under the laws of the State and is duly qualified and authorized to carry out the governmental functions as contemplated by this Amended and Restated Contract; the Authority has full power and authority to sell or otherwise convey treated water to the Contracting Parties in accordance with the terms of this Amended and Restated Contract.

B. The Authority has the power, authority, and legal right to enter into and perform under this Amended and Restated Contract and the execution, delivery, and performance hereof have been duly authorized.

C. The Authority is authorized to own and finance the Project pursuant to the Authority Act, including the issuance of the Series 2021 Bonds.

D. This Amended and Restated Contract has been duly authorized, executed, and delivered and constitutes a legal, valid, and binding special obligation of the Authority enforceable in accordance with its terms.

#### Section 2.02. Representations and Warranties of Participating Members.

Each of the Participating Members hereby represents and warrants to the Parties that:

A. It is a political subdivision or water supply corporation under the laws of the State and has full power and authority to purchase treated water from the Authority in accordance with the terms of this Amended and Restated Contract, and the execution, delivery, and performance hereof have been duly authorized.

B. The execution and delivery of this Amended and Restated Contract by such Participating Member and the performance of the provisions hereof by such Participating Member do not and will not conflict with or constitute on the part of such Participating Member a breach or a default of any provision of any other contract or agreement of such Participating Member.

C. This Amended and Restated Contract has been duly authorized, executed, and delivered and constitutes a legal, valid, and binding obligation of the Participating Member enforceable in accordance with its terms.

Section 2.03. Representations of City.

City hereby represents to the Parties that:

A. The City is a political subdivision and a home-rule municipality under the laws of the State and is duly qualified and authorized to carry out the governmental functions as contemplated by this Amended and Restated Contract.

B. The City has the power, authority, and legal right to enter into and perform under this Amended and Restated Contract and the execution, delivery, and performance hereof have been duly authorized.

C. The City has the authority to enter into an agreement with the Authority for the provision of governmental services, including water services, pursuant to the Interlocal Cooperation Act.

D. This Amended and Restated Contract has been duly authorized, executed, and delivered and constitutes a legal, valid, and binding special obligation of the City enforceable in accordance with its terms.

**ARTICLE III**

**Construction of Project and Issuance of Bonds**

Section 3.01. Agreements of the Parties.

Each of the Participating Members and the City hereby find that the Annual Payments paid by the Participating Members pursuant to this Amended and Restated Contract is the sole security for the Outstanding Bonds, the Series 2021 Bonds, and any Refunding Bonds.

Section 3.02. Contribution of the City.

A. The City will not be a Participating Member under this Amended and Restated Contract. In return for the right to receive treated water from the 2020 Project pursuant to the terms of this Amended and Restated Contract, the City agrees to contribute \$7,918,624.00 from any source, provided that at least \$511,593.00 of the City's contribution shall be made from available taxes or revenues (or any source other than tax-exempt debt). The City shall make its contributions on the following schedule:

- (1) The City will contribute to the Authority on or before February 28, 2021 the amount of \$3,283,642.00, of which amount \$2,772,049.00 represents the City's share of the Original Project based on an agreed depreciated value of the Original Project financed with the Outstanding Bonds as of the Contract Date of \$9,425,811.00 and \$511,593.00 represents a portion of the City's financial or contractual obligations related to the acquisition, construction and financing 2020 Project. The City's contribution in the amount of \$511,593.00 shall be utilized by the Authority to "pay down" the Martindale WSC's right to capacity so that such amounts are less than 10% of the total of the capacity of the 2020

Project, and so that the Series 2021 Bonds and any Refunding Bonds can be issued by the Authority on a tax-exempt basis, thereby reducing the overall financing costs (and the City's corresponding allocable share) for the 2020 Project.

- (2) The City will contribute the remaining amount of \$4,634,982.00 for deposit to an account controlled by the Authority no later than May 31, 2021. Such amount shall prepay the City's financial or contractual obligations related to the acquisition, construction and financing of the 2020 Project.
- (3) After applying funds from the City as set forth above, the Authority, after consultation with its financial advisor and other consultants, shall use any amounts remaining from the City's contribution to repay Outstanding Bonds or in such other manner which solely benefits all of the Participating Members on a pro-rata basis, based on their percentage of Allocated Capacity.

Section 3.03. Allocation of the Projects.

After the initial contribution from the City of \$5,146,575.00 as described in Section 3.02, the City and each Participating Member's respective share of the depreciated value of the Project, its annual capacity, and maximum daily capacity (as further defined in Exhibit A, Schedule II), based on such entity's respective participation in the Project (inclusive of the 2020 Project), shall be as follows:

Entity	Allocation of 2020 Project Value	Percentage of 2020 Project Value	Allocated Capacity (AF)	Maximum Capacity (GPD)
County Line SUD	\$5,123,125	29.275%	1,308.00	1,610,116
Crystal Clear SUD	1,958,425	11.191%	500.00	615,488
Martindale WSC	1,746,850	9.982%	446.00	549,015
Maxwell SUD	3,525,025	20.143%	900.00	1,107,878
City of San Marcos	5,146,575	29.409%	1,314.00	1,617,502
Total	\$17,500,000	100.00%	4,468.00	5,500,000

The Parties further agree that all Participating Members, but not the City, shall make payments to or on behalf of the Authority in amounts sufficient to meet all of the Authority's obligations relating to the Outstanding Bonds, the Series 2021 Bonds, and any Refunding Bonds based on their respective participation in the Project as reflected in the chart below, pursuant to this Amended and Restated Agreement.

Entity	Percentage of Bond Cost Allocation
County Line SUD	41.471%
Crystal Clear SUD	15.853%
Martindale WSC	14.141%
Maxwell SUD	28.535%
City of San Marcos	0.00%
Total	100.00%

Section 3.04. Allocation of Special Project Bonds.

Costs related to the Special Project Bonds, the proceeds of which were used by the Authority to acquire certain San Marcos River water rights for the purposes of supplying treated water to Crystal Clear SUD, County Line SUD, and Maxwell SUD, shall be allocated as set forth below:

Entity	Percentage of Special Project Bond Cost Allocation
County Line SUD	36.42%
Crystal Clear SUD	18.10%
Martindale WSC	0.00%
Maxwell SUD	45.48%
City of San Marcos	0.00%
Total	100.00%

Section 3.05. Construction of Project.

The Authority agrees that the acquisition, construction, and improvement of the 2020 Project by the Authority will be accomplished in accordance with generally accepted engineering practices and, subject to the issuance of the Bonds pursuant to Section 3.07 to provide a source of funds, with all practical dispatch.

Section 3.06. Compliance with Certain City Rules and Regulations.

In consideration of the right to receive treated water under this Amended and Restated Contract, the City agrees that the Authority will be granted a waiver or other exemption from the following rules and regulations related to the construction of the 2020 Project:

- Section 3.8.1.7 Conventional Streetscape Type shall be modified to remove the requirement for a 6-foot sidewalk for the approximately 1,110 linear feet of frontage along Old Martindale Road, and no payment-in-lieu of construction shall be required.
- Section 3.6.2.1 Block Perimeter shall not apply to subdivision plat for the property.

- Chapter 3, Article 10 Parks and Open Space shall not apply to the Minor Plat associated with the improvements. The City acknowledges that Lot 2 of the proposed subdivision is currently used for residential purposes and no dedication or fees shall apply.

Section 3.07. Issuance of Bonds.

A. The Authority may issue its Bonds, payable from and secured by a pledge of the Annual Payments from this Amended and Restated Contract to finance the costs of acquiring, constructing, extending, enlarging, repairing, renovating, equipping, and otherwise improving the Project, or to refund any outstanding Bonds.

B. (1) Each Bond Resolution of the Authority shall specify the exact principal amount of the Bonds to be issued thereunder, which Bonds shall mature within the maximum allowable period or such shorter period as determined by the Authority and shall bear interest not exceeding the maximum allowable rates, all as permitted by law, and each Bond Resolution shall contain such other terms and provisions pertaining to the security and payment of Bonds and the operation and maintenance of the Project as may be necessary for the marketing and sale of the Bonds. The Authority may from time to time issue its Bonds in such amounts as are within its judgment and discretion sufficient to achieve full implementation of the Project.

(2) Prior to the final adoption of a Bond Resolution or any amendment of a Bond Resolution by the Authority's Board of Directors a copy of the proposed Bond Resolution, and the Sale and Offering Documents shall be presented to the Participating Member for review and approval.

(3) Upon the Participating Member's approval of (i) each Bond Resolution hereafter adopted by the Authority, (ii) any amendments to any Bond Resolution, and (iii) the Sale and Offering Documents and the delivery to the Authority of a certification signed by the authorized representative of the Participating Member to the effect that the Bond Resolution and the Sale and Offering Documents comply with this Amended and Restated Contract, then upon the adoption and approval of the Bond Resolution in such final form by the Authority's Board of Directors and the issuance and delivery of the Bonds to the purchaser thereof, the Bond Resolution shall for all purposes be considered approved by the Authority and deemed to be in compliance with this Amended and Restated Contract in all respects, and the Bonds issued thereunder will constitute Bonds as defined in this Amended and Restated Contract for all purposes. Any owner of Bonds is entitled to rely fully and unconditionally on any such approval.

(4) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participating Member, shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participating Member so long as said Bonds and interest thereon are outstanding and unpaid, and may be enforced as provided in this Amended and Restated Contract and the Bond Resolution. Particularly, the obligation of the Participating

Member to make, promptly when due, all Annual Payments specified in this Amended and Restated Contract shall be absolute and unconditional, and said obligation may be enforced as provided in this Amended and Restated Contract. In addition, subject to the approval of the Participating Member, the Authority may enter into Credit Agreements for the purpose of achieving the lowest financing costs for the Project.

Section 3.08. Liens. None of the Contracting Parties or the Authority will create or permit or suffer to exist any lien, encumbrance, or charge upon the Project or any interest therein at any time, except Permitted Liens.

Section 3.09. Tax-Exempt Bonds. The Parties hereto understand and agree that the Authority will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds to be issued for the Project. In connection therewith, the Parties intend that the Authority will issue Bonds, the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The Parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the Parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the Parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should any Party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting Party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The Parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution or as set forth in this Amended and Restated Contract. The Parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the Parties may rely on the respective opinion of any firm of nationally-recognized bond attorneys selected by them. In the event that a conflict arises in the opinions of the respective firms of each of the Parties, the Parties will identify a different firm, that is mutually acceptable to both Parties, in order to resolve the conflict of opinion.

Section 3.10. Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 3.09, the Authority will covenant and agree in the Bond Resolution to make the determinations and to pay any deficiency into a rebate fund, at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the trustee or paying agent to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, the Authority forthwith shall pay the amount of such insufficiency on such date to the trustee or paying agent in immediately available funds for such purpose.

Section 3.11. Sale and Offering Documents. At the request of the Authority, the Participating Members and the City shall provide to the Authority current and historical information concerning their respective utility systems, general fund information, the financial conditions results, and prospects of the Participating Members, and such other information concerning the Participating Members and the City as the Authority shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the Authority and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participating Members and the City deem such Sale and Offering Documents to be complete and final for purposes of the Rule. The Participating Members and the City represent and warrant that all statements concerning the Participating Members and the City (including, without limitation, their financial condition, results, and prospects, their utility system, and any demographic and economic information concerning the area served by their utility system) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in light of the circumstances in which they are made, not misleading.

Section 3.12. Authority's Rights Assigned to Trustee. The Participating Members are advised and recognize that as security for the payment of the Bonds, the Authority may assign to a trustee, pursuant to one or more trust indentures to be authorized by the Bond Resolution, the Authority's rights under this Amended and Restated Contract, including the right to receive the Annual Payments hereunder. The Participating Members herewith assent to such assignment and will make the Annual Payments directly to the trustee without defense or set-off by reason of any dispute between the Participating Members and the Authority or the trustee. All rights against the Participating Members arising under this Amended and Restated Contract or the Bond Resolution and assigned to the trustee may be enforced by the trustee, or the owners of the Bonds, to the extent, provided in the Bond Resolution, and the trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participating Members, to the extent provided in the Bond Resolution, for the enforcement of this Amended and Restated Contract, and it shall not be necessary in any such suit, action, or proceeding to make the Authority a party thereto.

## ARTICLE IV

### **Sale and Purchase of Treated Water; Operating Requirements**

Section 4.01. Water Conveyance; Right of First Refusal to Purchase Capacity.

A. The Contracting Parties hereby agree to pay for the right to receive from the Authority and the Authority hereby agrees to sell to the Contracting Parties all of the treated water produced by the Authority through the Project, subject to the terms of conditions of this Amended and Restated Contract. It is expressly recognized that the treated water delivered to each Contracting Party as disclosed in Exhibit A shall be owned by such Contracting Party and may be sold, or otherwise conveyed by such Contracting Party in accordance with applicable law; provided, however, before any Contracting Party enters into a contract or other agreement to transfer, sell, or convey the right to receive a share of the capacity of the Project pursuant to the terms of this Amended and Restated Contract, such Contracting Party shall afford the Authority

the right of first refusal for a period of 90 days to obtain such capacity for redistribution to other Contracting Parties on the same terms and conditions; and further provided, however, that no sale of the right to receive a share of capacity of the Project, nor any redistribution by the Authority of such capacity, shall adversely affect the treatment of any Bonds issued under Section 3.09 hereof as obligations described in section 103 of the Code.

Upon the exercise of such right, the Authority shall purchase, and the Contracting Parties hereby each agree to relinquish their right to purchase, treated water produced by the Project upon reduction, on a proportionate basis, of the Contracting Party's share of their Annual Payments under this Amended and Restated Contract.

B. Each of the Contracting Parties shall be entitled to receive from the Authority the quantities of treated water identified in Exhibit A attached hereto and in accordance with this Amended and Restated Contract. To the extent the Authority has acquired additional water under the GBRA Contract or from some other source, or to the extent the Authority acquires a percentage share of the treated water produced by the Project pursuant to Paragraph A of this Section, the Authority may sell or otherwise use such water to supply treated water to other Contracting Parties, to retail customers, if any, of the Authority, or on a spot basis. To the extent the Contracting Parties do not request all of their allotted treated water as set forth on Exhibit A, the Authority may sell or otherwise use such water to supply treated water to other Contracting Parties, to retail customers, if any, of the Authority, or on a spot basis, provided that revenues from such spot sales shall be credited in whole to the Operation and Maintenance Expenses of the Contracting Parties whose share of capacity is utilized for such sales.

#### Section 4.02. Points of Delivery.

Each Contracting Party agrees to take treated water at the Point(s) of Delivery for such Contracting Party set forth in Exhibit B hereto. Modification of such Points of Delivery may be mutually agreed to in writing between each Contracting Party, respectively, and the Authority. The Authority will maintain ownership of the connection (being any device, including welded pipe connections, water installations, valves, meter vaults, or similar devices) between the Authority's System and the utility system of the Contracting Parties.

#### Section 4.03. Other Contracts.

A. If the Authority exercises its right to water under this Amended and Restated Contract pursuant to Section 4.01, the Authority reserves the right to supply treated water from the Project to others on wholesale or retail basis; provided, however, that the Authority shall afford each of the other Contracting Parties a period of 60 days to obtain such treated water in an amount equal to the Contracting Party's respective pro-rata percentage of the Project, on the same terms and conditions, prior to supplying such treated water to entities other than the Contracting Parties. Each such contract with other entities shall be limited to the Authority's share of treated water covered by this Amended and Restated Contract and shall not contain any provision which would adversely affect the Contracting Parties' percentage share of treated water covered by this Amended and Restated Contract, except as permitted by Section 4.01.



B. The Contracting Parties hereto recognize and acknowledge that the Authority shall have the right and authority to contract or make other arrangements with respect to its percentage share of water from the Project without limitation or approval of any Contracting Party.

Section 4.04. Quality.

A. The water to be delivered by the Authority and received by each Contracting Party shall be treated water from the Project of a quality sufficient to meet the requirements for potable water established by the Commission and the United States Environmental Protection Agency. Each Contracting Party has satisfied itself that such water will be suitable for its needs.

The Authority shall not be responsible for maintaining any particular amount of chlorine residuals at any point in any Contracting Party's utility system.

B. The Authority shall periodically collect samples of treated water delivered to Contracting Parties and other customers and cause same to be analyzed consistent with guidelines established by the Commission using the then-current edition of Standard Methods for Examination of Water and Wastewater as published by the American Water Works Association ("AWWA") and others.

Section 4.05. Metering Equipment.

A. The Authority will furnish, install, operate, and maintain at its expense the necessary equipment and devices (including a meter house or pit) of standard type required for measuring the quantity of water delivered under this Amended and Restated Contract from the Project to each Contracting Party's Point(s) of Delivery. Such meters and other equipment so installed shall be the property of the Authority. The Authority shall inspect, calibrate, and adjust its meters at least annually as necessary to maintain accurate measurements of the quantity of water being delivered. Each Contracting Party shall have access to the metering equipment at all reasonable times for inspection and examination, but the reading, calibration, and adjustment thereof shall be done only by employees or agents of the Authority. If requested, a Contracting Party may witness such reading, calibration, and adjustment of meters. A Contracting Party is also entitled to the testing reports upon request. Any measuring device which fails to function or which functions incorrectly shall promptly be adjusted, repaired, or replaced by a like device having the required accuracy. A meter registering not more than five percent (5%) above or below the test results shall be deemed to be accurate; provided, however, that for any meter installed on or after the Contract Date, a meter registering not more than two percent (2%) above or below the test results shall be deemed to be accurate. The previous readings of any meter disclosed by tests to be inaccurate shall be corrected for one-half (1/2) the period elapsed since the next preceding meter test but in no event to exceed six (6) months in accordance with the percentage of inaccuracy found by such tests. If any meter fails to register for any period, the amount of water furnished during such period shall be deemed to be the amount of water delivered in the corresponding period immediately prior to the failure, unless the Authority and the Contracting Party shall agree upon a different amount. All readings of meters will be entered upon proper books of record maintained by the Authority. Any Contracting Party may have access to said record books during normal business hours.

B. Under the GBRA Contract, the Authority is required to install metering devices to measure the amount of water taken from Canyon Lake and purchased from GBRA. Such metering devices shall be considered to be a part of the Project.

Section 4.06. Pressure, Backflow, Maximum Rate of Flow.

A. The Authority shall deliver treated water to the Point(s) of Delivery for each Contracting Party at a pressure of not less than 36 psi or at such other pressure agreed upon by the Authority and the Contracting Party. After initial construction of the Project, if a Contracting Party requires a greater or lesser pressure, such Contracting Party shall bear all of the costs of providing such greater or lesser pressure. Pressure failure due to supply line breaks, power failures, flood, fire, earthquakes, other catastrophes, or use of water to fight fires, or any other cause beyond the reasonable control of the Authority shall relieve the Authority from compliance with this provision for such reasonable period of time as may be necessary to restore pressure.

B. The Authority shall install and maintain at its sole expense at each Point of Delivery a backflow preventer of AWWA-approved quality. Each Contracting Party shall have the right to inspect the backflow preventer at each of its Points of Delivery at such reasonable times at such Contracting Party in its discretion may determine are required.

C. The maximum rate of flow per day that may be provided to each Contracting Party by the Authority is established in Exhibit A hereto and incorporated by reference for all purposes to this Amended and Restated Contract.

## ARTICLE V

### Fiscal Provisions

Section 5.01. Annual Requirement of the Participating Members.

Subject to the terms and provisions of this Amended and Restated Contract, the Authority will provide and pay for the cost of the Project, in part, through the issuance of Bonds. It is acknowledged and agreed that payments by the Participating Members to the Authority under this Amended and Restated Contract will be the sole or primary source of funds available to the Authority to provide the Annual Requirement. Each Participating Member shall be obligated to pay the full amount of its Annual Requirement notwithstanding that it may elect not to receive the full amount of treated water available to it under this Amended and Restated Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Amended and Restated Contract, the Annual Requirement may change from time to time. Each such Annual Requirement shall be allocated among the Participating Members and the Authority based upon a rate methodology to be developed by the Authority and according to their respective percentage shares of treated water covered by this Amended and Restated Contract (provided that for the purposes of Section 5.01(B) herein, the respective percentage shares shall exclude any share of treated water made available to the City pursuant to this Amended and Restated Contract), and the Annual Requirement for each Annual Payment Period shall be identified in each annual budget and shall at all times be not less than an amount sufficient to pay or provide for the payment of the following:

- A. all Participating Members Operation and Maintenance Expenses; and
- B. a capital component, including principal, interest, premium, reserve funds, and other funds established or required by any Bond Resolution and to pay the principal of and interest on the Bonds.

Section 5.02. Annual City Payment.

Following the City's contribution pursuant to Section 3.02 above, the City shall have no obligation to pay any costs related to the Bonds. The City shall have no obligation to pay any costs related to water rights or raw water contract supplying water for treatment which is allocated to the Participating Members. The City shall be obligated to pay the full amount of its Annual City Payment notwithstanding that it may elect not to receive the full amount of treated water available to it under this Amended and Restated Contract. In compliance with the Authority's duty to fix and from time to time to revise the rates and charges for services rendered under this Amended and Restated Contract, the Annual City Payment may change from time to time. The Annual City Payment shall be allocated to the City based upon a rate methodology to be developed by the Authority and according to its respective percentage share of treated water covered by this Amended and Restated Contract, and the Annual City Payment for each Annual Payment Period shall be identified in each annual budget and shall at all times be an amount sufficient to pay the City Operation and Maintenance Expenses.

Section 5.03. Annual Budget.

Each annual budget for the acquisition and/or operation and maintenance of the Project shall always provide for amounts sufficient to pay the Annual Requirement and the Annual City Payment. The annual budget for the Project for the Annual Payment Period during Fiscal Year 2020-2021 will be prepared and adopted by the Authority based on estimates made by the Authority. Each Contracting Party will be furnished a copy of such annual budget, and each Contracting Party hereby acknowledges its ability to pay its share of the Annual Requirement or Annual City Payment, as applicable, from available funds budgeted therefor. On or before July 15 of each year thereafter commencing July 15, 2021, the Authority shall furnish to each Contracting Party a preliminary estimate of the Annual Payment required from each Contracting Party for the next following Annual Payment Period.

Not less than 60 days before the commencement of each Annual Payment Period beginning in Fiscal Year 2020-2021, the Authority shall cause to be prepared a preliminary budget for the Project for the next ensuing Annual Payment Period. A copy of such preliminary budget shall be filed with each Contracting Party before action by the Board. Any Contracting Party may submit comments about the preliminary budget directly to the Board. The Board may adopt the preliminary budget or make such amendments thereof as to it may seem proper, provided, however, no change or amendment to the preliminary budget will be made by the Board after such preliminary budget has been submitted to the Contracting Parties which change or amendment would in effect increase the Annual Requirement or Annual City Payment without resubmitting such amended preliminary budget to the Contracting Parties. The Board shall thereupon approve the annual budget. With respect to budgetary matters, the Contracting Parties shall have the right only to comment on the preliminary budget; their approval of the preliminary or final annual

budget shall not be required. The annual budget thus approved by the Board shall be the annual budget for the next ensuing Annual Payment Period. The annual budget, including the first annual budget, may be amended by the Authority at any time to transfer funds from one account or fund to another account or fund provided such transfer will not increase the total budget and the transfer of funds is attributable to the costs of the Project or to the Project's maintenance and operation. Subject to notification to the Contracting Parties, the amount for any account or fund, or the amount for any purpose, in the annual budget may be increased through formal action by the Board even though such action might cause the total amount of the annual budget for the Project to be exceeded; provided, however, such action shall be taken only in the event of an emergency or special circumstances which shall be clearly stated in the notice to the Contracting Parties and in the resolution at the time such action is taken by the Board.

Notwithstanding anything herein to the contrary, no failure of the Authority to estimate, and no mistake by the Authority in any estimate of, the amount of or schedule for Annual Payments due from the Contracting Parties in any fiscal year shall relieve the Contracting Parties from (or defer) their absolute and unconditional obligation to make all Annual Payments or Annual City Payments in full when due.

Section 5.04. Payments by Contracting Parties.

A. Subject to Sections 4.05.A and 4.06.B, each Contracting Party agrees to pay for the total cost of material, labor, and equipment required to implement a connection at that Contracting Party's Point of Delivery.

B. For the treated water available to the Contracting Parties under this Amended and Restated Contract (whether or not the Contracting Parties elect to receive such water), each of the Contracting Parties agrees to pay, at the time and in the manner hereinafter provided, its share of the Annual Requirement or Annual City Payment, as applicable. Each of the Contracting Parties shall pay its part of the Annual Requirement or Annual City Payment, as applicable, for each Annual Payment Period directly to the Authority, in monthly installments in accordance with the schedule of payments furnished by the Authority (or its assigns), as hereinafter provided.

C. Each Contracting Party shall pay its share of the Annual Requirement or Annual City Payment, as applicable, according to a rate methodology to be developed by the Authority or based upon the relative amount of water available to each Contracting Party and set forth on Exhibit A, as amended from time to time. The Authority shall charge each Contracting Party its share of pumping costs according to the volume of water actually delivered.

D. Each Contracting Party's allocated share of the Annual Requirement or Annual City Payment, as applicable, for each Annual Payment Period shall be made in accordance with a written schedule of payments for the appropriate Annual Payment Period which will be supplied to each of the Contracting Parties by the Authority.

E. Notwithstanding the foregoing, the Annual Requirement and the Annual City Payment, and each Contracting Party's share thereof, shall be redetermined, after consultation with

each of the Contracting Parties, at any time during any Annual Payment Period, to the extent deemed necessary or advisable by the Authority, if:

1. the Authority exercises its option to acquire treated water pursuant to Section 4.01;
2. unusual, extraordinary, or unexpected Operation and Maintenance Expenses are required which are not provided for in the Authority's annual budget or reserves for the Project;
3. Operation and Maintenance Expenses of the Project are substantially less than estimated;
4. a Contracting Party's interest under this Amended and Restated Contract is terminated as provided herein or Additional Participating Members become subject to this Amended and Restated Contract;
5. the Authority issues Bonds for the Project; or
6. the Authority receives either significantly more or significantly less revenues or other amounts than those anticipated.

F. Each Contracting Party hereby agrees that it will make payments to the Authority required by this Amended and Restated Contract at the Authority's offices within 30 days of the date a bill for service is deposited in the United States mail. If any Contracting Party at any time disputes the amount to be paid by it to the Authority, such complaining party shall nevertheless promptly make such payment or payments; but if it is subsequently determined by agreement or by appropriate administrative, board, agency, or court decision that such disputed payments should have been less, or more, the Authority shall promptly revise and reallocate the charges in such manner that the Contracting Party will recover its overpayment or the Authority will recover the amount due it. All amounts due and owing to the Authority by each Contracting Party or due and owing to any Contracting Party by the Authority shall, if not paid when due, bear interest at the maximum lawful non-usurious rate of interest per annum from the date when due until paid.

G. The Authority shall, to the extent permitted by law, suspend the delivery of services or water from the Project to any Contracting Party which remains delinquent in any payments due under the preceding paragraph for a period of thirty (30) days, and shall not resume delivery of services or water while such Contracting Party is so delinquent. The Authority also retains the right to charge a reconnection fee or other appropriate charges prior to commencing utility service to the delinquent Contracting Party. It is further provided and agreed that if any Contracting Party should remain delinquent in any payments due hereunder for a period of one hundred twenty (120) days, and if such delinquency continues during any period thereafter, such Contracting Party's minimum amount specified in Exhibit A, shall be deemed to have been zero gallons during all periods of such delinquency, for the purpose of calculating and redetermining the percentage of each Annual Payment or Annual City Payment to be paid by the non-delinquent Contracting Parties and the Authority, and the Authority shall redetermine such percentage on that basis in such event so that the non-delinquent Contracting Parties and the Authority collectively shall be required to pay all of the Annual Requirement and Annual City Payment. However, the Authority shall pursue all legal, remedies against any such delinquent Contracting Party to enforce and

protect the rights of the Authority, the other Contracting Parties, and the holders of the Bonds, if Bonds have been issued or incurred. The delinquent Contracting Party shall not be relieved of the liability to the Authority for the payment of all amounts which would have been due hereunder had no default occurred or the percentage had not been redetermined as provided in this Section. It is understood that the foregoing provisions are for the benefit of the Authority and holders of the Authority's Bonds, if Bonds have been issued or incurred, so as to insure that all of the Annual Requirement will be paid by the non-delinquent Contracting Party and the Authority during each Annual Payment Period regardless of the delinquency of a particular Contracting Party. If any amount due and owing the Authority by any Contracting Party is placed with an attorney for collection, such Contracting Party shall pay to the Authority all attorneys' fees, in addition to all other payments provided for herein, including interest.

H. If, during any Annual Payment Period, any Contracting Party's Annual Payment or Annual City Payment is redetermined in any manner as provided or required in this Section, the Authority will promptly furnish such Contracting Party with an updated schedule of monthly payments reflecting such redetermination.

#### Section 5.05. Unconditional Payments.

A. Notwithstanding any provision of this Amended and Restated Contract to the contrary, while this Amended and Restated Contract remains in effect, each of the Participating Members agrees to pay its share of the total cost of the Project and the Bonds, and the City agrees to pay the City Operation and Maintenance Expenses. If the Authority elects to exercise its option to acquire a percentage share of the treated water covered by this Amended and Restated Contract as provided in Section 4.01, the Annual Payment or Annual City Payment of each Contracting Party shall be reduced to the proportion that each Contracting Party's amount of water identified in Exhibit A bears to the total amount of water available from the Project. Initially, the Participating Members agree to pay 100% of the Annual Requirement and the City agrees to pay 100% of the Annual City Payment, but, if the Authority exercises its option to acquire treated water from the Project pursuant to Section 4.01, the Contracting Parties and the Authority shall share the cost of the Operation and Maintenance Expenses of the Project, and the Participating Members and the Authority shall share the cost of the Bonds, in proportion to quantities of treated water each is entitled to take from the Project pursuant to this Amended and Restated Contract.

B. Recognizing that the Contracting Parties urgently require the facilities and services of the Project, and that such facilities and services are essential and necessary for actual use and for standby purposes, and further recognizing the fact that the Authority will use payments received from the Participating Members to pay and secure the Bonds, it is hereby agreed that each of the Contracting Parties shall be unconditionally obligated to pay, without offset or counterclaim, its share of the Annual Requirement or Annual City Payment, as applicable, as provided and determined in this Amended and Restated Contract, regardless of whether or not the Authority actually acquires, constructs, or completes the Project or is actually delivering water from the Project to any Contracting Party hereunder, or whether or not any Contracting Party actually receives or uses water from the Project whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this or any other contract or agreement between any of the parties hereto. This covenant by the Participating Members shall be for the benefit of and enforceable by the holders of the Bonds as well as the Authority.

Section 5.06. Continuing Right to Treated Water.

For and in consideration of agreeing to the unconditional payments to be made under this Amended and Restated Contract, each Contracting Party is entitled to a firm right to treated water from the Project in the amounts indicated in Exhibit A, as such amount may be modified from time to time by the terms of this Amended and Restated Contract. That right shall continue for the term of this Amended and Restated Contract and any renewals thereof, subject to the terms of the GBRA Contract for the Participating Members.

**ARTICLE VI**

**Additional Participating Members**

Section 6.01. Additional Participating Members.

If water is available, the Authority and the Contracting Parties agree that the Contracting Parties shall have a right of first refusal related to such water. If more than one Contracting Party exercises its right to such water, the Authority shall allocate the water equally to those Contracting Parties. If no Contracting Party exercises its right or if water remains available after satisfying the request(s) of the Contracting Parties, the Authority and the Contracting Parties agree that additional entities may become subject to the provisions of this Amended and Restated Contract as Additional Participating Members by providing the following to the Authority and the then Contracting Parties:

A. an executed signature page to this Amended and Restated Contract in form satisfactory to the Authority;

B. to the extent any representation contained in this Amended and Restated Contract relating to Participating Members does not correctly describe such entity, a revision of such representations satisfactory in form and content to the Authority in the Authority's sole discretion to be included on Exhibit C to this Amended and Restated Contract;

C. a revised Exhibit A to this Amended and Restated Contract satisfactory to the Authority and all then Participating Members;

D. a revised Exhibit B to this Amended and Restated Contract setting forth the Point(s) of Delivery for such entity which shall be satisfactory to the Authority;

E. a revised Exhibit C to this Amended and Restated Contract to the extent applicable to such entity and in form satisfactory to the Authority; and

F. such other certifications and information as may be reasonably requested by the Authority and the then Contracting Parties.

## ARTICLE VII

### Special Conditions

#### Section 7.01. Operation and Maintenance of the Project.

The Authority will continuously operate and maintain the Project in an efficient manner and in accordance with good business and engineering practices, and at reasonable cost and expense. The Authority recognizes its right and duty to operate the Project in the most prudent and economical manner for the benefit of all Contracting Parties.

#### Section 7.02. Project Schedule.

It is the intent of the Parties that the 2020 Project be placed in operation as soon as practicable, and the Authority agrees to proceed diligently with the evaluation of feasibility, the securing of regulatory permits, and the design and construction of the 2020 Project to meet such schedule, subject to the other terms and conditions in this Amended and Restated Contract.

#### Section 7.03. Permits, Financing, and Applicable Laws.

Any obligations on the part of the Authority to acquire, construct, and complete the Project and related facilities and to provide treated water from the Project to the Contracting Parties shall be (i) conditioned upon the Authority's ability to obtain all necessary permits, material, labor, and equipment; (ii) subject to the Authority's final determination of feasibility of transportation of the treated water from the Project; (iii) conditioned upon the ability of the Authority to finance the cost of the Project through the sale of the Bonds; and (iv) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State of Texas, the Commission, and any regulatory body having jurisdiction.

#### Section 7.04. Title to Water; Indemnification.

A. Title to all water supplied by the Contracting Parties to the intake structure of the Project that each such Party owns under Certificates of Adjudication shall remain in that Party's ownership, which water as it passes through the Project facility to the individual Points of Delivery shall be held by the Authority acting as a bailee.

B. Title to all water supplied to each Contracting Party that is obtained by lease from the Guadalupe-Blanco River Authority and the Baughs family and its successors shall be in the Authority up to the Point of Delivery for such Contracting Parties, at which point title shall pass to the Contracting Party. Title to leased treated water transmitted through the lines of a Contracting Party for the use of another Contracting Party shall remain in the Authority until it reaches the Point(s) of Delivery of the receiving Contracting Party. The Authority and each of the Contracting Parties shall, to the extent permitted by law, save and hold each other harmless from all claims, demands, and causes of action which may be asserted by anyone on account of the transportation and delivery of said water while title remains in such party.



Section 7.05. Payments Solely From Revenues.

The Authority shall never have the right to demand payment by any Contracting Party of any obligations assumed by it or imposed on it under and by virtue of this Amended and Restated Contract from funds raised or to be raised by taxes, and the obligations under this Amended and Restated Contract shall never be construed to be a debt of such kind as to require any of the Contracting Parties to levy and collect a tax to discharge such obligation. Nonetheless, any Contracting Party may make payments from its utility system revenues, or from any other lawful source, including ad valorem taxes, if lawfully available to such Contracting Party.

Section 7.06. Operating Expenses.

Each of the Contracting Parties represents and covenants that, to the extent payments under this Amended and Restated Contract are made with utility system revenues, such payments shall constitute reasonable and necessary “operating expenses” of its utility system, as defined in Chapter 1502, Texas Government Code, as amended, and that all such payments will be made from the revenues of its utility system or any other lawful source. Each Contracting Party represents and has determined that the treated utility supply to be obtained from the Project is absolutely necessary and essential to the present and future operation of its utility system and that the Project represents a long-term source of supply of treated water to meet current and projected water needs of the Contracting Party’s utility system and facilities, and, accordingly, all payments required by this Amended and Restated Contract to be made by each Contracting Party shall constitute reasonable and necessary operating expenses of its utility system as described above, with the effect that such payments from revenues of such systems shall be deducted from gross revenues of the system in the same manner as other system operating and maintenance expenses for purposes of determining net revenues available to pay bonds or other similar obligations heretofore or hereafter issued by such Contracting Party, which obligations are payable from and secured by a pledge of the revenues of the system or facilities after deduction of maintenance and operating expenses.

Section 7.07. Rates for Water.

Each of the Contracting Parties agrees throughout the term of this Amended and Restated Contract to continuously operate and maintain its utility system and to fix and collect such rates and charges for utility services to be supplied by its system as aforesaid as will produce revenues in an amount equal to at least (i) all of the expenses of operation and maintenance expenses of such system, including specifically, its Annual Payment or Annual City Payment, as applicable, under this Amended and Restated Contract, and (ii) all other amounts as required by law and the provisions of the ordinance or resolutions authorizing its revenue bonds or other obligations now or hereafter outstanding, including the amounts required to pay all principal of and interest on such bonds and other obligations.

Section 7.08. Use of Funds and System.

The Authority covenants and agrees that neither the proceeds from the sale of the Bonds, nor the money paid in pursuant to this Amended and Restated Contract, nor any earnings from the

investment of any of the foregoing, will be used for any purposes, except those directly relating to the Project and the Bonds as provided in this Amended and Restated Contract.

Section 7.09. Rights-of-Way.

A. Each Participating Member hereby grants to the Authority without additional cost to the Authority, the use of the streets, easements, rights-of-way, and pipelines under its control for the construction, emergency repairs, operation, and maintenance of the Project and the provision and transmission of treated water hereunder; provided, however, such grant of the use of streets, easements, rights-of-way, and pipelines to the Authority is subject to and conditioned on the Authority (i) complying with all applicable policies, practices, and regulations of the Participating Members governing and regulating such use of the streets, easements, rights-of-way, and pipelines and (ii) paying all costs, if any, of restoring such streets, easements, rights-of-way, and pipelines to substantially the same state of condition that existed prior to the Authority's use; and further provided, however, that the Authority and the affected Participating Member may mutually agree to a charge in lieu of any such fees normally applied to utilities.

B. To the extent they have such ownership authority, each Participating Member agrees that, with prior written approval the Authority may use streets, alleys, and public rights-of-way within the Participating Member's boundaries for pipeline purposes.

Section 7.10. Insurance.

The Authority agrees to carry and arrange for fire, casualty, public liability, and/or other insurance, including self-insurance, on the Project for purposes and in amounts which, as determined by the Authority, ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the Authority shall not be required to provide liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the Authority's legal counsel, be liable under the Texas Tort Claims Act or any similar law or judicial decision. Such insurance will provide, to the extent feasible and practicable, for the restoration of damaged or destroyed properties and equipment, to minimize the interruption of the services of such facilities. Premiums for such insurance that relate directly to Project or, under generally accepted cost accounting practices, is allocable to the Project, shall constitute an Operation and Maintenance Expense.

Section 7.11. Additional Special Provisions.

The parties hereto acknowledge and agree to the Special Provisions, if any, which are set forth in Exhibit C attached hereto and incorporated herein for all purposes. The Special Provisions for this Amended and Restated Contract reflect circumstances or issues for specific Contracting Parties which may be different from those of other Contracting Parties and therefore constitute a modification of or requirement in addition to the standard provisions otherwise contained in this Amended and Restated Contract. To the extent of any conflict between any Special Provision and any other provision of this Amended and Restated Contract, the Special Provision shall control.

## ARTICLE VIII

### Continuing Disclosure

#### Section 8.01. Continuing Disclosure Annual Reports.

Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until any Participating Member is no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, any Participating Member undertakes to and shall file annually with the MSRB through EMMA, within six months after the end of each fiscal year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, as specified in any Participating Member's approval of such Sale and Offering Documents pursuant to Section 3.02 hereof, and (2) audited general purpose financial statements of any Participating Member, if then available. Any financial statements so to be provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as any Participating Member may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if any Participating Member commissions an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then any Participating Member shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on each statement becomes available.

If any Participating Member changes its fiscal year, it will notify the trustee or paying agent and the MSRB in writing of the change (and of the date of the new fiscal year end) prior to the next date by which any Participating Member otherwise would be required to provide financial information and operating data, pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. Copies of such information and operating data shall be furnished to the Authority at the same time the information and data are furnished to the MSRB.

#### Section 8.02. Material Event Notices.

A. The following are the events with respect to the Bonds which the Authority must agree to disclose in a timely manner pursuant to the Rule, if "material" under applicable federal securities laws and regulations promulgated thereunder.

- i. Principal and interest payment delinquencies.
- ii. Non-payment related defaults, if material.
- iii. Unscheduled draws on debt service reserves reflecting financial difficulties.

- iv. Unscheduled draws on credit enhancements reflecting financial difficulties.
- v. Substitution of credit or liquidity providers, or their failure to perform.
- vi. Adverse tax opinions, the issuance by the IRS 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.
- vii. Modifications to rights of owners, if material.
- viii. Bond calls, if material, and tender offers.
- ix. Defeasances.
- x. Release, substitution, or sale of property securing repayment of the bonds, if material.
- xi. Rating changes.
- xii. Bankruptcy, insolvency, receivership or similar event of the obligated person.
- xiii. The consummation of a merger, consolidation, or acquisition of the obligated person, or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into 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.
- xiv. Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- xv. Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material.
- xvi. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

For these purposes (a) any event described in the immediately preceding paragraph (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the obligated person 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 of business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to 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 of jurisdiction over substantially all of the assets or business of the obligated person, and (b) Participating Members intend the words used in the immediately preceding paragraphs (xv) and (xvi) and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No 34-83885, dated August 20, 2018.

B. A Participating Member shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in A. above, notify the Authority of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participating Member shall provide, in a timely manner, notice of any failure by the Participating Member to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to the MSRB.

#### Section 8.03. Limitations, Disclaimers, and Amendments.

A Participating Member shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participating Member remains an “obligated person” with respect to the Bonds of each series within the meaning of the Rule, except that the Participating Member in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be Outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participating Members undertake to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Article and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participating Members’ financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participating Members make no representations or warranties concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PARTICIPATING MEMBERS BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPATING MEMBERS WHETHER NEGLIGENT OR WITHOUT FAULT ON THESE PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Participating Members in observing or performing their obligations under this Article shall comprise a breach of or default under this Amended and Restated Contract for purposes of any other provision of this Amended and Restated Contract.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the Authority or the Participating Members under federal and state securities laws.

The provisions of this Article may be amended by the Authority and the Participating Members from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority or the Participating Members, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Amended and Restated Contract that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment, or (b) an entity that is unaffiliated with the Authority or the Participating Members (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article. If the Authority and the Participating Members so amend the provisions of this Article in connection with the financial or operating data which the Participating Members are required to disclose under Section 8.01 hereof, the Participating Members shall provide a notice of such amendment to be filed in accordance with Section 8.01 hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The Authority and the Participating Members may also amend or repeal the provisions of this Article 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 an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

## **ARTICLE IX**

### **Miscellaneous**

#### **Section 9.01. Force Majeure.**

If by reason of Force Majeure a Participating Member or the Authority shall be rendered unable wholly or in part to carry out its obligations under this Amended and Restated Contract, other than the obligation of each Contracting Party to make the payments required under Section 5.04 of this Amended and Restated Contract, then if such Party shall give notice and full particulars of such Force Majeure in writing to the other Contracting Parties and/or the Authority, as appropriate, within a reasonable time after occurrence of the event or cause relied on, the obligation, of the Contracting Party or the Authority giving such notice, so far as it is affected by each Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and such Contracting Party or the Authority shall endeavor to remove or

overcome such inability with all reasonable dispatch. The term “Force Majeure” as employed herein shall mean acts of God, strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, or on account of any other causes not reasonable within, the control of the party claiming such inability.

Section 9.02. Allocation of Water During Drought.

During drought conditions or in any other condition when water cannot be supplied to meet the demands of all customers, the water to be distributed shall be divided amongst all customers of stored water from Canyon Reservoir (or other sources) pro rata, according to the amount each may be entitled to, subject to reasonable conservation and drought management plans and requirements based on particular purposes of use of the water, so that preference is given to no one and everyone suffers alike; *provided, however*, that if any Contracting Party is providing raw water to the Authority for treatment by the Project, such water when treated shall be allocated solely to the providing Contracting Party and shall not be subject to pro rata allocation.

Section 9.03. Conservation.

The Authority and Contracting Parties each agree to provide to the maximum extent practicable for the conservation of water, and each agrees that it will operate and maintain its facilities in a manner that will prevent waste of water. Contracting Parties further agree to implement water conservation and drought management plans applicable to the use of treated water from the Project that are consistent in purpose, provisions and application with those implemented by other Contracting Parties to the extent practicable considering any differences in the legal authority among the Contracting Parties to institute those plans.

Section 9.04. Term of Amended and Restated Contract.

This Amended and Restated Contract shall be effective on and from the Contract Date, and shall continue in force and effect for forty (40) years; provided, however, the term of this Amended and Restated Contract and the expiration date may be extended for succeeding five (5) year periods at the option of one or more of the Contracting Parties for as long as the GBRA Contract or other agreement providing an adequate source of raw water remains in effect. It is understood and agreed by the Authority and each Participating Member that the right to receive treated water hereunder shall continue throughout any renewals or extension of this Amended and Restated Contract. The Authority’s obligation to provide treated water services hereunder shall commence from the date the Project becomes operational and functional as certified by the consulting engineers for the Project or on such other date that one or more of the Participating Members receives treated water by virtue of or in exchange for treated water from the Project. This Amended and Restated Contract constitutes the sole agreement between the Parties hereto with respect to the Project.

Section 9.05. Approval and Consent.

Unless otherwise provided herein, any approval or consent required by the provisions of this Amended and Restated Contract by a Contracting Party or the Authority shall be evidenced by a written resolution adopted by the governing body of the Party giving such approval or consent (or by the General Manager on behalf of the Authority when permitted). Upon receipt of such written resolution duly certified by the appropriate Party, the Authority or the Contracting Party can conclusively act on the matter requiring such approval.

Section 9.06. Modification and Amendment.

A. No change, amendment, or modification of this Amended and Restated Contract shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by any Contracting Party under this Amended and Restated Contract or any similar contract, and no such change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

B. This Amended and Restated Contract may be amended upon the written consent of the Authority and all then Contracting Parties; provided, however, no amendment to this Amended and Restated Contract shall impair the rights of any holder of any of the Authority's Bonds.

Section 9.07. Addresses and Notice.

Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called "Notice") herein provided or permitted to be given, made or accepted by any party to any other party must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties hereto shall, until changed as hereinafter provided, be as follows:

A. If to the Authority, to:

Canyon Regional Water Authority  
850 Lakeside Pass  
New Braunfels, Texas 78130

With a copy to:

Norton Rose Fulbright US LLP  
Attn: Stephanie Leibe  
98 San Jacinto Blvd., Suite 1100  
Austin, Texas 78701  
Phone: (512) 536-2420



B. If to County Line SUD, to:

County Line Special Utility District  
Attn: General Manager  
8870 Camino Real  
Uhland, Texas 78640-6482

With a copy to:

Lloyd Gosselink Rochelle and Townsend, P.C.  
Attn: David J. Klein  
816 Congress Ave., Suite 1900  
Austin, Texas 78701

C. If to Crystal Clear SUD, to:

Crystal Clear Special Utility District  
2370 FM 1979  
San Marcos, Texas 78666

D. If to Martindale WSC, to:

Martindale Water Supply Corporation  
Post Office Box 175  
Martindale, Texas 78655

E. If to Maxwell SUD, to:

Maxwell Special Utility District  
Post Office Box 158  
Maxwell, Texas 78156

F. If to the City, to:

City of San Marcos, Texas  
Attn: City Manager  
630 East Hopkins  
San Marcos, Texas 78666  
Phone: (512) 393-8100

With a copy to:

McCall, Parkhurst & Horton L.L.P.  
Attn: Bart Fowler  
600 Congress Ave., Suite 1800  
Austin, Texas 78701  
Phone: (512) 478-3805

The Parties hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties hereto.

Section 9.08. State or Federal Laws, Roles, Orders, or Regulations.

This Amended and Restated Contract is subject to all applicable federal and state laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction, but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction.

Section 9.09. Remedies Upon Default.

It is not intended hereby to specify (and this Amended and Restated Contract shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any Party hereto and shall be cumulative. Recognizing, however, that the Authority's undertaking to provide and maintain the Project is an obligation, failure in the performance of which cannot be adequately compensated in money damages alone, the Authority agrees, in the event of any default on its part, that each Contracting Party shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available. Recognizing that failure in the performance of any Contracting Party's obligations hereunder could not be adequately compensated in money damages alone, each Contracting Party agrees in the event of any default on its part that the Authority shall have available to it the equitable remedy of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to the Authority. Notwithstanding anything to the contrary contained in this Amended and Restated Contract, any right or remedy or any default hereunder, except the right of the Authority to receive the Annual Payment or Annual City Payment which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any Party hereto or of performance by any other Party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character, or description, under any circumstance.

Section 9.10. Severability.

The Parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Amended and Restated Contract or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws of the State or the United States of America, or in contravention of any such laws, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Amended and Restated Contract or the application of such sections, subsections, provisions, clauses, or words to any other situation or circumstance, and it

is intended that this Amended and Restated Contract shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the Parties hereto shall be construed and remain in force accordingly.

Section 9.11. Venue.

All amounts due under this Amended and Restated Contract, including, but not limited to, payments due under this Amended and Restated Contract or damages for the breach of this Amended and Restated Contract, shall be paid and be due in Guadalupe County, Texas, which is the County in which the principal administrative offices of the Authority are located. It is specifically agreed among the Parties to this Amended and Restated Contract that Guadalupe County, Texas, is the place of performance of this Amended and Restated Contract; and in the event that any legal proceeding is brought to enforce this Amended and Restated Contract or any provision hereof, the same shall be brought in Guadalupe County, Texas.

Section 9.12. Assignment.

Neither the Authority nor any Contracting Party may assign any interest it may have under this Amended and Restated Contract without the prior written consent of the other parties hereto; provided, however, the foregoing restriction shall not prevent the Authority from taking any action in connection with the issuance of the Bonds to secure the payment of the Bonds with amounts to be received by the Authority under this Amended and Restated Contract.

Section 9.13. Entire Agreement.

This Amended and Restated Contract constitutes the entire agreement among the Parties with respect to the sale of treated water by the Authority to the Contracting Parties.

Section 9.14. Applicable Law.

This Amended and Restated Contract shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the Parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 9.15. Waiver of Governmental Immunity.

The Contracting Parties under the Amended and Restated Contract agree that the mutual commitment stated in the Amended and Restated Contract to provide water, water treatment services, and funding for utility system improvements constitute an agreement by each Party for providing goods and services to the other Parties, and that the Amended and Restated Contract, as amended, is subject to Chapter 271, Subchapter I, of the Texas Local Government Code. The Parties hereto recognize and agree that the Legislature has thereby waived governmental immunity for Parties under this Amended and Restated Contract to the extent permitted by Chapter 271, Subchapter I, of the Texas Local Government Code.

Section 9.16. No Sale, Lease, or Other Transfer of Contracting Party's Utility System.

Pursuant to the terms of this Amended and Restated Contract, a Contracting Party, to the extent permitted by law, shall not sale, lease, or otherwise transfer any interest in such Contracting Party's utility system that would materially impair that Contracting Party's ability to meet its payment obligations under this Amended and Restated Contract, without the written consent of the Authority.

Section 9.17. Counterparts.

This Amended and Restated Contract may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

*[The remainder of this page intentionally left blank.]*

IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Amended and Restated Contract to be duly executed as of the day and year first above written.

CANYON REGIONAL WATER AUTHORITY

By: *Art A. Stroup*  
Chairman, Board of Trustees

ATTEST:

*David Strub*  
Secretary, Board of Trustees

(AUTHORITY SEAL)



COUNTY LINE SPECIAL UTILITY DISTRICT

By: 

Chris Betz  
President, Board of Directors

ATTEST:




Toni Brewer  
Secretary, Board of Directors


(SEAL)



CRYSTAL CLEAR SPECIAL UTILITY  
DISTRICT

By:   
\_\_\_\_\_  
President

ATTEST:

  
\_\_\_\_\_  
Secretary

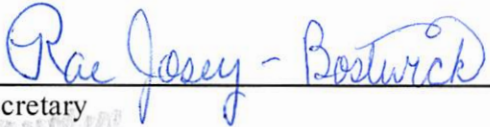
(SEAL)



MARTINDALE WATER SUPPLY  
CORPORATION

By:   
President

ATTEST:

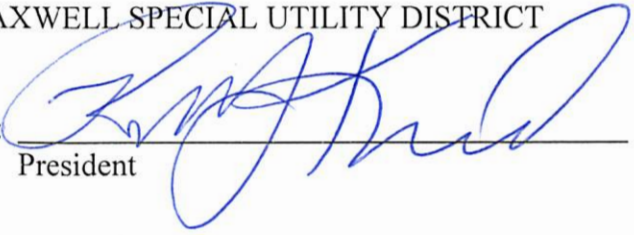
  
Secretary





MAXWELL SPECIAL UTILITY DISTRICT

By: \_\_\_\_\_  
President



ATTEST:

\_\_\_\_\_  
Secretary



(SEAL)



CITY OF SAN MARCOS, TEXAS

By: Jane Hughson  
Mayor

ATTEST:

Jerry K. Cruz  
City Secretary

(CITY SEAL)

I, the undersigned, City Attorney of the City of San Marcos, Texas, hereby certify that I read, passed upon, and approved as to form and legality the foregoing Amended and Restated Contract prior to its adoption and passage as aforesaid.

Mark Cosentino  
City Attorney, City of San Marcos, Texas

**Exhibit A**

**Schedule I**

**Original Contract Allocations**

The table below lists the amounts of production of treated water from the Hays Caldwell Area Plant (the “Plant”), expressed in acre-feet (AF) and gallons-per-day (GPD), that have been contracted with the Participating Members pursuant to the Original Contract, as amended.

In addition to the Plant contract figures, the Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

The Authority agrees to supply to each Participating Member, on any given day, the amount of treated water specified in the peaking figures.

The total capability of the Plant is listed in the Maximum Capacity GPD column in the table below. Each Participating Member can be provided with this amount of treated water from the Plant on any given day, at the discretion of the Plant Manager. Additional treated water, over the peaking GPD and up to the Maximum Capacity GPD, will be provided to the Participating Member without penalty; however, any treated water processed over and above the amounts listed in the Maximum Capacity GPD column will incur a System Capacity Fee as determined by the Participating Members.

The total amount of treated water processed through the Plant for each Participating Member must be supported by a sufficient amount of raw water that is under contract to each Participating Member and that water must be available to the Authority for processing at the Plant.

**Hays Caldwell Area Plant – Original Contract**

	<b>Plant Capacity in AF</b>	<b>Percent of Allocation</b>	<b>Contract Capacity in GPD</b>	<b>1.3 Peak Capacity in GPD</b>	<b>Maximum Capacity GPD</b>
<b>Hays Caldwell</b>					
County Line	1,308.00	44.98%	1,167,707	1,518,019	2,473,865
Crystal Clear	500.00	17.19%	446,371	580,283	945,667
Martindale	200.00	6.88%	178,548	232,113	378,267
Maxwell	900.00	30.95%	803,468	1,044,509	1,702,201
<b>Hays Caldwell Totals</b>	<b>2,908.00</b>	<b>100.00%</b>	<b>2,596,095</b>	<b>3,374,924</b>	<b>5,500,000</b>

## Schedule II

### Amended and Restated Contract Allocations

The attached table lists the amount of production of treated water from the Hays Caldwell Area Plant (the “Plant”), expressed in acre-feet (AF) and gallons-per-day (GPD), that have been contracted with the Contracting Parties from the 2020 Project pursuant to the Amended and Restated Contract.

In addition to the Plant contract figures, the Authority recognizes a peaking factor of 1.3 (30%) as a logical and necessary requirement and the peaking GPD figures are also listed.

The Authority agrees to supply to each Contracting Party, on any given day, the amount of treated water specified in the peaking figures.

The total capacity of the Plant is listed in the Maximum Capacity GPD column in the table below. Each Contracting Party can be provided with this amount of treated water from the Plant on any given day, at the discretion of the Plant Manager. Additional treated water, over the peaking GPD and up to the Maximum Capacity GPD, will be provided to the Contracting Party without penalty; however, any treated water processed over and above the amounts listed in the Maximum Capacity GPD column will incur a System Capacity Fee as determined by the Contracting Parties.

The total amount of treated water processed through the Plant for each Contracting Party must be supported by a sufficient amount of raw water that is under contract to each Contracting Party and that raw water must be available to the Authority for processing at the Plant.

#### Hays Caldwell Area Plant – Amended and Restated Contract

	<b>Plant Capacity in AF</b>	<b>Percent of Allocation</b>	<b>Contract Capacity in GPD</b>	<b>1.3 Peak Capacity in GPD</b>	<b>Maximum Capacity GPD</b>
<b>Hays Caldwell</b>					
County Line	1,308.00	29.2748%	1,167,707	1,518,019	1,610,116
Crystal Clear	500.00	11.1910%	446,371	580,283	615,488
Martindale	446.00	9.9821%	398,163	517,612	549,015
Maxwell	900.00	20.1430%	803,468	1,044,509	1,107,878
San Marcos	1,314.00	29.4090%	1,173,064	1,524,983	1,617,502
<b>Hays Caldwell</b>					
<b>Totals</b>	<b>4,468.00</b>	<b>100.00%</b>	<b>3,988,773</b>	<b>5,185,405</b>	<b>5,500,000</b>

**Exhibit B**

Points of Delivery

Crystal Clear Special Utility District

Elevated tank at Guadalupe County Road 1978 from the Hays/Caldwell  
County Project

Maxwell Special Utility District

Intersection of Highway 80 and FM 1984

County Line Special Utility District

Ground Storage Tank located at the intersection of High Road and N. Plum  
Creek Road

Martindale Water Supply Corporation

Intersection of FM Highway 80 at Martindale City limits

City of San Marcos, Texas

Upon exit from the Hays Caldwell Area Plant

## **Exhibit C**

### Special Provisions

#### Special Provisions Related to the Martindale Water Supply Corporation (“Martindale WSC”)

The Contracting Parties understand and agree that under the terms of this Amended and Restated Contract the Martindale WSC independently owns water right Certificate of Adjudication 18-3887D which authorizes the diversion of 255.84 acre-feet of water from the San Marcos River at the Project’s diversion point and that this 255.84 acre-feet forms an integral part of its 446.00 acre-foot Plant Capacity share as set out in Exhibit A, Schedule II.

#### Special Provisions Related to the City of San Marcos, Texas (the “City”)

Notwithstanding the requirements of Section 4.06, the Authority shall deliver treated water to the Point(s) of Delivery for the City at a pressure within a range mutually agreed upon by the Authority and the City.



Financial Advisory Services  
Provided By:

