

OFFICIAL STATEMENT  
Dated: September 9, 2021

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

**The Bonds are not designated as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$20,135,000**  
**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties)**  
**REVENUE AND REFUNDING BONDS, SERIES 2021**

**Dated Date: September 15, 2021**

**Due: July 10, as shown on inside cover**

The \$20,135,000 Cibolo Creek Municipal Authority Revenue and Refunding Bonds, Series 2021 (the "Bonds") are being issued pursuant to the general and special laws of the State of Texas, including Chapter 8166, Texas Special District Local Laws Code, as amended (including the rights, powers, duties and obligations as provided by Chapter 1371, Texas Government Code, as amended), Chapters 30, 49, and 54, as amended, Texas Water Code, and an Order (the "Order") adopted by the Board of Directors of the Cibolo Creek Municipal Authority (the "Authority" or the "Issuer") on September 9, 2021. See "THE BONDS – Authority for Issuance" herein.

Interest on the Bonds will accrue from the Dated Date and will be payable on January 10 and July 10 of each year, commencing January 10, 2022 and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry from only and when issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository ("Securities Depository"). Book-entry interest in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by UMB Bank, N.A., Austin, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the beneficial owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

The Bonds are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Previously Issued Parity Bonds, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's Regional Sewer System (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate 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. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the Authority may not be enforced by levy and execution against any property owned by the Authority. The Authority has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. (See "THE BONDS – Security and Source of Payment" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (i) refunding a portion of the Authority's outstanding bonds, as identified in Schedule I attached hereto (the "Refunded Obligations") for debt service savings, (ii) constructing improvements to the Authority's utility system including the purchase of land and rights of way, and (iii) pay the costs of issuance and expenses relating to the Bonds. (See "PLAN OF FINANCING - Purpose" herein.)

---

SEE INSIDE FRONT COVER HEREOF FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,  
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE BONDS

---

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Locke Lord LLP, Austin, Texas. It is expected that the Bonds will be available for initial delivery through DTC on or about October 13, 2021.

**\$20,135,000**  
**CIBOLO CREEK MUNICIPAL AUTHORITY**  
(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties, Texas)  
**REVENUE AND REFUNDING BONDS, SERIES 2021**

CUSIP Prefix No. 17163V<sup>(1)</sup>

**MATURITY SCHEDULE**

**\$18,855,000 Serial Bonds**

<b>Stated</b>				<b>CUSIP</b>	<b>Stated</b>				<b>CUSIP</b>
<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>	<b>Maturity</b>	<b>Principal</b>	<b>Interest</b>	<b>Initial</b>	<b>No.</b>
<b><u>7/10</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u></b> <sup>(1)</sup>	<b><u>7/10</u></b>	<b><u>Amount</u></b>	<b><u>Rate</u></b>	<b><u>Yield</u></b>	<b><u>Suffix</u></b> <sup>(1)</sup>
2022	\$ 195,000	5.00%	0.17%	FU7	2030	\$ 1,255,000	5.00%	1.18%	GC6
2023	870,000	5.00%	0.26%	FV5	2031	1,320,000	4.00%	1.33% <sup>(2)</sup>	GD4
2024	920,000	5.00%	0.34%	FW3	2032	1,380,000	3.00%	1.54% <sup>(2)</sup>	GE2
2025	965,000	5.00%	0.46%	FX1	2033	1,425,000	3.00%	1.61% <sup>(2)</sup>	GF9
2026	1,020,000	5.00%	0.62%	FY9	2034	1,470,000	3.00%	1.71% <sup>(2)</sup>	GG7
2027	1,075,000	5.00%	0.77%	FZ6	2035	1,510,000	2.00%	2.03%	GH5
2028	1,130,000	5.00%	0.92%	GA0	2036	1,550,000	2.00%	2.11%	GJ1
2029	1,195,000	5.00%	1.05%	GB8	2037	1,575,000	2.00%	2.19%	GK8

**\$1,280,000 Term Bonds**

**\$1,280,000 2.25% Term Bonds due July 10, 2041 and priced to yield 2.37% CUSIP Suffix<sup>(1)</sup> GL6**

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on or after July 10, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on July 10, 2030, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Bonds maturing on July 10, 2041 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions" herein.)

<sup>(1)</sup> 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 Financial Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on July 10, 2030, the earliest date of redemption for the Bonds, at a price of par plus accrued interest tot the date of redemption.

**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**100 Dietz Road**  
**Schertz, Texas 78154**

**Board of Directors**

Name	Years Served	Term Expires (November)
Vacant President		
Richard Braud Vice President	6	2021
Reginna Agee Secretary - Treasurer	11	2023
Jake Jacobs Director	5	2021
Michael Keough Director	1	2021

**ADMINISTRATION**

Name	Position	Length of Service
Clint Ellis	General Manager	12 years
Ryan Madsen	Chief Financial Officer	7 years
Shirley Taylor	Controller	14 years

**CONSULTANTS AND ADVISORS**

Norton Rose Fulbright US LLP ..... Bond Counsel  
Austin and San Antonio, Texas

ABIP Certified Public Accountants and Advisors ..... Auditor  
San Antonio, Texas

SAMCO Capital Markets, Inc..... Financial Advisor  
San Antonio, Texas

Mr. Clint Ellis  
General Manager  
Mr. Ryan Madsen  
Business Manager  
**Cibolo Creek Municipal Authority**  
100 Dietz Road  
Schertz, Texas 78154  
cellis@ccmatx.org  
rmadsen@ccmatx.org  
Telephone: (210) 658-6241

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

Mr. Andrew Friedman  
Managing Director  
**SAMCO Capital Markets, Inc.**  
1020 Northeast Loop 410, Suite 640  
San Antonio, Texas 78209  
afriedman@samcocapital.com  
Telephone: (210) 832-9760

## USE OF INFORMATION IN OFFICIAL STATEMENT

The information set forth or included in this Official Statement has been provided by the Authority and from other sources believed by the Authority and the Underwriters 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 Authority. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not 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 Authority or other matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do 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, its Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company or its book-entry-only system as such information has been provided by DTC.

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 Underwriters. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities or passed upon the adequacy or accuracy of this document and any representation to the contrary is a criminal offense.

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION.

### TABLE OF CONTENTS

<b>COVER PAGE</b> .....	<b>1</b>	<b>THE BONDS</b> .....	<b>9</b>
<b>OFFICIALS</b> .....	<b>3</b>	<b>SOURCES AND USES</b> .....	<b>15</b>
<b>USE OF INFORMATION IN OFFICIAL STATEMENT</b> .....	<b>4</b>	<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	<b>15</b>
<b>TABLE OF CONTENTS</b> .....	<b>4</b>	<b>REGISTRATION, TRANSFER AND EXCHANGE</b> .....	<b>17</b>
<b>SUMMARY STATEMENT</b> .....	<b>5</b>	<b>LEGAL MATTERS</b> .....	<b>18</b>
<b>INTRODUCTORY STATEMENT</b> .....	<b>7</b>	<b>TAX MATTERS</b> .....	<b>19</b>
<b>INFECTIOUS DISEASE OUTBREAK – COVID 19</b> .....	<b>7</b>	<b>CONTINUING DISCLOSURE OF INFORMATION</b> .....	<b>20</b>
<b>PLAN OF FINANCING</b> .....	<b>8</b>	<b>RATING</b> .....	<b>22</b>
<b>THE AUTHORITY</b> .....	<b>9</b>	<b>OTHER INFORMATION</b> .....	<b>22</b>

Schedule of Refunded Obligations.....	Schedule I
Financial Information Regarding the Cibolo Creek Municipal Authority .....	APPENDIX A
History of Cibolo Creek Municipal Authority .....	APPENDIX B
Selected Provisions of the Order .....	APPENDIX C
Form of Legal Opinion of Bond Counsel .....	APPENDIX D
Excerpts from the Authority's Audited Financial Statements for the Fiscal Year Ended September 30, 2020 .....	APPENDIX E

## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained 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 Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto. Capitalized terms used herein and not otherwise defined shall have the meanings assigned thereto in the Order authorizing the issuance of the Bonds. See "SELECTED PROVISIONS OF THE ORDER – Definitions" attached hereto as APPENDIX C.

<b>The Authority</b>	The Cibolo Creek Municipal Authority (the "Issuer" or "Authority") is a governmental agency and political subdivision of the State of Texas created as a conservation and reclamation district for the purpose of providing a regional sewer system (the "System"). The Authority was established by the Texas Legislature by the passage of H.B. 1339 in 1971, now codified as Chapter 8166 Texas Special District Laws and Codes (the "Enabling Act"), as amended. Its defined boundaries encompass areas in Bexar, Comal and Guadalupe Counties. The initial acreage of 20,170 acres was expanded to 58,261 acres on April 5, 1977, by the 65th Texas Legislature by the passage of S.B. 137. The Enabling Act provides that the Authority is vested with and has the right to exercise all of the rights, powers, privileges, authority, and functions conferred by the general laws of the State of Texas applicable to a river authority pursuant to Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended (collectively, "Authority Powers"). Policy making and supervisory functions are the responsibility of, and are vested in, a five member Board of Directors. The General Manager is the Authority's chief administrative officer. Support services are provided by independent consultants and advisors. (See "Financial Information Regarding the Cibolo Creek Municipal Authority" in APPENDIX A herein.)
<b>The Bonds</b>	The Bonds are being issued pursuant to the laws of the State of Texas, including the Enabling Act, the Authority Powers, and an Order (the "Order") adopted by the Board of Directors of the Authority on September 9, 2021. (See "THE BONDS – Authority for Issuance" herein.)
<b>Purpose of Bonds</b>	The proceeds of the Bonds will be used for (i) refunding a portion of the Authority's outstanding bonds, as identified in Schedule I attached hereto (the "Refunded Obligations") for debt service savings, (ii) constructing improvements to the Authority's utility system including the purchase of land and rights of way, and (iii) paying the costs of issuance and expenses relating to the Bonds. (See "PLAN OF FINANCING - Purpose" herein.)
<b>Security</b>	The Bonds are special obligations of the Issuer payable from and equally and ratably secured, together with the currently outstanding Previously Issued Parity Bonds, solely from a first and prior lien on and pledge of the Net Revenues derived from the operation of the Issuer's Regional Sewer System (the "System"). In the Order, the Issuer has reserved the right to issue Additional Parity Obligations and Subordinate 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. The Order does not create a lien or mortgage on the System, except the Net Revenues, and any judgement against the Authority may not be enforced by levy and execution against any property owned by the Authority. The Authority has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation. (See "THE BONDS – Security and Source of Payment" herein.)
<b>Redemption</b>	The Issuer reserves the right to redeem the Bonds maturing on or after July 10, 2031, in whole or in part, in principal amount of \$5,000 or any integral multiple thereof, on July 10, 2030, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. Additionally, the Bonds maturing on July 10, 2041 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions" herein.)
<b>Rating</b>	S&P Global Ratings ("S&P") has assigned and unenhanced, underlying rating of "AA-" to the Bonds. (See "RATING" herein.)

<b>Book-Entry- Only System</b>	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein)
<b>Future Bond Issues</b>	The Issuer does not anticipate the issuance of any additional debt over the next 12 months.
<b>Tax Exemption</b>	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, including the computation of the alternative minimum taxation of the owners thereof under existing statutes, regulations, published rulings, and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "APPENDIX D - Form of Legal Opinion of Bond Counsel" herein.)
<b>Payment Record</b>	The Issuer has never defaulted on the payment of its bonded indebtedness.
<b>Delivery</b>	When issued, anticipated on or about October 13, 2021.
<b>Legality</b>	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Norton Rose Fulbright US LLP, Bond Counsel, Austin and San Antonio, Texas.

*(The remainder of this page intentionally left blank)*

**OFFICIAL STATEMENT**

relating to

**\$20,135,000**

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**(A political subdivision of the State of Texas located in Bexar, Comal and Guadalupe Counties)**

**REVENUE AND REFUNDING BONDS, SERIES 2021**

**INTRODUCTORY STATEMENT**

This Official Statement, which includes the cover page, the maturity schedule, the Schedule, and the appendices hereto, provides certain information regarding the issuance by the Cibolo Creek Municipal Authority (the "Authority" or the "Issuer") of its \$20,135,000 Revenue and Refunding Bonds, Series 2021 (the "Bonds"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the order (the "Order") authorizing the issuance of the Bonds adopted by the Board of Directors (the "Board") of the Authority on September 9, 2021, except as otherwise indicated herein. (See "SELECTED PROVISIONS OF THE ORDER – Definitions" in APPENDIX C.)

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

There follows in this Official Statement brief descriptions of the Bonds and the Authority. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Authority's Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on July 29, 2021, the Governor issued Executive order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention on county and municipal jails) and Executive Order GA-37 (related to migrant transport). Executive Order GA-38 combines several previous executive orders into one order

and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance. It also prohibits governmental entities from: (i) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals, and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-38 remains in effect 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 collection of Net Revenues which are pledged as security for the Bonds. The Bonds are secured by the utility system revenues produced through the operation of the System. Further, a reduction in the collection of System revenues may negatively impact the Authority's operating budget and overall financial condition.

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.

## **PLAN OF FINANCING**

### **Purpose**

Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the Authority's outstanding bonds, as identified in Schedule I attached hereto (the "Refunded Obligations") for debt service savings, (ii) constructing improvements to the Authority's utility system including the purchase of land and rights of way, and (iii) pay the costs of issuance and expenses relating to the Bonds.

### **Refunded Obligations**

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled maturity or redemption date (as applicable) from cash and investments to be deposited with UMB Bank, N.A., Austin, Texas, a national banking association (the "Escrow Agent") pursuant to an Escrow Deposit Letter dated as of September 9, 2021 (the "Escrow Agreement") between the Authority and the Escrow Agent.

The Order provides that the Authority will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the Authority (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled maturity date and 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 maturity date and 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 Order 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 or defeased to stated maturity on which date money will be made available to redeem or defease 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 Net Revenues nor for the purpose of applying any limitation on the issuance of debt. 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.

## **THE AUTHORITY**

The Authority was created in 1971 and provides regional wastewater services for the area northeast of San Antonio, Texas and serves the communities of Schertz, Cibolo, Selma, Randolph Air Force Base, and portions of Live Oak, San Antonio, and Universal City. The Authority is a governmental agency and political subdivision of the State of Texas created as a conservation and reclamation district for the purpose of providing a regional sewer system (the "System"). The Authority was established by the Texas Legislature by the passage of H.B. 1339 in 1971, now codified as Chapter 8166 Texas Special District Local Laws Codes (the "Enabling Act"), as amended. Its defined boundaries encompass areas in Bexar, Comal and Guadalupe Counties. The initial acreage of 20,170 acres was expanded to 58,261 acres on April 5, 1977, by the 65th Texas Legislature by the passage of S.B. 137. The Enabling Act provides that the Authority is vested with and has the right to exercise all of the rights, powers, privileges, authority, and functions conferred by the general laws of the State of Texas applicable to a river authority pursuant to Chapter 30, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended, and to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. Policy making and supervisory functions are the responsibility of, and are vested in, a five member Board of Directors. The General Manager is the Authority's chief administrative officer. Support services are provided by independent consultants and advisors. (See "Financial Information Regarding the Cibolo Creek Municipal Authority" in APPENDIX A herein).

The overall Authority's utility system includes the gravity interceptor system, lift stations, force mains, a water reclamation plant, and a reclaimed water distribution system. The Authority maintains approximately 20.5 miles of gravity sewer line and 8.5 miles of force main. In general, the gravity system follows the natural topography and drainage basins flowing to the Authority's Odo J. Riedel Regional Water Reclamation Plant which is rated for an annual average flow of 10.0 million gallons per day.

Over the last decade, the Authority's service area has experienced dramatic growth. The Authority has expanded its wastewater system to meet the projected demands of its wholesale customers. The Authority's service area currently encompasses approximately 58,261 acres.

## **THE BONDS**

### **General Description**

The Bonds are dated September 15, 2021 (the "Dated Date") and will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. The Bonds will bear interest from the Dated Date. Interest will be paid semiannually on each January 10 and July 10, commencing January 10, 2022. Interest will accrue on the Bonds on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as book-entry-only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. (See "BOOK-ENTRY-ONLY SYSTEM" herein)

Principal on the Bonds will be payable to the registered owner (the "Owner") at stated maturity or prior redemption upon presentation and surrender of such Bonds at the corporate office of the paying agent/registrars (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. Upon discontinuance of the Book-Entry- Only System, interest on the Bonds will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE - Record Date for Interest Payment" herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or a day on which banking institutions in the city where

the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment 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.

The Bonds will mature on the dates, in the amounts and bear interest at the rates as set forth on the inside front cover page of this Official Statement.

### **Authority for Issuance**

The Bonds are being issued pursuant to the Constitution and the general and special laws of the State of Texas, applicable to a river authority pursuant to Chapter 30, Texas Water Code, as amended, and to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended, Chapter 8166, Texas Special District Local Laws Code (the "Enabling Act"), as amended (including the rights, powers, duties and obligations as provided by Chapter 1371, Texas Government Code, as amended) and the Order adopted by the Board of Directors of the Issuer.

### **Security and Source of Payment**

The Bonds constitute special obligations of the Authority and together with the currently outstanding Previously Issued Parity Bonds are payable from and equally and ratably secured by a first and prior lien on and pledge of the Net Revenues of the System, such lien and pledge is prior and superior to the lien on and pledge of the Net Revenues securing the payment of any Subordinate Lien Obligations hereafter issued by the Authority. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Authority or System, except with respect to the Net Revenues.

The Authority has reserved the right to issue Additional Parity Obligations secured by a lien on and pledge of the Net Revenues on a parity with the Bonds and the Previously Issued Parity Bonds. In addition, the Authority has reserved the right to issue Subordinate Lien Obligations secured by a subordinate and inferior lien on and pledge of the Net Revenues. Reference is hereby made to the Order, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the Net Revenues pledged for the payment of the Bonds; the terms and conditions under which the Authority may issue Additional Parity Obligations and Subordinate Lien Obligations secured by a lien on and pledge of the Net Revenues of the System; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Order may be amended or supplemented with or without the consent of the Holder; the rights, duties, and obligations of the Authority and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions thereof.

### **Perfection of Security for the Bonds**

Chapter 1208, Texas Government Code, as amended applies to the issuance of the Bonds and the pledge of the Net Revenues to secure the Bonds, and such pledge is therefore, valid, effective and perfected. Should Texas law be amended while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Net Revenues is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the Authority has agreed in the Order to take such measures as it determines reasonable and necessary to enable a filing of a security interest in said pledge to occur.

### **Flow of Funds**

The Authority hereby covenants and agrees that deposits into the System Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

- First: To the payment of all necessary and reasonable Maintenance and Operating Expenses or other expenses required by statute to be a first charge on and claim against the revenues of the System.
- Second: To the payment of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of Debt Service Requirements on the Parity Obligations as the same becomes due and payable.

- Third: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the orders relating to the issuance of the Parity Obligations.
- Fourth: To the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the Authority.

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

### **Reserve Fund**

**Current Reserve Fund.** Subject to the springing covenant provisions described below, the Order reaffirms the establishment and maintenance of a Reserve Fund for the payment of the principal of and interest on the Parity Obligations (which includes the Bonds) when money in the Interest and Sinking Fund maintained for such purposes is insufficient on any payment date. The amount to be accumulated and maintained as a reserve amount (the “Required Reserve”) in such Fund shall be equal to the Average Annual Debt Service requirements of the Parity Obligations (calculated on a Fiscal Year basis as of the date the last series of Parity Obligations that are Outstanding were delivered). As of the date hereof, the amount in the Reserve Fund is \$2,081,378.68 (the “Current Reserve”), which is satisfied in its entirety by cash; following the delivery of the Bonds the new Required Reserve is calculated to be \$1,689,801.00. Subject to the acquisition of a surety bond policy described below, if any, beginning on or before the 20<sup>th</sup> day of the month next following the month the Bonds are delivered to the Underwriters and on or before the 20<sup>th</sup> day of each following month until the Required Reserve has been fully accumulated, there shall be deposited into the Reserve Fund from the Net Revenues of the System an amount equal to at least 1/60th of the difference between the Required Reserve and the Current Reserve. After the Required Reserve has been accumulated, monthly deposits to such Fund may be terminated; provided, however, should a deficiency thereafter exist (other than as a result of the issuance of Additional Parity Obligations) in the Required Reserve, the Authority shall resume monthly deposits to the Reserve Fund calculated to cure the deficiency within 60 months from the date the deficiency occurred. See “APPENDIX C – Selected Provisions of the Order”.

**Springing Reserve Fund Covenants.** The Order provides that, at such time that no Parity Obligations that were issued on or before December 15, 2014 remain outstanding, the bond documents are properly amended, or the purchasers of those obligations consent, the Authority expressly reserve the right at any time to effectuate a “springing covenant” and thereafter the following provisions will apply to the Authority’s obligation to fund the Reserve Fund in the amount of the Required Reserve:

The Authority’s obligation to fund the Reserve Fund in an amount equal to the Required Reserve shall be suspended for so long as the Net Revenues for each Fiscal Year are equal to at least 110% of the Average Annual Debt Service requirements of all Parity Obligations at such time outstanding. In the event that the Net Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Average Annual Debt Service requirements of all Parity Obligations at such time outstanding, the Authority will be required to commence making the deposits of the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve or (ii) the Net Revenues for the Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service requirements of all Parity Obligations at such time outstanding.

Upon the effectiveness of this aforementioned “springing” covenant, the Authority may, at its option (and assuming compliance at such time with the terms that will allow a suspension of the obligation to fund the Reserve Fund), withdraw any cash then on deposit in the Reserve Fund and use such funds for any lawful purpose.

### **Rate Covenant**

Pursuant to the Order, the Authority has agreed, that it will maintain rates and charges for sewer services furnished, provided, and supplied by the System to customers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay (i) all Maintenance and Operating Expenses, depreciation, replacement and betterment expense and other costs of the System, (ii) The interest on and principal of all Parity Obligations, as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Parity Obligations, (iii) The interest on and principal of any Subordinate Lien Obligations hereinafter issued by the Authority, as

and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of any Subordinate Lien Obligations hereinafter issued by the Authority, and (iv) Any legal debt or obligation of the System as and when the same shall become due.

**Additional Parity Bonds and Subordinate Lien Obligations**

The Authority reserves the right to issue “Additional Parity Bonds” and “Subordinate Lien Obligations” without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law as stated in the Order or otherwise. Additional Parity Bonds, when issued, together with the Bonds, shall be payable from and secured solely by a first and prior lien on and pledge of the Net Revenues derived from the operation of the System. Subordinate Lien Obligations, when issued, shall be secured by a subordinate and inferior lien on and pledge of the Net Revenues. (See “APPENDIX C - Selected Provisions of the Order” herein)

**Redemption**

*Optional Redemption*

The Bonds maturing on or after July 10, 2031 are subject to optional redemption, in whole or in part, on July 10, 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 July 10, 2041 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 July 10, in the years and principal amounts shown below:

<b>Term Bond Maturing on July 10, 2041</b>	
Year	Principal Amount
2038	\$310,000
2039	315,000
2040	325,000
2041*	330,000

\*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 July 10 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 Order provides for the defeasance of the Bonds when payment of the principal of and premium, if any, on such Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise) is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount there of or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. 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 Order).

The Order provides that "Government Securities" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. Under the springing covenant in the Orders, at such time as the Authority's Revenue Bonds Series 2002, which have final maturity of July 10, 2022, are no longer outstanding, the definition of Governmental Securities shall include any additional securities and obligations hereafter authorized by the State law as eligible for use to accomplish the discharge of obligations, such as the Bonds. There is no assurance that the ratings for United States 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 Government Securities (such list consisting of those securities identified in clauses (i) through (iii) 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 Order does not contractually limit such permissible Government 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 Government Securities, notwithstanding the fact that such Government Securities may not be of the same investment quality as those currently identified under State law as permissible Government Securities.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding or unpaid for purposes of applying any limitation or indebtedness. 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, that the

Authority has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their 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 Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of the registered owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, 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, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

### **Defaults and Remedies**

If the Issuer defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Order, the registered owners 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 the Order 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. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bond owners upon any failure of the Authority to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. 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, 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 its issuance of the Bonds (as further described herein under the subcaption "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, registered owners may not be able to bring such a suit against the Authority for breach of the Bond or Order 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 Net Revenues, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or registered owners 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 Order 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.

### **Ownership of Bonds**

The Authority, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Bond is overdue, and neither the Authority nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Bond in accordance with the Order will be valid and effectual and will discharge the liability of the Authority and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

**Additional Springing Covenants**

In the Order, various other “springing covenants” to effectuate prospective changes to the Order, included changes applicable to (1) the defeasance section of the Order by revising the definition of “Government Securities” as defeasance obligations to effectuate changes in Texas law that became effective on September 1, 1999, (2) the person or entity that can provide the “coverage” certification for the issuance of Additional Parity Obligations, (3) revising the definition of “Debt Service Requirements” to recognize certain changes in Texas law, and/or (4) adding definitions for “Credit Provider,” “Credit Agreement,” and “Credit Facility” to recognize certain changes in Texas law. See “APPENDIX C – Selected Provisions of the Order”.

**SOURCES AND USES OF FUNDS**

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

<b>Sources of Funds</b>	
Par Amount	\$ 20,135,000.00
Accrued Interest	57,073.33
Net Reoffering Premium	<u>2,546,452.45</u>
Total Sources of Funds	<u>\$ 22,738,525.78</u>
 <b>Uses of Funds</b>	
Deposit to the Construction Fund	\$ 5,500,000.00
Deposit to the Escrow Fund	16,791,667.50
Accrued Interest Deposit to Interest and Sinking Fund and Additional Proceeds	59,313.28
Cost of Issuance	257,000.00
Underwriter’s Discount	<u>130,545.00</u>
Total Uses of Funds	<u>\$ 22,738,525.78</u>

**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 Underwriters 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 issues corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both 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 S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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.

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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 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 payable dates 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 in 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, the Paying Agent/Registrar or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal of and interest on the Bonds to DTC is the responsibility of the Authority, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall 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 Authority or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.



The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the Financial Advisor, and the Underwriters believe to be reliable, but none of the Authority, the Financial Advisor, nor the Underwriters take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the Authority 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 Order will be given only to DTC.

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

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

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

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

The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. In the Order, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or 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 registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

#### **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. Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be 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 the interest on a Bond is payable on any interest payment date means the last business day of the month next preceding each interest payment date. 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 will be established by the Paying Agent/Registrar.

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

Neither the Authority nor the Paying Agent/Registrar will be required to transfer or exchange any Bond (i) during the period commencing with the close of business or any Record Date and ending with the opening of business on the following principal or interest payment date, or (ii) with respect to any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

### **Replacement of Bonds**

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

## **LEGAL MATTERS**

### **Legal Opinions and No-Litigation Certificate**

The Issuer will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Order, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the 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 "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (except under the subcaptions "Defaults 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 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 "APPENDIX C – Selected Provisions of the Order" and such firm is of the opinion that the information relating to the Bonds and the Order contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon by Locke Lord LLP, Austin, Texas as counsel to the Underwriters.

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) provides 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 "RATING" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority 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 Authority 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 Authority 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 purchaser of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Ancillary Tax Consequences**

Prospective 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 on Certain Bonds**

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

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

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Order, the Authority 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 (the "MSRB") through its Electronic Municipal Market Access (EMMA) system, where it will be available to the general public, free of charge, at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Annual Reports**

The Issuer will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Issuer of the general type included in APPENDIX A to this Official Statement and APPENDIX D. 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, 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 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) nonpayment 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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Authority 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, 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, any of which reflect financial difficulties. In the Order, the Authority adopted 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 Order make provision for credit enhancement, or liquidity enhancement.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the 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**

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.

## **Limitations and Amendments**

The Authority has agreed to update information and to provide notices of certain specified events only as described above. The Authority has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The Authority makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The Authority 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 to comply with its agreement.

The Authority may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Authority, 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 (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 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 may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

## **Compliance with Prior Undertakings**

Other than the following, during the past five years, the Authority has complied in all material respects with its previous continuing disclosure agreements made in accordance with the Rule. Although the Authority's 2017 audit was filed timely on February 8, 2018, the Continuing Disclosure tables for Fiscal Year 2017 were inadvertently not filed. All financial information from the tables is included in the 2017 Audit, except the total sewer connections and the wholesale sewer rates. On September 7, 2018, the Authority made a corrective filing, which included this information.

## **RATING**

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA-" to the Bonds. 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. The municipal bond rating is not a recommendation to buy, sell, or hold the Bonds. The rating fees of S&P will be paid by the Authority.

## **OTHER INFORMATION**

### **Litigation**

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

### **Legal Investments**

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

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

### **Investment Policies**

Under State law, the Issuer 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 Issuer 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 Issuer'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 Issuer 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.

### **Additional Provisions**

Under Texas law, the Authority is additionally required to (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the said order or resolution; (3) require any investment officers with personal business relationships or relative with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and governing body of the Authority; (4) require the registered principal of firms seeking to sell securities to the Authority to (a) receive and review the Authority's investment policy; (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities; and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Authority's investment policy; (6) provide specific investment training for the Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investments of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the Authority's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in no-load money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance.

### **Registration and Qualification of Bonds for Sale**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities act of any

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

It is the obligation of the Underwriters to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The Authority has agreed to cooperate, at the Underwriters' 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.

### **Financial Advisor**

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

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the 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**

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of \$22,550,907.45 (representing the par amount of the Bonds of \$20,135,000.00, plus a net reoffering premium of \$2,546,452.45, and less an Underwriters' discount of \$130,545.00), and accrued interest on the Bonds in the amount of \$57,073.33.

The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

### **Certification of the Official Statement**

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



### Information from External Sources

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

### Concluding Statement

No person has been authorized to give any information or to make any representations 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 Authority. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the Authority's records, audited financial statements and other sources which the Authority considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Order 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 re-offering of the Bonds by the Underwriters.

This Official Statement was approved by the Board for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CIBOLO CREEK MUNICIPAL AUTHORITY

/s/Richard Braud

Vice President, Board of Directors

/s/Reginna Agee

Secretary, Board of Directors

(this page intentionally left blank)

**SCHEDULE I**

**SCHEDULE OF REFUNDED OBLIGATIONS**

(this page intentionally left blank)

**SCHEDULE I  
SCHEDULE OF REFUNDED OBLIGATIONS**

**Cibolo Creek Municipal Authority**

**Revenue Bonds, Series 2012  
(Redemption Date 1-10-2022 @ par)**

**Current Interest Bonds**

<u>Original Dated Date</u>	<u>Original Maturity (July 10)</u>	<u>Original Principal Amount</u>	<u>Principal Being Refunded</u>	<u>Interest Rate</u>
January 1, 2012	2023	\$ 870,000.00	\$ 870,000.00	2.30%
	2024	895,000.00	895,000.00	2.50%
	2025	920,000.00	920,000.00	2.65%
	2026	950,000.00	950,000.00	2.80%
	2027	980,000.00	980,000.00	2.90%
	2028	1,010,000.00	1,010,000.00	3.00%
	2029	1,045,000.00	1,045,000.00	3.10%
	2030	1,080,000.00	1,080,000.00	3.20%
	2031	1,120,000.00	1,120,000.00	3.35%
	2032	1,160,000.00	1,160,000.00	3.40%
	2033	1,205,000.00	1,205,000.00	3.55%
	2034	1,250,000.00	1,250,000.00	3.60%
	2035	1,295,000.00	1,295,000.00	3.60%
	2036	1,345,000.00	1,345,000.00	3.75%
	2037	1,400,000.00	1,400,000.00	3.75%
	<b>Total</b>	<u>\$ 16,525,000.00</u>	<u>\$ 16,525,000.00</u>	

(this page intentionally left blank)

**APPENDIX A**

**FINANCIAL INFORMATION REGARDING CIBOLO CREEK MUNICIPAL AUTHORITY**

(this page intentionally left blank)



## DESCRIPTION AND FINANCIAL INFORMATION

### DESCRIPTION OF THE PROJECT

CCMA is replacing the Schertz Lift Station and upgrading the Schertz Gravity Line. This project includes the design and construction of a new lift station to replace and expand the current Schertz Lift Station that has a severe capacity deficit and structural degradation. The project also includes the design and construction of a new gravity line consisting of approximately 3,700 linear feet of 48" line, several extra deep manholes, and two bores (FM 78 and Union Pacific Railroad) totaling approximately 450 linear feet. In addition, CCMA is constructing a new laboratory and office space facility at the OJR Regional Water Reclamation Plant, along with other general improvements to the OJR Regional Water Reclamation Plant.

See "APPENDIX B - History of Cibolo Creek Municipal Authority" for a detailed history of the Authority.

### UTILITY SYSTEM REVENUE BOND DEBT DATA

**TABLE 1**

(As of September 1, 2021)

<u>Revenue Bond</u>	<u>Par Amount</u>
Revenue Bonds, Series 2002	\$ 90,000
Revenue Bonds, Series 2012	850,000 <sup>(1)</sup>
Revenue Bonds, Series 2017	2,535,000
Revenue Refunding Bonds, Series 2020	2,825,000
Revenue and Refunding Bonds, Series 2021 (the "Bonds")	<u>20,135,000</u>
Total	<u>\$ 26,435,000</u>

<sup>(1)</sup> Excludes the Refunded Obligations.

### SEWER PLANT IN OPERATION

**TABLE 2**

(As of September 30, 2020)

Land	\$ 3,021,091
Construction in Progress	43,097,495
Wastewater System	41,946,761
Machinery and Equipment	3,966,192
Building Improvements	<u>68,857</u>
Total Capital Assets	<u>\$ 92,100,396</u>
Depreciation	
Wastewater System	\$ 14,150,804
Machinery and Equipment	2,299,593
Building Improvements	<u>62,705</u>
Total Accumulated Depreciation	\$ 16,513,102
Total Capital Assets Net of Depreciation	<u>\$ 75,587,294</u>

Source: The Authority's Annual Financial Report.

**REVENUE DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending Sep. 30	Existing Debt Service Outstanding	Less: Refunded Obligations	The Bonds			New Total Debt Service Outstanding
			Principal	Interest	Total	
2021	\$ 2,469,617					\$ 2,469,617
2022	2,306,563	533,335	\$ 195,000	\$ 601,308	\$ 796,308	2,569,536
2023	2,220,748	1,403,335	870,000	724,050	1,594,050	2,411,463
2024	2,224,863	1,408,325	920,000	680,550	1,600,550	2,417,088
2025	1,796,488	1,410,950	965,000	634,550	1,599,550	1,985,088
2026	1,799,970	1,416,570	1,020,000	586,300	1,606,300	1,989,700
2027	1,801,033	1,419,970	1,075,000	535,300	1,610,300	1,991,363
2028	1,805,075	1,421,550	1,130,000	481,550	1,611,550	1,995,075
2029	1,806,975	1,426,250	1,195,000	425,050	1,620,050	2,000,775
2030	1,816,580	1,428,855	1,255,000	365,300	1,620,300	2,008,025
2031	1,818,558	1,434,295	1,320,000	302,550	1,622,550	2,006,813
2032	1,652,375	1,436,775	1,380,000	249,750	1,629,750	1,845,350
2033	1,661,135	1,442,335	1,425,000	208,350	1,633,350	1,852,150
2034	1,661,158	1,444,558	1,470,000	165,600	1,635,600	1,852,200
2035	1,663,758	1,444,558	1,510,000	121,500	1,631,500	1,850,700
2036	1,664,338	1,447,938	1,550,000	91,300	1,641,300	1,857,700
2037	1,670,900	1,452,500	1,575,000	60,300	1,635,300	1,853,700
2038	-	-	310,000	28,800	338,800	338,800
2039	-	-	315,000	21,825	336,825	336,825
2040	-	-	325,000	14,738	339,738	339,738
2041	-	-	330,000	7,425	337,425	337,425
Total	\$ 31,840,130	\$ 21,972,098	\$ 20,135,000	\$ 6,306,096	\$ 26,441,096	\$ 36,309,128

**COVERAGE FACTOR**

Utility System Coverage of the Bonds:

Net Revenues available for the Bonds debt service for fiscal year ended 9/30/2020	\$ 5,473,812
Average Annual Debt Service Requirements (2022 - 2041)	\$ 1,691,976
Coverage Factor (Based on Average Annual Debt Service)	3.24X
Maximum Annual Debt Service Requirements on the Parity Obligations	\$ 2,569,536
Coverage Factor (Based on Maximum Annual Debt Service)	2.13X

**ECONOMIC DEPENDENCY**

The Authority's main source of revenue is providing sewage treatment services and the sale of reclaimed water to cities and other entities within the Authority's service area. These entities and the percentage of total revenue they provide the general fund are as follows:

City of Cibolo	\$ 2,600,164	28.42%
City of Live Oak	280,715	3.07%
Randolph Air Force Base	372,120	4.07%
SAWS	45,691	0.50%
City of Schertz	3,659,153	39.99%
City of Selma	1,161,406	12.69%
City of Universal City	<u>1,031,322</u>	<u>11.27%</u>
	\$ 9,150,571	100.00%

Source: Information provided by The Authority for the fiscal year ended September 30, 2020.

**PRINCIPAL REPAYMENT SCHEDULE**

<b>Fiscal Year Ending Sep. 30</b>	<b>Currently Outstanding Principal</b>	<b>Less: Refunded Obligations</b>	<b>The Bonds Principal</b>	<b>New Outstanding Principal</b>	<b>Bonds Outstanding at the End of the Year</b>	<b>Percent of Principal Retired</b>
2021	\$ -			\$ -	\$ 26,435,000	
2022	1,620,000		\$ 195,000	1,815,000	24,620,000	
2023	1,565,000	870,000	870,000	1,565,000	23,055,000	
2024	1,600,000	895,000	920,000	1,625,000	21,430,000	
2025	1,205,000	920,000	965,000	1,250,000	20,180,000	
2026	1,240,000	950,000	1,020,000	1,310,000	18,870,000	29%
2027	1,275,000	980,000	1,075,000	1,370,000	17,500,000	
2028	1,315,000	1,010,000	1,130,000	1,435,000	16,065,000	
2029	1,355,000	1,045,000	1,195,000	1,505,000	14,560,000	
2030	1,405,000	1,080,000	1,255,000	1,580,000	12,980,000	
2031	1,450,000	1,120,000	1,320,000	1,650,000	11,330,000	57%
2032	1,330,000	1,160,000	1,380,000	1,550,000	9,780,000	
2033	1,385,000	1,205,000	1,425,000	1,605,000	8,175,000	
2034	1,435,000	1,250,000	1,470,000	1,655,000	6,520,000	
2035	1,490,000	1,295,000	1,510,000	1,705,000	4,815,000	
2036	1,545,000	1,345,000	1,550,000	1,750,000	3,065,000	88%
2037	1,610,000	1,400,000	1,575,000	1,785,000	1,280,000	
2038	-	-	310,000	310,000	970,000	
2039	-	-	315,000	315,000	655,000	
2040	-	-	325,000	325,000	330,000	
2041	-	-	330,000	330,000	-	100%
<b>Total</b>	<u>\$ 22,825,000</u>	<u>\$ 16,525,000</u>	<u>\$ 20,135,000</u>	<u>\$ 26,435,000</u>		

**SEWER SYSTEM OPERATING STATEMENT****TABLE 3**

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				
	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
<b>Revenues</b>					
Service Revenue	\$ 9,312,950	\$ 8,780,448	\$ 8,546,049	\$ 8,237,385	\$ 7,345,291
Impact Fees	2,539,816	1,985,802	1,847,036	2,301,152	1,734,395
Miscellaneous Revenues	<u>185,726</u>	<u>535,303</u>	<u>319,408</u>	<u>144,634</u>	<u>167,614</u>
Total Operating Revenue	\$ 12,038,492	\$ 11,301,553	\$ 10,712,493	\$ 10,683,171	\$ 9,247,300
<b>Expenditures</b>					
Payroll Expenditures	\$ 3,031,498	\$ 2,662,026	\$ 2,563,082	\$ 2,585,082	\$ 2,392,338
Professional Fees	254,925	251,115	251,860	251,860	197,500
Purchased and Contracted Services	1,445,209	1,402,941	1,283,443	1,283,443	1,090,127
Consumable Supplies and Materials	531,987	408,127	437,496	437,496	350,514
Recurring Operating Expenditures	<u>1,301,061</u>	<u>1,072,509</u>	<u>1,037,349</u>	<u>1,037,349</u>	<u>1,362,186</u>
Total Operating Expenses	\$ 6,564,680	\$ 5,796,718	\$ 5,573,230	\$ 5,595,230	\$ 5,392,665
<b>Net Revenues Available for Debt Service</b>					
	<u>\$ 5,473,812</u>	<u>\$ 5,504,835</u>	<u>\$ 5,139,263</u>	<u>\$ 5,087,941</u>	<u>\$ 3,854,635</u>
Debt Service	\$ 2,490,774	\$ 2,662,323	\$ 2,650,752	\$ 2,426,508	\$ 2,435,597
Debt Service Coverage	2.20X	2.07X	1.94X	2.10X	1.58X
Customer Count:					
Sewer	44,147	42,736	41,633	40,607	39,329
Total Amount of Sewer Treated for Customers (Thousands of Gallons)					
	2,328,390	2,236,943	2,351,756	2,425,287	2,483,792

Source: The Authority's 2020 Annual Financial Report and information provided by the Authority.

**SEWER RATES****TABLE 4**

The Authority has increased its sewer treatment rate to \$3.93/1,000 gallons of flow to all wholesale customers as of October 1, 2020. The manner of billing for all users (except Randolph Air Force Base and Universal City/Aviation Road, which have remained the same and are at lower rates) is now based upon the three (3) month winter average potable water consumption by each connection, averaged for all connections in each contracting entity. The charges to users are stated at a rate per 1,000 gallon billing units. On September 30, 2020, there were 44,147 sewer connections or their equivalents within the Authority's service area.

The Authority charges a one-time Impact Fee (capital recovery) of \$1,800 per connection equivalent to new users of the North Zone System and \$1,411 per customer equivalent to new users of the South Zone System. The income received from these fees is difficult to budget accurately since new connections are made as new homes and businesses are constructed in the Authority's service area; however, an estimate is projected based on best information known to management when the budget is proposed. The \$1,800 impact fee per connection equivalent and the \$1,411 impact fee per connection equivalent has been reviewed/approved by the Texas Commission on Environmental Quality.

**COMMITMENTS UNDER OPERATING LEASE AGREEMENT****TABLE 5**

- NONE -

**TAX INFORMATION**

The Authority has the right to levy and collect property taxes. However, this right has never been exercised, and the Authority presently has no plans to levy such taxes. There is no statutory limit on the possible tax rate the Authority may levy. The only limit to the tax rate is that any rate for maintenance and operations must be approved by voters and the rate for debt service is dependent on the amount of bonded debt approved by the voters.

Information regarding the Authority's pension plan can be found within their audit "Note 7: Pension Plans".

**SOUTHERN WASTEWATER TREATMENT PLANT PROJECT**

On September 11, 2014 the Authority sold \$6,950,000 of its Contract Revenue Bonds (Southern Wastewater Treatment Plant Project), Series 2014 and on November 8, 2018 the Authority sold \$4,475,000 Contract Revenue Bonds (Southern Wastewater Treatment Plant Project), Series 2018 for the construction of a Wastewater Treatment Plant. The Southern Wastewater Treatment Plant Project is a joint effort by the City of Schertz and the Authority to bring wastewater service to southern Schertz, southern Cibolo, and the Interstate 10 corridor. The need for this Project is a result of the rapid development of the southern portions of the City of Schertz, and anticipated growth along the I-10 corridor and southern Cibolo. The Project, which will replace an existing smaller sanitary sewer treatment package plant, will initially treat up to 500,000 gallons per day, the equivalent of just over 2,000 homes. Residential customers are expected to provide the bulk of the flow during start-up period, with higher levels of both commercial and light industrial development occurring along I-10 once wastewater service is available. The first phase is projected to become operational in 2021. Subsequent expansions will eventually take the Project to a master planned capacity of over 8,000,000 gallons per day, draining and servicing an area of over 14,000 acres, and providing wholesale wastewater service to the equivalent of over 32,000 homes. The Authority will own, operate and maintain the Project, located on property already acquired for this purpose. The City of Schertz will own and operate the wastewater collection system that ties into the Project. The Project will be financed and the aforementioned bonds are payable solely pursuant to a take-or-pay contract between the Authority and the City of Schertz by the City of Schertz, with the permitting and construction managed by the Authority.

**PRINCIPAL REPAYMENT SCHEDULE (SOUTHERN TREATMENT PLANT PROJECT)**

Fiscal Year				Bonds	Percent of
Ending	Principal	Interest	Total	Outstanding at the	Principal
Sep. 30				End of the Year	Retired
2021	\$ 260,000	\$ 454,050	\$ 714,050	\$ 10,235,000	
2022	270,000	445,850	715,850	9,965,000	
2023	280,000	435,650	715,650	9,685,000	
2024	290,000	425,050	715,050	9,395,000	
2025	300,000	414,050	714,050	9,095,000	13%
2026	310,000	400,850	710,850	8,785,000	
2027	330,000	387,200	717,200	8,455,000	
2028	340,000	372,650	712,650	8,115,000	
2029	355,000	357,650	712,650	7,760,000	26%
2030	375,000	342,000	717,000	7,385,000	
2031	385,000	325,450	710,450	7,000,000	
2032	405,000	308,450	713,450	6,595,000	
2033	425,000	290,550	715,550	6,170,000	
2034	440,000	271,750	711,750	5,730,000	45%
2035	460,000	252,300	712,300	5,270,000	
2036	485,000	229,300	714,300	4,785,000	
2037	510,000	205,050	715,050	4,275,000	
2038	535,000	179,550	714,550	3,740,000	
2039	560,000	152,800	712,800	3,180,000	70%
2040	590,000	127,200	717,200	2,590,000	
2041	610,000	103,600	713,600	1,980,000	
2042	635,000	79,200	714,200	1,345,000	
2043	660,000	53,800	713,800	685,000	
2044	685,000	27,400	712,400	-	100%
Total	<u>\$ 10,495,000</u>	<u>\$ 6,641,400</u>	<u>\$ 17,136,400</u>		

(this page intentionally left blank)

**APPENDIX B**

**HISTORY OF CIBOLO CREEK MUNICIPAL AUTHORITY**

(this page intentionally left blank)





**CCCMIA**  
CIBOLO CREEK MUNICIPAL AUTHORITY

**Serving the Community Since 1971**



Chapter 347 – House Bill 1339  
Approved/Effective May 24, 1971

- CCMA was created as a conservation and reclamation district to provide organized sewer service in the tri-county area
- Wholesale sewer contracts are currently in place for the Cities of Schertz, Cibolo, Selma, Live Oak, Universal City, and Joint Base San Antonio-Randolph



## Saving Resources-RECLAIMED WATER

- In 1998, a reclaimed water system was built to maximize a valuable resource-irrigation water.
- This system helps the area reduce it's dependency on the potable water supply.
- CCMA is permitted by TCEQ to provide Type I water quality suitable for irrigation of public parks, residential lawns, athletic fields and application to grazing pastures



# BOARD OF DIRECTORS

CCMA is governed by an elected Board of Directors each serving four year terms and overseen by a General Manager

Mr. Richard Braud, Vice President  
Mrs. Reginna Agee, Secretary-Treasurer  
Mr. T. “Jake” Jacobs, Director  
Mr. Michael Keough, Director  
Mr. Clint Ellis, General Manager



# Working with the Community

- The farming portion of CCMA produces quality grass which is turned into quality hay. The hay is continually tested for nutrient levels and then sold at a fair market price. During dry or drought months, the price is adjusted downward to help buyers in trying times
- For the past several years, CCMA has donated hay to area high school programs such as the FFA



# KEEPING UP WITH THE SYSTEM

- Dietz Lift Station Project - Complete
- Town Creek Lift Station/Force Main - Complete
- Olympia Lift Station/Force Main - Complete
- OJR Regional Reclamation Plant Modification - In Progress
- South Regional Reclamation Plant - In Progress
- Schertz Lift Station & Gravity Main - 2020/2021



## **OJR REGIONAL RECLAMATION PLANT EXPANSION-Phase I**

**Project will expand existing plant from 6.2 MGD  
to 10 MGD.**

**Currently under construction  
Estimated Cost: \$29.7 million**



## SOUTH REGIONAL RECLAMATION PLANT

This project will serve the southern portions of Schertz in the sewer shed south of the existing OJR plant. Three stages of expansion are anticipated, with the initial phase estimated at a cost of \$8.4 million





## COMING UP.....

- **SCHERTZ LIFT STATION & GRAVITY MAIN**
- Design and construction of new lift station due to structural degradation of existing unit.
  - Upsizing of upstream gravity lines
  - Estimated Cost: \$8.5 million



## **BLUEBONNET GRAVITY LINE**

Design and construction of parallel gravity line to relieve overloading of existing line

Estimated Cost: \$1.8 million

## **SCHERTZ FORCE MAIN**

Design and construction of approximately 2,500 linear feet of 36" force main

Estimated Cost: \$750,000



## FISCAL OVERVIEW

- CCMA's current Impact Fee was approved by TCEQ in 2017: \$1,800 per LUE (North Zone) & \$1,411 (South Zone)
  - Impact Fees are a restricted fund
  - Sewer revenue through rate structure
- Reclaimed water revenue through rate structure
  - FY2020 Budget-\$9,540,471
  - CCMA enjoys an A+ bond rating

## LOOKING TO THE FUTURE

CCMA continues to work hard to ensure the words of Odo J. Riedel are honored:

*“The CCMA, of course, will continue to be committed to providing good service based on recognized needs at the least cost to it’s customers”*

**APPENDIX C**

**SELECTED PROVISIONS OF THE ORDER**

(this page intentionally left blank)

## APPENDIX C

### Selected Provisions of the Order

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

SECTION 9: Definitions. For all purposes of this Order (as defined below), except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Sections 27 and 45 of this Order have the meanings assigned to them in such Sections, and all such terms include the plural as well as the singular; (ii) all references in this Order to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Order as originally adopted; and (iii) the words “herein”, “hereof”, and “hereunder” and other words of similar import refer to this Order as a whole and not to any particular Section or other subdivision.

(A) The term *Additional Parity Obligations* shall mean bonds or other obligations authorized to be issued under the provisions of Section 19 hereof, including refunding bonds, which are secured by a lien on and pledge of the Net Revenues of the System on a parity with Previously Issued Parity Bonds and the Bonds.

(B) The term *Authority* shall mean Cibolo Creek Municipal Authority, located in the Counties of Bexar, Comal, and Guadalupe, Texas and, where appropriate, the Board of Directors of the Authority.

(C) The term *Authorized Officials* shall mean the President of the Board, the Secretary of the Board, and/or the General Manager.

(D) The term *Average Annual Debt Service* shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements of obligations when due and derived by dividing the total of such Debt Service Requirements by the number of years then remaining before final Stated Maturity. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

(E) The term *Bonds* shall mean the \$20,135,000 “CIBOLO CREEK MUNICIPAL AUTHORITY REVENUE AND REFUNDING BONDS, SERIES 2021” authorized by this Order.

(F) The term *Credit Agreement* shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and

approved by the Board of Directors as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Parity Obligation.

(G) The term *Credit Facility* shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations under and pursuant to Texas law, or (ii) a letter or line of credit issued by any financial institution authorized under applicable Texas law to deliver such types of financial instrument.

(H) The term *Credit Provider* shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to a Credit Agreement or a provider of a Credit Facility.

(I) The term *Closing Date* shall mean the date of physical delivery of the Initial Bonds in exchange for the payment in full by the Purchaser.

(J) The term *Debt Service Requirements* shall mean, as of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the 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 at the maximum rate permitted by the terms thereof 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; provided, however, when the Previously Issued Parity Bonds issued on or before December 15, 2014 are no longer outstanding, the bond documents are properly amended, or the purchaser of those obligations consents, 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, in the case of bonds not subject to fixed scheduled mandatory sinking fund redemptions, that the principal of such bonds is amortized such that annual debt service is substantially level over the remaining stated life of such bonds or in the manner permitted under Section 1371.057(c), as amended, Texas Government Code as the same relates to interim or non-permanent indebtedness, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity according to a fixed schedule, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto (in each case notwithstanding any contingent obligation to redeem bonds more rapidly). For the term of any Credit Agreement in the form of an interest rate hedge agreement entered into in connection with any such obligations, Debt Service Requirements shall be computed by netting the amounts payable to the Authority under such hedge agreement from the



amounts payable by the Authority under such hedge agreement and such obligations. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified in Section 14 and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

(K) The term *Depository* shall mean an official depository bank of the Authority.

(L) The term *Fiscal Year* shall mean the twelve month accounting period used by the Authority in connection with the operation of the System which may be any twelve consecutive month period established by the Authority, which period presently commences on October 1 of each year and ends on the following September 30.

(M) The term *Government Securities*, as used herein, shall mean direct obligations of, including obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, which are non-callable prior to the respective Stated Maturities of the Bonds and may be United States Treasury Obligations such as the State and Local Government Series and may be in book-entry form; provided, however, when the Previously Issued Parity Bonds issued on or before December 15, 2014 are no longer outstanding, the term Government Securities shall mean 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. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified in Section 14 and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

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

(O) The term *Interest and Sinking Fund* shall mean the special Fund created and established by the provisions of Section 13 of this Order.

(P) The term *Interest Payment Date* shall mean the date semiannual interest is payable on the Bonds, being January 10 and July 10 of each year, commencing January 10, 2022, while any of the Bonds remain Outstanding.

(Q) The term *Maintenance and Operating Expenses* shall mean costs of operation, maintenance and necessary replacements to the System, the cost of insurance, the cost of supplies,

costs incurred in the collection, treatment and disposal of wastes, and the payment of salaries and all other expenses properly incurred in operating and maintaining the System and keeping the same in good repair and operating condition.

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

(S) The term *Order* shall mean this order adopted by the Board of Directors of the Authority on the date hereof.

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

(1) those Bonds cancelled 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 32 of this Order; 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 26 of this Order.

(U) The term *Parity Obligations* shall mean the currently outstanding Previously Issued Parity Bonds, the Bonds, and any Additional Parity Obligations hereafter issued by the Authority.

(V) The term *Previously Issued Parity Bonds* shall mean (i) the outstanding and unpaid revenue bonds of the following series:

(1) “Cibolo Creek Municipal Authority Revenue Bonds, Series 2002”, dated December 1, 2002;

(2) “Cibolo Creek Municipal Authority Revenue Bonds, Series 2012”, dated January 1, 2012;

(3) “Cibolo Creek Municipal Authority Revenue Bonds, Series 2017”, dated May 1, 2017;

(4) “Cibolo Creek Municipal Authority Revenue Refunding Bonds, Series 2020”, dated July 1, 2020; and

(5) Upon issuance, the Bonds;

(ii) bonds hereafter issued to refund outstanding Parity Obligations if such refunding bonds are secured by a first and prior lien on and pledge of Net Revenues on a parity with the lien on and pledge of Net Revenues securing payment of the Parity Obligations.

(W) The term *Purchaser* shall mean the initial purchaser of the Bonds named in Section 28 of this Order.

(X) The term *Special Payments* shall mean the payments that the Authority expects to receive pursuant to the terms of a Reclaimed Water Transmission Facilities Contract dated as of October 21, 1997 between the Authority and the City of Universal City, Texas and any other similar payments made pursuant to contractual arrangements that the Authority may enter into in the future. Any Special Payments must be deposited upon receipt into the Interest and Sinking Fund.

(Y) The term *Stated Maturity* shall mean the annual principal payments of the Bonds payable on July 10 of each year, as set forth in Section 2 of this Order.

(Z) The term *Subordinate Lien Obligations* shall mean bonds or other obligations authorized to be issued, including refunding bonds, which are secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System; provided, however, the Subordinate Lien Obligations need not be payable from any Special Payments.

(AA) The term *System* shall mean the Authority's works, improvements, facilities, plant, equipment and appliances, including all extensions, improvements and replacements which may be hereafter acquired or constructed, with respect to a sanitary sewer system, including collection and disposal facilities.

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

(b) Chapter 1208, Texas Government Code, applies to the issuance of the Parity Obligations and the pledge of Net Revenues 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 Parity Obligations are outstanding and unpaid such that the pledge of the Net Revenues 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 Parity Obligations the perfection of the security interest in this pledge, the Authority agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates and Charges. The Authority hereby agrees and reaffirms its covenants to the holders of the Parity Obligations that it will at all times maintain rates and charges

for sewer services furnished, provided, and supplied by the System to customers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

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

(B) The interest on and principal of all Parity Obligations, as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of the Parity Obligations.

(C) The interest on and principal of any Subordinate Lien Obligations hereinafter issued by the Authority, as and when the same shall become due, and provide for the establishment and maintenance of the funds and accounts created for the payment and security of any Subordinate Lien Obligations hereinafter issued by the Authority.

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

SECTION 12: System Revenue Fund. There has been created and established and the Authority shall maintain a special fund entitled “Cibolo Creek Municipal Authority System Revenue Fund” (the *System Revenue Fund*) into which all revenues of every nature received from the operation of the System shall be deposited as received.

SECTION 13: Interest and Sinking Fund - Excess Funds. For the sole purpose of paying the principal of and interest on the Parity Obligations, there has been created and established and there shall be maintained a separate fund entitled “Cibolo Creek Municipal Authority Revenue Bond Interest and Sinking Fund” (the *Interest and Sinking Fund*).

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

SECTION 14: Reserve Fund. There has been created and established and there shall be maintained a special fund or account entitled “Cibolo Creek Municipal Authority Revenue Bond Reserve Fund” (the *Reserve Fund*) which fund or account shall be used to pay principal of and interest on the Parity Obligations when and to the extent the amounts in the Interest and Sinking Fund are insufficient for such purpose.

All funds deposited in the Reserve Fund (excluding earnings and income derived or received from deposits or investments which may be transferred to the System Revenue Fund established in Section 12 hereof during such periods as there is on deposit in the Reserve Fund the Required Reserve) shall be used solely for the payment of the principal of and interest on the Parity Obligations, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last of the Parity Obligations outstanding.

The amount to be accumulated and maintained in the Reserve Fund (the *Required Reserve*) shall be an amount which equals or exceeds the Average Annual Debt Service (calculated on a Fiscal Year basis) for the Parity Obligations. Until the issuance of any Additional Parity Obligations, the Required Reserve shall be \$1,689,801.00. The current amount on deposit in the Reserve Fund is \$2,081,378.68, and the amount now required to fund the balance of the Required Reserve because of the issuance of the Bonds is \$0.00, which shall be accumulated by monthly deposits of \$0.00.

As and when Additional Parity Obligations are issued and delivered, the Required Reserve shall be increased, if required, to an amount equal to not less than the Average Annual Debt Service (calculated on a Fiscal Year basis) for all Parity Obligations then outstanding, as determined on the date each series of Additional Parity Obligations are delivered or incurred, as the case may be. Subject to the later provisions of this Section 14 that may take effect while the Bonds remain Outstanding, any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit in the Reserve Fund of all or any part thereof in cash immediately after the delivery of the then proposed Additional Parity Obligations, or, at the option of the Authority, by the deposit of monthly installments, made on or before the 20th day of each month following the month of delivery of the then proposed Additional Parity Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Parity Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash).

Subject to the later provisions of this Section 14 that may take effect while the Bonds remain Outstanding, when and so long as the cash and investments in the Reserve Fund total not less than the Required Reserve, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve (other than as the result of the issuance of Additional Parity Obligations as provided in the preceding paragraph), the Authority covenants and agrees to cure the deficiency in the Required Reserve by resuming monthly deposits to the Reserve Fund from the Net Revenues of the System, such monthly deposits to be in amounts equal to not less than 1/60th of the then total Required Reserve to be maintained in the Reserve Fund and to be made on or before the 20th day of each month until the total Required Reserve then to be maintained in said Fund has been fully restored. The Authority further covenants and agrees that, subject only to the payments to be made to pay the debt service requirements on the Previously Issued Parity Bonds and the payments to be made into the Interest and Sinking Fund, the Net Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve and to cure any deficiency in such amounts as required by the terms of this Order and any other order pertaining to the issuance of Additional Parity Obligations.

During such time as the Reserve Fund contains the total Required Reserve, the Authority may, at its option, withdraw all surplus in the Reserve Fund in excess of the Required Reserve and deposit such surplus in the System Revenue Fund. The Authority hereby designates the Depository as the custodian of the Reserve Fund.

To the extent permitted by law and upon earlier to occur the Previously Issued Parity Bonds issued on or before December 15, 2014 being no longer Outstanding, each order authorizing the series of such Previously Issued Parity Bonds is properly amended, or the Authority receives written consent of each holder of such Previously Issued Parity Bonds, the Authority expressly

reserves the right at any time to fund all or any part of the Reserve Fund to be held in the Reserve Fund by entering into a Credit Agreement with or purchasing a Credit Facility from a Credit Provider that will unconditionally obligate the Credit Provider to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the Interest and Sinking Fund are not sufficient to pay the debt service requirements on the Parity Obligations. Such Credit Agreement or Credit Facility, authorized pursuant to Chapter 1371 will be submitted to the Attorney General of the State of Texas for review and approval. All orders adopted after the date hereof authorizing the issuance of Additional Parity Obligations shall contain a provision to this effect. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified above and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

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

Notwithstanding anything to the contrary contained in this Section, and at such time that no Previously Issued Parity Obligations that were outstanding on or after December 15, 2014 remain outstanding, the requirements set forth above to fund the Reserve Fund in the amount of the Required Reserve amount shall be suspended for such time as the Net Revenues for each Fiscal Year are equal to at least 110% of the Average Annual Debt Service requirements. In the event that the Net Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% in any Fiscal Year, in which case the hereinafter-specified requirements will commence after such Fiscal Year) of the Average Annual Debt Service requirements, the Authority will be required to commence making the deposits to the Reserve Fund, as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve amount or (ii) the Net Revenues for a Fiscal Year have been equal to not less than 110% of the Average Annual Debt Service requirements. For the avoidance of doubt, and though not effective initially, this provision shall become effective upon the occurrence of one of the events specified above and, at such time, will apply to the Parity Obligations while the same remain Outstanding.

SECTION 15: Flow of Funds. The Authority hereby covenants and agrees that deposits into the System Revenue Fund shall be pledged and appropriated to the extent require for the following uses and in the order of priority shown:

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

Second: To the payment of the amounts required to be deposited in the Interest and Sinking Fund created and established for the payment of Debt Service Requirements on the Parity Obligations as the same becomes due and payable.

Third: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the orders relating to the issuance of the Parity Obligations.

Fourth: To the payment of the amounts that must be deposited in any special funds and accounts created and established for the payment, security, and benefit of any Subordinate Lien Obligations hereafter issued by the Authority.

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

#### SECTION 16: Deficiencies; Excess Net Revenues.

(A) If on any occasion there shall not be sufficient Net Revenues of the System to make the required deposits into the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Net Revenues of the System, or from any other sources available for such purpose.

(B) Subject to making the required deposits into the Interest and Sinking Fund and the Reserve Fund when and as required by this Order or any order authorizing the issuance of the Parity Obligations or the orders authorizing the issuance of any Subordinate Lien Obligations, the excess Net Revenues may be used by the Authority for any lawful purpose.

SECTION 17: Payment of Bonds. While any of the Bonds are Outstanding, the Authorized Officials shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Interest and Sinking Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to Stated Maturity; such transfer of funds to 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 of payment for the Bonds.

SECTION 18: Investments. Money in any fund established pursuant to this Order may, at the option of the Authority and pursuant to the authority provided by the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements, as permitted by the provisions of the Public Funds Investment Act, as amended, Chapter 2256, Texas Government Code, secured (to the extent not insured by the Federal Deposit Insurance Corporation) by obligations of the type hereinafter described, or be invested, as authorized by any law, including investments held in book-entry form, in securities, including 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, Federal Housing Association, or Participation Certificates in the Federal Assets Financing Trust; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any fund will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of adoption of each order authorizing the issuance of Parity Obligations. All interest and income derived from deposits and investments in the Interest and Sinking Fund immediately shall be credited to, and any losses debited to, the Interest and Sinking Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14 hereof, be credited to and deposited into the System Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds.

SECTION 19: Issuance of Additional Parity Obligations - Subordinate Lien Obligations.

The Authority hereby expressly reserves the right to issue Additional Parity Obligations payable from the Net Revenues of the System. When duly authorized and issued in compliance with law and the terms and conditions hereafter stated, such Additional Parity Obligations shall be on a parity with the Bonds and shall be equally and ratably secured with the Parity Obligations by a lien on and pledge of the Net Revenues of the System on a parity with the lien securing payment of the currently outstanding Parity Obligations (including the Bonds). The Authority covenants and agrees, however, it will not issue any Additional Parity Obligations unless:

(A) The Authority is not then in default as to any covenant, condition or obligation prescribed by the orders or resolutions authorizing the issuance of the Parity Obligations.

(B) Each of the funds created solely for the payment of principal of and interest on the Parity Obligations contains the amounts of money then required to be on deposit therein.

(C) The Authority has secured from a registered professional engineer a certificate to the effect that the projected Net Revenues of the System available for deposit in the Interest and Sinking Fund and the Reserve Fund during the time Parity Obligations are to be outstanding, will be equal to 1.20 times the average of the principal and interest requirements on the Parity Obligations to be outstanding after giving effect to the issuance of the proposed Additional Parity Obligations; provided, however, to the extent permitted by law and upon earlier to occur the Previously Issued Parity Bonds issued on or before December 15, 2014 being no longer Outstanding, each order authorizing the series of such Previously Issued Parity Bonds is properly amended, or the Authority receives written consent of each holder of such Previously Issued Parity Bonds, the Authority expressly reserves the right at any time to substitute the person or entity that provides this "coverage" certification such that it may be provided by the Authority's General Manager or its chief financial officer.



(D) The Additional Parity Obligations are made to mature on July 10 or January 10 in each of the years in which they are scheduled to mature.

In addition, Parity Obligations may be refunded pursuant to any law then available upon such terms and conditions as the Board of Directors of the Authority may deem to be in the best interest of the Authority and its inhabitants, and if less than all outstanding Parity Obligations are refunded, the proposed refunding bonds shall be considered as Additional Parity Obligations under the provisions of this Section and the report required in paragraph (c) above shall give effect to the issuance of the proposed refunding bonds (and shall not give effect to the bonds being refunded following their cancellation or provisions being made for their payment).

That so long as the Bonds or Parity Obligations are outstanding, the Authority will not issue any additional bonds or other obligations secured in whole or in part by a lien on and pledge of the Net Revenues that is senior or prior to the lien on and pledge of the Net Revenues securing payment of the Parity Obligations.

The Authority hereby expressly reserves the right to issue Subordinate Lien Obligations payable from the Net Revenues of the System upon satisfying each of the conditions precedent contained in the orders authorizing the issuance of any Subordinate Lien Obligations hereafter issued by the Authority.

**SECTION 20: Covenants of Compliance - Insurance.** The Authority shall faithfully and punctually perform all duties with reference to the System required by the Enabling Act, all other applicable laws of the State of Texas, and the provisions of this Order and that the Authority shall render no free service to any customers or other persons. The Authority covenants, agrees, and affirms its covenants that while the Parity Obligations 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, but in no event shall the amount of insurance maintained on the projects financed with the proceeds of the Bonds be less than the amount necessary to protect the Purchaser's interest. 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 Parity Obligations until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Order shall be construed as requiring the 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 21: Remedies in the Event of Default.** In addition to all of the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the Authority (i) defaults in the payments to be made to the Interest and Sinking Fund and Reserve Fund as required by this Order, or (ii) defaults in the observance or

performance of any other of the covenants, conditions or obligations set forth in this Order, the following remedies shall be available:

(A) The Holder or Holders of any Parity Obligations shall be entitled to a writ of mandamus issued by a court of proper jurisdiction, compelling and requiring the Authority and its officers to observe and perform any covenants, conditions or obligations prescribed in this Order.

(B) No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power, or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

The specific remedies herein provided shall be cumulative of all other existing remedies and the specifications of such remedies shall not be deemed to be exclusive.

SECTION 22: Records - Accounts - Accounting Reports. The Authority hereby agrees, covenants and reaffirms that so long as any Parity Obligations, or any interest thereon, remain outstanding and unpaid, a proper and complete set of records and accounts pertaining to the operation of the System shall be kept and maintained separate and apart from all other records and accounts of the Authority, in which complete and correct entries shall be made of all transactions relating to the System, and that the Holder or Holders of any of the Parity Obligations or any duly authorized agent or agents of such Holders shall have the right at all reasonable times to inspect all such records, accounts and data relating thereto and to inspect the System and all properties comprising the same. It is further agreed that as soon after the close of each Fiscal Year as may reasonably be done, the Authority will cause an annual audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountants, shall reflect the revenues and expenses of the System for such Fiscal Year, and the assets, liabilities and financial condition of the System (in reasonable detail) at the close of such Fiscal Year. Copies of each annual audit shall be furnished, without charge, within 120 days of the end of the Authority's Fiscal Year, to any subsequent Holder upon written request thereof. Expenses incurred in making the audit above referred to are to be regarded as Maintenance and Operating Expenses and paid as such.

SECTION 23: Security of Funds. All money on deposit in the special funds or accounts for which this Order makes provision (except any portions thereof as may be at any time properly invested) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds.

SECTION 24: Notices to Holders - Waiver. Wherever this Order provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States mail, first-class postage prepaid, to the address of each Holder as it appears in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Order provides for notice in any manner,

such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 25: Cancellation. All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly cancelled by it and, if surrendered to the Authority, shall be delivered to the Paying Agent/Registrar and, if not already cancelled, shall be promptly cancelled by the Paying Agent/Registrar. The Authority may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the Authority may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled by the Paying Agent/Registrar. All cancelled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the Authority.

SECTION 26: 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 imposed in relation thereto and any other expenses (including 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 Order 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.

(this page intentionally left blank)

**APPENDIX D**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

(this page intentionally left blank)

October 13, 2021

Norton Rose Fulbright US LLP  
98 San Jacinto Boulevard, Suite 1100  
Austin, Texas 78701-4255  
United States  
Tel +1 512 474 5201  
Fax +1 512 536 4598  
nortonrosefulbright.com

## **FINAL**

IN REGARD to the authorization and issuance of the “Cibolo Creek Municipal Authority Revenue and Refunding Bonds, Series 2021” (the *Bonds*), dated September 15, 2021, in the aggregate principal amount of \$20,135,000 we have reviewed the legality and validity of the issuance thereof by the Cibolo Creek Municipal Authority (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. The Bonds have Stated Maturities of July 10 in each of the years 2022 through 2037 and July 10, 2041, 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 order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer 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 Issuer’s obligations being refunded by 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 Issuer or the System or the disclosure thereof in connection with the sale of the Bonds. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the System. 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 Issuer’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 transcript of proceedings of the Board of Directors (the *Board*) of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow Deposit Letter, dated September 9, 2021 (the *Escrow Agreement*) between the Issuer and UMB Bank, N.A., Austin, Texas (the *Escrow Agent*), and the certification (the *Sufficiency Certificate*) by SAMCO Capital Markets, Inc., as Financial Advisor to the Issuer, 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 Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered

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

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

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CIBOLO CREEK MUNICIPAL AUTHORITY REVENUE AND REFUNDING BONDS, SERIES 2021”**

initially by the Issuer, which we found to be in due form and properly executed, 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 Issuer 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 orders 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 OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding special obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from and equally and ratably secured solely by a first and prior lien on and pledge of the Net Revenues of the System on a parity with the Issuer's currently outstanding Previously Issued Parity Bonds. In the Order, the Issuer retains the right to issue Additional Parity Obligations and Subordinate 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. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Issuer, except with respect to the Net Revenues. The holder of the Bonds shall never have the right to demand payment of the Bonds out of any funds raised or to be raised by taxation.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement, and upon the representations and certifications of the Issuer 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.



**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CIBOLO CREEK MUNICIPAL AUTHORITY REVENUE AND REFUNDING BONDS, SERIES 2021”**

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.

Norton Rose Fulbright US LLP

(this page intentionally left blank)

**APPENDIX E**

**EXCERPTS FROM THE AUTHORITY'S AUDITED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

(this page intentionally left blank)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cibolo Creek Municipal Authority  
Guadalupe County, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Cibolo Creek Municipal Authority (the Authority), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority'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.

***Auditors' 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 opinions.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the remaining fund information of Cibolo Creek Municipal Authority as of September 30, 2020, and the respective changes in financial position, and, where applicable, 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.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary information listed as Required Supplementary Information – Texas Requirement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other 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 other 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 14, 2021, on our consideration of Cibolo Creek Municipal Authority'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 solely 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 the effectiveness of the Authority's 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 the Authority's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas  
January 14, 2021

**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**September 30, 2020**

This section of Cibolo Creek Municipal Authority's (the Authority) annual audit is a discussion and analysis of the Authority's financial activities for the fiscal year ended September 30, 2020. Readers are encouraged to consider the information presented here in conjunction with accompanying basic financial statements.

This discussion and analysis is designed to:

- Assist the reader in focusing on significant financial issues.
- Provide an overview of the Authority's financial activity.
- Identify changes in the Authority's financial position (its ability to address subsequent year challenges).
- Identify any material deviations from the approved budget.
- Identify individual fund issues or concerns.

**FINANCIAL HIGHLIGHTS**

The Authority's assets exceeded its liabilities by \$56,375,160 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$48,771,851.

1. Net investment in capital assets of \$46,165,771 includes all property and equipment, net of accumulated depreciation, and is reduced for outstanding debt that has been spent for the purchase or construction of these assets.
2. Net position of \$4,968,016 is restricted by constraints imposed by external sources such as grantors, laws, and regulations.
3. Unrestricted net position of \$5,241,373 represents the portion available to maintain the Authority's ongoing obligations to creditors and citizens.

The Authority's governmental funds reported combined ending fund balances of \$15,930,030, a decrease of \$369,908 over the September 30, 2019 fund balance of \$16,299,938.

At the end of the current fiscal year, the unassigned fund balance for the general fund was \$4,853,859 or 50% of the total general fund expenditures.

The capital projects fund balance decreased by \$135,207 due to funding of capital projects.

The Authority's overall debt decreased \$1,830,000 or 5%.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts:

- Management's discussion and analysis
- The basic financial statements
- Required supplementary information

The basic financial statements include two types of statements that present different views of the Authority, government-wide financial statements and fund financial statements.

## **Government-Wide Financial Statements**

These statements provide both long-term and short-term information about the Authority's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these two statements is the statement of net position. This is the government-wide statement of financial position presenting information that includes all of the government's assets and liabilities, with the difference between the two reported as net position.

The second government-wide statement is the statement of activities, which reports how the Authority's net position changed during the current fiscal year. All of the current year's revenue and expenses are accounted for in this statement regardless of when cash is received or paid. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Authority that are principally supported by intergovernmental revenues (governmental activities). The single governmental activity of the Authority is wastewater treatment. The government-wide financial statements can be found on pages 5 and 6 of this report.

## **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds - not the Authority as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to control and manage money for particular purposes or to show that it is meeting legal responsibilities for using public funds. The focus is on major funds.

The Authority has two types of funds:

**Governmental Funds** – The general, debt service, and capital projects funds are considered governmental funds and are reported in the fund financial statements and contain essentially the same functions as governmental activities in the government-wide financial statements. These statements provide a short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided on schedules immediately following the governmental funds statements that explain the relationship or differences between them.

The basic governmental fund financial statements can be found on pages 7 to 13 of this report.

**Internal Service Fund** – Internal service funds are an accounting device used to accumulate and allocate costs internally among the Authority's various functions. The Authority uses an internal service fund to account for large unbudgeted emergency expenditures. Services of the internal service fund benefit governmental functions and are included within governmental activities in the government-wide financial statements.

## **Notes to the Financial Statements**

The accompanying notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 to 25 of this report.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents a budgetary comparison schedule for the general fund as required supplementary information. This schedule demonstrates compliance with the Authority's adopted and final amended budget. This schedule can be found on pages 29 to 30 of this report.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Authority's net position at fiscal year-end is \$56,375,160. This is a \$7,603,309 increase over last year's net position figure of \$48,771,851. The following table provides a summary of the Authority's net position at September 30:

**TABLE 1 – SUMMARY OF NET POSITION**

	GOVERNMENTAL ACTIVITIES		AMOUNT CHANGE	PERCENTAGE CHANGE
	2019-2020	2018-2019		
Current assets and other assets	\$ 19,314,147	\$ 21,600,426	\$ (2,286,279)	-10.58 %
Capital assets	<u>75,587,284</u>	<u>69,733,334</u>	<u>5,853,950</u>	8.39
Total assets	<u>94,901,431</u>	<u>91,333,760</u>	<u>3,567,671</u>	3.91
Total deferred outflows of resources	<u>-</u>	<u>37,634</u>	<u>(37,634)</u>	100.0
Other liabilities	5,024,230	6,872,454	(1,848,224)	-26.89
Long-term liabilities	<u>33,502,041</u>	<u>35,727,089</u>	<u>(2,225,048)</u>	-6.23
Total liabilities	<u>38,526,271</u>	<u>42,599,543</u>	<u>(4,073,272)</u>	-9.56
Net investment in capital assets	46,165,771	38,306,980	7,858,791	20.52
Restricted - impact fees	2,758,998	5,334,272	(2,575,274)	-48.28
Restricted - debt service	2,209,018	2,064,600	144,418	6.99
Unrestricted	<u>5,241,373</u>	<u>3,065,999</u>	<u>2,175,374</u>	70.95
Total net position	<u>\$ 56,375,160</u>	<u>\$ 48,771,851</u>	<u>\$ 7,603,309</u>	15.59

The Authority had an increase of governmental revenues of \$4,290,064, or 35%, with expenses also increasing \$433,395, or 5.09%. The following table provides a summary of the Authority's changes in net position for the year ended September 30:

**TABLE 2 – SUMMARY OF CHANGES IN NET POSITION**

	GOVERNMENTAL ACTIVITIES		AMOUNT CHANGE	PERCENTAGE CHANGE
	2019-2020	2018-2019		
<b>REVENUES</b>				
Program revenues				
Service revenue	\$ 9,867,971	\$ 9,243,788	\$ 624,183	6.75 %
Reclaimed water	162,379	135,645	26,734	19.71
Impact fees	2,539,816	1,985,802	554,014	27.90
Investment income	163,677	587,405	(423,728)	-72.14
Miscellaneous revenues	<u>3,810,100</u>	<u>301,239</u>	<u>3,508,861</u>	1164.81
Total revenues	<u>16,543,943</u>	<u>12,253,879</u>	<u>4,290,064</u>	35.01
<b>EXPENSES</b>				
Wastewater treatment	7,856,554	7,008,049	848,505	12.11
Interest and other fees	<u>1,084,080</u>	<u>1,499,190</u>	<u>(415,110)</u>	-27.69
Total expenses	<u>8,940,634</u>	<u>8,507,239</u>	<u>433,395</u>	5.09
Change in net position	7,603,309	3,746,640	3,856,669	102.94
BEGINNING NET POSITION	<u>48,771,851</u>	<u>45,025,211</u>	<u>3,746,640</u>	8.32
ENDING NET POSITION	<u>\$ 56,375,160</u>	<u>\$ 48,771,851</u>	<u>\$ 7,603,309</u>	15.59

## FUND FINANCIAL ANALYSIS

For the fiscal year ended September 30, 2020, the Authority's governmental funds reported combined fund balances of \$15,930,030. Of this year-end total, \$4,853,859 is unassigned indicating availability for continuing the Authority's service requirements. Restricted fund balance is \$7,370,868 and represents amounts dedicated to debt service and capital projects.

Total ending fund balance of governmental funds shows a decrease of \$369,908 over last year's combined fund balance of \$15,930,030.

### Major Governmental Funds

The general fund is the Authority's primary operating fund. This fund is primarily funded through service revenues and impact fees. Other notable revenue sources include reclaimed water revenues and investment income. The general fund supports the Authority's single function; wastewater treatment.

The debt service fund accounts for payments of principal and interest and other fees supporting payment of the Authority's revenue bonds outstanding. Revenues for this fund come from transfers from the general fund and wastewater service revenues.

The capital projects fund is currently funded through investment income and revenue bonds, which are used to repair, reconstruct, and replace capital assets required for the Authority's operations.

### General Fund Budgetary Highlights

The original 2020 adopted budget was approximately \$7.0 million.

The general fund adopted budget was amended during the 2020 fiscal year. The budget amendment during the year was for capital outlay in the amount of \$4.3 million.

The general fund budget complied with financial policies approved by the Board of Directors.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The Authority's investment in capital assets, net of accumulated depreciation, as of September 30, 2020, totaled \$75,587,284. Investments in capital assets include land, construction in progress, wastewater systems, machinery and equipment, and building improvements. See note 3 for additional information.

**TABLE 3 - CAPITAL ASSETS**

	2019-2020	2018-2019	AMOUNT CHANGE	PERCENTAGE CHANGE
Land	\$ 3,021,091	\$ 3,021,091	\$ -	0.00 %
Construction in progress	43,097,495	36,112,443	6,985,052	19.34
Wastewater system	41,946,761	41,946,761	-	0.00
Machinery and equipment	3,966,192	3,962,959	3,233	0.08
Building improvements	68,857	68,857	-	0.00
Accumulated depreciation	<u>(16,513,112)</u>	<u>(15,378,777)</u>	<u>(1,134,335)</u>	7.38
 Total capital assets	 <u>\$ 75,587,284</u>	 <u>\$ 69,733,334</u>	 <u>\$ 5,853,950</u>	 8.39

## Long-Term Debt

At the end of the fiscal year the Authority had total bonded debt principal outstanding of \$35,075,000 and related interest outstanding \$13,901,530. All bonds are supported by pledged revenue generated by wastewater treatment fees. See note 5 for additional information.

**TABLE 4 – LONG TERM DEBT OUTSTANDING**

	<u>2019-2020</u>	<u>2018-2019</u>
Bonds payable - principal	\$ 35,075,000	\$ 36,905,000
Bonds payable - interest	<u>13,901,530</u>	<u>15,483,409</u>
Totals	<u>\$ 48,976,530</u>	<u>\$ 52,388,409</u>

## BUDGET, ECONOMIC ENVIRONMENT, AND PROJECTED PROJECTS

Cibolo Creek Municipal Authority (CCMA) is in the process of constructing a series of upgrades and expansions at the regional water reclamation facility and in the collection system. These improvements are being driven by increasing growth and will provide capacity for future development within CCMA's service area, while at the same time satisfying increasingly stringent environmental standards.

The construction on the expansion of the Odo J. Riedel Regional Water Reclamation Plant is nearing completion. This project is partially funded by Texas Water Development Board Clean Water State Revolving Fund revenue bonds, and partially funded by impact fees. Construction of the South Water Reclamation Plant is well underway. The South Water Reclamation Plant Project will bring wastewater service to southern Schertz, southern Cibolo, and the Interstate 10 corridor. The need for the plant is a result of rapid development in the southern portions of the City of Schertz, and anticipated growth along Interstate 10 and in Southern Cibolo. The project will be financed by CCMA issued bonds that are being paid for and guaranteed by the City of Schertz.

## REQUESTS FOR INFORMATION

This report is designed to provide the Board of Directors, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact:

General Manager  
Cibolo Creek Municipal Authority  
100 Dietz Road  
Schertz, Texas 78154  
(210) 658-6241



**CIBOLO CREEK MUNICIPAL AUTHORITY**

**STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES**

**September 30, 2020**

<b>ASSETS</b>	
Cash	\$ 3,706,950
Investments	14,697,386
Receivables	
Service accounts	897,184
Prepays	12,627
Capital assets	
Land	3,021,091
Construction in progress	43,097,495
Wastewater system	41,946,761
Machinery and equipment	3,966,192
Building improvements	68,857
Accumulated depreciation	<u>(16,513,112)</u>
Total assets	<u>94,901,431</u>
<b>LIABILITIES</b>	
Accounts payable	2,646,550
Accrued wages payable	57,291
Compensated absences	104,841
Accrued interest payable	200,548
Noncurrent liabilities	
Due within one year	2,015,000
Due in more than one year	<u>33,502,041</u>
Total liabilities	<u>38,526,271</u>
<b>NET POSITION</b>	
Net investment in capital assets	46,165,771
Restricted - impact fees	2,758,998
Restricted - debt service	2,209,018
Unrestricted	<u>5,241,373</u>
<b>TOTAL NET POSITION</b>	<b>\$ <u>56,375,160</u></b>

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**STATEMENT OF ACTIVITIES**

**Year ended September 30, 2020**

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u> <u>CHARGES FOR SERVICES</u>	<u>NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION</u>
Governmental activities			
Wastewater treatment	\$ 7,856,554	\$ 12,570,166	\$ 4,713,612
Interest and other fees	<u>1,084,080</u>	<u>-</u>	<u>(1,084,080)</u>
Total governmental activities	<u>\$ 8,940,634</u>	<u>\$ 12,570,166</u>	3,629,532
General Revenues			
Unrestricted investment earnings			163,677
Miscellaneous revenue			<u>3,810,100</u>
Change in net position			7,603,309
NET POSITION – BEGINNING			<u>48,771,851</u>
NET POSITION – ENDING			<u>\$ 56,375,160</u>

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**

**September 30, 2020**

	MAJOR FUNDS			TOTAL FUNDS
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	
<b>ASSETS</b>				
Cash	\$ 535,379	\$ -	\$ 3,171,571	\$ 3,706,950
Investments	5,230,524	2,209,018	6,577,568	14,017,110
Receivables				
Service accounts	897,184	-	-	897,184
Due from other funds	1,214,968	-	-	1,214,968
Prepays	12,627	-	-	12,627
	<u>7,890,682</u>	<u>2,209,018</u>	<u>9,749,139</u>	<u>19,848,839</u>
Total assets	<u>\$ 7,890,682</u>	<u>\$ 2,209,018</u>	<u>\$ 9,749,139</u>	<u>\$ 19,848,839</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 207,907	\$ -	\$ 2,438,643	\$ 2,646,550
Due to other funds	-	-	1,214,968	1,214,968
Accrued wages payable	57,291	-	-	57,291
Total liabilities	<u>265,198</u>	<u>-</u>	<u>3,653,611</u>	<u>3,918,809</u>
<b>FUND BALANCES</b>				
Nonspendable	12,627	-	-	12,627
Restricted - impact fees	2,758,998	-	-	2,758,998
Restricted - debt service	-	2,209,018	-	2,209,018
Restricted - capital projects	-	-	2,402,852	2,402,852
Assigned	-	-	3,692,676	3,692,676
Unassigned	4,853,859	-	-	4,853,859
Total fund balances	<u>7,625,484</u>	<u>2,209,018</u>	<u>6,095,528</u>	<u>15,930,030</u>
Total liabilities and fund balances	<u>\$ 7,890,682</u>	<u>\$ 2,209,018</u>	<u>\$ 9,749,139</u>	<u>\$ 19,848,839</u>

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**RECONCILIATION OF BALANCE SHEET**  
**GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION**

**September 30, 2020**

Total fund balances - governmental funds	\$	15,930,030
--	----	------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		75,587,284
--	--	------------

Internal service funds are used by the Authority to manage risk. The assets and liabilities are included with governmental activities in the statement of net position but are not included at the fund level.		680,276
--	--	---------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Bonds payable		(35,075,000)
Premium		(442,041)
Accrued interest payable		(200,548)
Compensated absences		<u>(104,841)</u>

Total net position - governmental activities	\$	<u>56,375,160</u>
--	----	-------------------

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



**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

**Year ended September 30, 2020**

	MAJOR FUNDS			TOTAL FUNDS
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	
<b>REVENUES</b>				
Service revenue	\$ 9,150,571	\$ 717,400	\$ -	\$ 9,867,971
Reclaimed water	162,379	-	-	162,379
Impact fees	2,539,816	-	-	2,539,816
Investment income	50,036	19,043	88,454	157,533
Miscellaneous revenues	135,690	-	3,674,410	3,810,100
Total revenues	<u>12,038,492</u>	<u>736,443</u>	<u>3,762,864</u>	<u>16,537,799</u>
<b>EXPENDITURES</b>				
Wastewater treatment				
Professional services	254,925	-	4,341	259,266
Administration	3,862,669	-	-	3,862,669
OJR plant	1,613,471	-	-	1,613,471
Collection systems	363,374	-	-	363,374
Facility maintenance	453,113	-	-	453,113
Reclaimed water system	17,129	-	-	17,129
Capital outlay	3,234,081	-	3,893,730	7,127,811
Debt service				
Principal retirement	-	1,930,000	-	1,930,000
Interest and fiscal charges	-	1,280,874	-	1,280,874
Bond issue costs	-	91,415	-	91,415
Total expenditures	<u>9,798,762</u>	<u>3,302,289</u>	<u>3,898,071</u>	<u>16,999,122</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,239,730</u>	<u>(2,565,846)</u>	<u>(135,207)</u>	<u>(461,323)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from bonds	-	3,380,000	-	3,380,000
Payment to escrow agent	-	(3,288,585)	-	(3,288,585)
Transfers in	-	2,618,849	-	2,618,849
Transfers out	(2,618,849)	-	-	(2,618,849)
Total other financing sources (uses)	<u>(2,618,849)</u>	<u>2,710,264</u>	<u>-</u>	<u>91,415</u>
Net change in fund balances	(379,119)	144,418	(135,207)	(369,908)
FUND BALANCES - BEGINNING	<u>8,004,603</u>	<u>2,064,600</u>	<u>6,230,735</u>	<u>16,299,938</u>
FUND BALANCES - ENDING	<u>\$ 7,625,484</u>	<u>\$ 2,209,018</u>	<u>\$ 6,095,528</u>	<u>\$ 15,930,030</u>

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**RECONCILIATION OF CHANGE IN FUND BALANCES TO  
CHANGE IN NET POSITION – GOVERNMENTAL FUNDS**

**September 30, 2020**

Net change in fund balances - total governmental funds \$ (369,908)

Amounts reported for governmental activities in the statement  
of activities are different because:

Governmental funds report capital outlays as expenditures.  
However in the statement of activities the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense.

Capital outlay	7,127,811
Depreciation expense	(1,262,704)

The internal service fund is used to manage risk. The net revenue  
(expense) is reported with governmental activities. 6,144

Certain long-term liabilities are accrued at the government-wide level  
but not at the fund level. This is the current year change in those  
liabilities, reported as expense in the statement of activities. (9,033)

Bond proceeds provide current financial resources to governmental funds.  
Repayment of bond principal is an expenditure in the governmental  
funds, but the repayment reduces long-term liabilities in the statement  
of net position.

Bond proceeds	(3,380,000)
Payment to escrow agent	3,288,585
Bond principal repayments	1,930,000
Amortization of bond premium	310,048
Amortization of deferred charge on refunding	<u>(37,634)</u>

Change in net position of governmental activities \$ 7,603,309

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**  
**STATEMENT OF NET POSITION – PROPRIETARY FUNDS**  
**GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND**

**September 30, 2020**

ASSETS

CURRENT ASSETS

Investments	\$ <u>680,276</u>
-------------	-------------------

NET POSITION

NET POSITION

Unrestricted	\$ <u>680,276</u>
--------------	-------------------

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION – PROPRIETARY FUNDS  
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND**

**Year ended September 30, 2020**

NONOPERATING REVENUES	
Investment income	\$ 6,144
NET POSITION - BEGINNING	<u>674,132</u>
NET POSITION - ENDING	<u>\$ 680,276</u>

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

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS  
GOVERNMENTAL ACTIVITIES – INTERNAL SERVICE FUND**

**Year ended September 30, 2020**

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income	\$	6,144
Purchase of investments		<u>(6,144)</u>
Net cash used in investing activities		-

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR

-

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ -

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



# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2020

### (1) Summary of significant accounting policies

#### Reporting entity

The Cibolo Creek Municipal Authority (the Authority) is a governmental agency created and established by the Texas Legislature in the passage of H.B. 1339 and approved by the Governor on May 24, 1971. The creative act confers on the Authority the rights, powers, privileges, authority, and functions of the general laws of Texas applicable to municipal utility districts under Chapter 54, Title 4 of the Water Code. The Authority operates under the control of the Board of Directors consisting of five (5) directors elected on a staggered basis. The purpose of the Authority is to conserve and treat wastewater in the appointed area.

#### Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges of customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major governmental funds and an individual internal service fund are reported as separate columns in the fund financial statements.

#### Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Service revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2020

### (1) Summary of significant accounting policies (continued)

Measurement focus, basis of accounting, and financial statement presentation (continued)

The Authority reports the following major governmental funds:

The general fund is the Authority's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

The capital projects fund accounts for financial resources to be used for the acquisition and construction of major capital facilities and is principally financed by the sale of revenue bonds.

The government also reports the following proprietary fund:

The internal service fund accounts for large, unbudgeted, emergency expenditures.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this are charges between the Authority's general government function and various other functions of the Authority. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applications for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods or services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

### Cash and cash equivalents

Cash includes amounts in demand deposits and interest-bearing deposits. Cash in excess of current requirements is invested in various interest-bearing instruments and is disclosed as part of investments.

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; (3) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas of the United States; (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated of not less than "AA" or its equivalent; (5) certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, or secured by obligations mentioned above; and (6) fully collateralized direct repurchase agreements having a defined termination date. In addition, the Authority is authorized to



**CIBOLO CREEK MUNICIPAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2020**

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents (continued)

invest in local government investment pools. The investment pools operate in accordance with appropriate state laws and regulations and have regulatory oversight from the Texas Public Funds Investment Act Sec. 2256.0016. The fair value of the Authority's position in each pool is the same as the fair value of the pool shares.

Receivables

Accounts receivable are reported net of allowances for uncollectible accounts. The allowance account represents management's estimate of uncollectible accounts based upon experience and historical trends. At September 30, 2020 no allowance has been established as it is management's opinion that all accounts are deemed collectible.

Investments

Investments are separately held by the Authority's various funds. Investments are stated at amortized cost, which approximates fair value.

Capital assets

Capital assets, which include land, wastewater system, buildings and improvements, machinery, equipment, and vehicles, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$5,000, and an estimated useful life in excess of one year. When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

Capital assets are valued at cost where historical records are available and at an estimated cost where no records exist. Donated capital assets are valued at their estimated acquisition 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.

Improvements to capital assets that materially extend the life of the asset or add to the value are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized in the governmental activities on the government-wide financial statements.

Capital assets are depreciated over their useful lives on a straight-line basis as follows:

<u>ASSETS</u>	<u>YEARS</u>
Wastewater system	20 - 50
Machinery and equipment	4 - 30
Building improvements	10 - 20

# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2020

### (1) Summary of significant accounting policies (continued)

#### Compensated absences

Authority employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences for sickness do not vest or accumulate and are recorded as fund expenditures when they are paid. Compensated absences for vacation pay does have a vesting portion based on hours accumulated times the current rate of pay to be paid upon retirement, release from employment, or resignation. A liability for this amount is reported in government-wide financial statements and is adjusted annually.

#### Long-term obligations

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities statement of net position. Bond premiums and discounts and losses on defeasance, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

#### Fund balance

The Authority has implemented GASB Statement 54 “Fund Balance Reporting and Governmental Fund Type Definitions”. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form (such as prepaids) or are required to be maintained intact;
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose, positive amounts are reported only in the general fund.

The Board of Directors establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is delegated by the Board to the general manager.

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2020**

(1) Summary of significant accounting policies (continued)

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 the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits and investments

As of September 30, 2020, the Authority had the following investments:

<u>INVESTMENT TYPE</u>	<u>FAIR VALUE</u>	<u>WEIGHTED AVERAGE MATURITY (YEARS)</u>
TexPool	\$ 14,697,386	0.09
Portfolio weighted average maturity		<u>0.09</u>

*Credit risk* is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. Investing is performed in accordance with the investment policies adopted by the Board of Directors in complying with state statutes. State law limits investments in investment pools to those continuously rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. The Authority's investment policy does not further limit its investment choices. As of September 30, 2020 the Authority's pooled investments were rated AAAM by Standard and Poor's.

*Custodial credit risk* is the risk that in the event of a bank failure, the Authority's deposits may not be returned or the Authority will not be able to recover collateral securities in the possession of an outside party. The Authority's policy requires deposits to be collateralized by securities pledged by the Authority's agent, the Authority's financial institution, or the financial institution's trust department, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). The Board of Directors approves and designates all authorized depository institutions.

As of September 30, 2020, the Authority's carrying value of bank deposits is \$3,706,950, and the bank balance of those deposits is \$4,264,704. At September 30, 2020, all bank balances were fully collateralized.

*Interest rate risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Authority's policy provides that investments are matched with anticipated cash flows to provide for adequate and timely availability of funds necessary to pay obligations as they become due.

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2020**

**(3) Capital assets**

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

	<u>BEGINNING BALANCE</u>	<u>INCREASE</u>	<u>DECREASE</u>	<u>ENDING BALANCE</u>
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 3,021,091	\$ -	\$ -	\$ 3,021,091
Construction in progress	<u>36,112,443</u>	<u>6,985,052</u>	<u>-</u>	<u>43,097,495</u>
Total capital assets not being depreciated	<u>39,133,534</u>	<u>6,985,052</u>	<u>-</u>	<u>46,118,586</u>
<b>Capital assets, being depreciated</b>				
Wastewater system	41,946,761	-	-	41,946,761
Machinery and equipment	3,962,959	142,759	(139,526)	3,966,192
Building improvements	<u>68,857</u>	<u>-</u>	<u>-</u>	<u>68,857</u>
Total capital assets being depreciated	<u>45,978,577</u>	<u>142,759</u>	<u>(139,526)</u>	<u>45,981,810</u>
<b>Less accumulated depreciation for</b>				
Wastewater system	(13,294,524)	(856,290)	-	(14,150,814)
Machinery and equipment	(2,025,354)	(402,608)	128,369	(2,299,593)
Building improvements	<u>(58,899)</u>	<u>(3,806)</u>	<u>-</u>	<u>(62,705)</u>
Total accumulated depreciation	<u>(15,378,777)</u>	<u>(1,262,704)</u>	<u>128,369</u>	<u>(16,513,112)</u>
Total capital assets, being depreciated - net	<u>30,599,800</u>	<u>(1,119,945)</u>	<u>(11,157)</u>	<u>29,468,698</u>
<b>Governmental activities capital assets - net</b>	<u>\$ 69,733,334</u>	<u>\$ 5,865,107</u>	<u>\$ (11,157)</u>	<u>\$ 75,587,284</u>

Depreciation expense was charged to functions/programs of the Authority as follows:

**GOVERNMENTAL ACTIVITIES**

Wastewater treatment            \$1,262,704

**(4) Interfund due from/to and transfers**

In the fund financial statements, the due from other funds in the general fund from the capital projects fund in the amount of \$1,214,968 represents payment of retainage payable that should have been paid out of the capital projects fund but was paid out of the general fund. This amount will be collected in the subsequent year.

In the fund financial statements, the transfer from the general fund to the debt service fund in the amount of \$2,618,849 was to fund costs associated with debt service payments. Transfers between governmental activities are eliminated in the government-wide financial statements.

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2020**

**(5) Long-term debt**

The Authority had the following changes in long-term debt for the year ended September 30, 2020:

UNLIMITED TAX AND REVENUE BONDS	ORIGINAL AMOUNT	INTEREST RATE	BALANCE	DURING YEAR		BALANCE	AMOUNT DUE IN ONE YEAR
			OUTSTANDING OCTOBER 1, 2019	ISSUED	(RETIRED)	OUTSTANDING SEPTEMBER 30, 2020	
2002 Series	\$ 1,500,000	.3 - 3.10%	\$ 260,000	\$ -	\$ (85,000)	\$ 175,000	\$ 85,000
2010 Series	2,745,000	.25 - 4.15	1,780,000	-	(1,780,000)	-	-
2010 Series Refunding	1,475,000	3.26	335,000	-	(165,000)	170,000	170,000
2012 Series	24,440,000	.25-3.75	19,015,000	-	(810,000)	18,205,000	830,000
2014 Series	6,950,000	4.00-5.00	6,275,000	-	(160,000)	6,115,000	160,000
2015 Series Refunding	3,830,000	2.00-4.00	2,000,000	-	(2,000,000)	-	-
2017 Series	2,955,000	3.00-4.00	2,765,000	-	(115,000)	2,650,000	115,000
2018 Series	4,475,000	4.00-5.00	4,475,000	-	(95,000)	4,380,000	100,000
2020 Series Refunding	3,380,000	1.25	-	3,380,000	-	3,380,000	555,000
<b>Totals</b>			<b>\$ 36,905,000</b>	<b>\$ 3,380,000</b>	<b>\$ (5,210,000)</b>	<b>\$ 35,075,000</b>	<b>\$ 2,015,000</b>

Annual requirements to retire long-term debt as of September 30, 2020, are as follows:

YEAR ENDED SEPTEMBER 30,	REVENUE BONDS		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	
2021	\$ 2,015,000	\$ 1,168,668	\$ 3,183,668
2022	1,890,000	1,132,412	3,022,412
2023	1,845,000	1,091,397	2,936,397
2024	1,890,000	1,049,913	2,939,913
2025	1,505,000	1,005,538	2,510,538
2026-2030	8,300,000	4,299,981	12,599,981
2031-2035	9,205,000	2,815,484	12,020,484
2036-2040	5,835,000	1,074,137	6,909,137
2041-2044	2,590,000	264,000	2,854,000
<b>Totals</b>	<b>\$ 35,075,000</b>	<b>\$ 13,901,530</b>	<b>\$ 48,976,530</b>

During the year, the Authority issued Cibolo Creek Municipal Authority Revenue Refunding Bonds, Series 2020 in the amount of \$3,380,000 to refund the Revenue Bonds Series 2010 in the amount of \$1,660,000 and the Revenue Refunding Bonds Series 2015 in the amount of \$1,620,000 by placing the proceeds of the new bonds in an irrevocable trust fund to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Authority's financial statements. As a result of the refunding, the Authority reduced its total debt service requirements by \$237,794 which resulted in an economic gain of \$222,427. Bonds outstanding that are considered defeased as a result of the current year refunding total \$-0-

# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2020

### (5) Long-term debt (continued)

#### **Bond redemptions**

##### Revenue bonds – 2002 series

These bonds are not subject to optional redemption prior to their stated maturity dates.

##### Revenue bonds – 2010 series

Obligations having stated maturities on and after July 10, 2021 shall be subject to redemption prior to stated maturity, at the option of the Authority, in inverse order of stated maturity, on January 10, 2020, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par plus accrued interest to the redemption date. These bonds were refunded in the current year.

##### Revenue refunding bonds – 2010 series

Obligations having stated maturities on and after January 10, 2013 shall be subject to redemption prior to stated maturity, at the option of the Authority, on January 20, 2012, or on any interest payment date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, plus a redemption premium of 1%, plus accrued interest to the redemption date.

##### Revenue bonds – 2012 series

Obligations having stated maturities on and after July 10, 2023 shall be subject to redemption prior to stated maturity, at the option of the Authority, in inverse order of stated maturity, on January 10, 2022, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par plus accrued interest to the redemption date.

##### Revenue bonds – 2014 series

Obligations having stated maturities on and after September 1, 2025 shall be subject to redemption, at the option of the Authority, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

##### Revenue refunding bonds – 2015 series

Obligations having stated maturities on and after July 10, 2020 shall be subject to redemption prior to stated maturity, at the option of the Authority, on January 10, 2019, or on any date thereafter, in whole, at the redemption price of par, plus accrued interest to the redemption date. These bonds were refunded in the current year.

##### Revenue bonds – 2017 series

Obligations having stated maturities on and after July 10, 2028 shall be subject to redemption prior to stated maturity, at the option of the Authority, on July 10, 2027, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest to the redemption date.

##### Revenue bonds – 2018 series

Obligations having stated maturities on and after September 1, 2029 shall be subject to redemption, at the option of the Authority, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2028, or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2020**

(5) Long-term debt (continued)

***Bond redemptions (continued)***

Revenue refunding bonds – 2020 series

Obligations having stated maturities on and after July 10, 2028 shall be subject to redemption prior to stated maturity, at the option of the Authority, on July 10, 2027, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any multiple thereof, at the redemption price of par, plus accrued interest to the redemption date.

***Compensated absences***

Changes in compensated absences for the year ended September 30, 2020 were as follows:

Balance at October 1, 2019	\$ 91,170
Additions	38,600
Deletions	<u>(24,929)</u>
Balance at September 30, 2020	<u>\$ 104,841</u>

Of this balance, \$26,210 is due in the current year.

(6) Compliance with debt service requirements

The debt service fund is managed in accordance with related bond resolutions. The Authority maintains deposits in two local government investment pools. Management deems the Authority is in compliance with debt service requirements.

Debt service fund detail

Investments	<u>\$2,209,018</u>
Total	<u>\$2,209,018</u>

(7) Pension plans

The Authority has two separate plans created under two different sections of the Internal Revenue Service Code. A 403(a) plan will receive all employer contributions and a 457 plan, established in 1980 as a qualified deferred compensation plan, will receive all employee contributions.

The Authority has a contract with a major insurance company to provide services for the convenience of the employer, including the maintenance of individual accounts and other necessary recordkeeping. The insurance company offers each employee a group of variable or fixed annuity products which are approved in this state, to choose from and which provides for periodic payments at regular intervals, whether for a period certain or during one or more lives. In addition, the Authority has contracted with a company to provide retirement funds that are tied to mutual funds, money market funds, and target date funds.

# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2020

### (7) Pension plans (continued)

The Authority has adopted certain changes to the 457 plan in order to comply with the benefit requirements of the Small Business Job Protection Act of 1996, the most significant change being the employer renouncing any claim or right which it may have retained to use amounts held under the plan for its own benefit or for the benefit of its creditors.

The plans are administered by a committee composed of the Board of Directors and the general manager, with the general manager being a non-voting member/recorder.

Participation in the plans by an employee begins when they begin work with the Authority. The employee must agree to defer a minimum of 6% of normal compensation (a) as a condition of employment and (b) in return for the benefits specified in the plan. The employer agrees to contribute 16.5% of each employee's normal compensation and to cause such amount to be invested in the participant's individual account. In addition, the employer agrees to contribute to the 403(a) portion of the plan a matching amount (\$1 for each \$1) for voluntary contribution in excess of the mandatory 6% (with an option to increase up to 10%) made by the participant to the 457 plan up to an additional 4% of normal compensation. Any voluntary contributions the employee may wish to make in excess of the 4% will not be matched. Matching contribution amounts must be in whole percentage increments.

Basis and matching employer contributions will vest to the employee's ownership based upon the employee's length of service as follows:

End of year 1	0%
End of year 2	50%
End of year 3	50%
End of year 4	100%

All participant contributions are always 100% vested.

The plans' benefits are paid out at normal retirement age of 65, according to the method the participant has selected with the insurance company. The plans also have provisions for disability or emergency withdrawals. Loans can be made to a participant from the vested employer basic and matching contributions after meeting various conditions for withdrawal and repayment.

The maximum amounts deferred by the 457 plan by a participant in any year shall be adjusted for cost-of-living increases under Internal Revenue Service Code 457(e) (15).

The maximum limitation by the 403(a) plan that may be legally contributed by the employer is the lesser of \$49,000 or 100% of the employee's includible compensation for their most recent year of service. The actual amount is established by the committee following the above guidelines. The total payroll for the fiscal year September 30, 2020 was \$2,557,248. The Authority's contribution to the plan was \$438,857 in the current year.



# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

September 30, 2020

### (8) Risk management

The Authority is exposed to various risks of loss related to theft of, damage to, and destruction of assets (i.e., boiler and machinery, vehicles, and other equipment). The Authority purchases commercial liability insurance, real and personal property insurance on the administrative offices, plant office and lab, plant garage and tool house, plant maintenance building, plant chemical building and worker's compensation insurance through the Texas Municipal League, a public entity risk pool currently operating as a common risk management and insurance program. The agreement for formation of the Texas Municipal League requires that the pool will be self-sustaining through member premiums and will be adjusted annually through an experience modifier. It is not possible to estimate the amount of any losses for which the Authority might be liable.

There has been no significant reduction in insurance coverage from coverage in the prior year by major category of risk. There were no settlements in excess of the insurance coverage in any of the prior three fiscal years.

### (9) Property taxes

The Authority has the right to levy and collect property taxes. However, this right has never been exercised, and the Authority presently has no plans to levy such taxes. There is no statutory limit on the possible tax rate the Authority may levy. The only limit to the tax rate is that any rate for maintenance and operations must be approved by voters and the rate for debt service is dependent on the amount of bonded debt approved by the voters.



**REQUIRED SUPPLEMENTARY INFORMATION**



**CIBOLO CREEK MUNICIPAL AUTHORITY**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**Year ended September 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Service revenue	\$ 9,197,732	\$ 9,197,732	\$ 9,150,571	\$ (47,161)
Reclaimed water	130,000	130,000	162,379	32,379
Impact fees	1,344,585	1,344,585	2,539,816	1,195,231
Investment income	139,200	139,200	50,036	(89,164)
Miscellaneous revenues	<u>150,000</u>	<u>150,000</u>	<u>135,690</u>	<u>(14,310)</u>
Total revenues	<u>10,961,517</u>	<u>10,961,517</u>	<u>12,038,492</u>	<u>1,076,975</u>
<b>EXPENDITURES</b>				
Professional services	<u>319,462</u>	<u>319,462</u>	<u>254,925</u>	<u>64,537</u>
Administration				
Salaries and wages	2,578,661	2,578,661	2,592,641	(13,980)
Supplies and materials	67,725	67,725	74,433	(6,708)
Contractual services	1,306,725	1,306,725	1,065,068	241,657
Maintenance and repairs	20,000	20,000	20,304	(304)
Insurance	125,000	125,000	110,223	14,777
Capital outlay	<u>9,000</u>	<u>9,000</u>	<u>8,183</u>	<u>817</u>
	<u>4,107,111</u>	<u>4,107,111</u>	<u>3,870,852</u>	<u>236,259</u>
OJR plant				
Supplies and materials	431,000	376,774	266,967	109,807
Contractual services	586,000	563,500	391,980	171,520
Maintenance and repairs	435,000	435,000	954,524	(519,524)
Contingency	74,975	74,975	-	74,975
Capital outlay	<u>47,500</u>	<u>124,226</u>	<u>-</u>	<u>124,226</u>
	<u>1,574,475</u>	<u>1,574,475</u>	<u>1,613,471</u>	<u>(38,996)</u>
Collection systems				
Supplies and materials	4,000	4,000	-	4,000
Contractual services	266,000	266,000	310,571	(44,571)
Maintenance and repairs	79,000	79,000	52,803	26,197
Contingency	<u>17,450</u>	<u>17,450</u>	<u>-</u>	<u>17,450</u>
	<u>366,450</u>	<u>366,450</u>	<u>363,374</u>	<u>3,076</u>
Facility maintenance				
Supplies and materials	229,600	214,600	170,285	44,315
Contractual services	111,970	111,970	116,447	(4,477)
Maintenance and repairs	164,800	164,800	166,381	(1,581)
Contingency	31,169	31,169	-	31,169
Capital outlay	<u>117,000</u>	<u>132,000</u>	<u>128,195</u>	<u>3,805</u>
	<u>654,539</u>	<u>654,539</u>	<u>581,308</u>	<u>73,231</u>

**CIBOLO CREEK MUNICIPAL AUTHORITY**

**GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL**

**Year ended September 30, 2020**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
EXPENDITURES (CONTINUED)				
Reclaimed water system				
Supplies and materials	\$ 500	\$ 500	\$ -	\$ 500
Maintenance and repairs	20,184	20,184	17,129	3,055
Contingency	775	775	-	775
Capital outlay	-	-	6,381	(6,381)
	<u>21,459</u>	<u>21,459</u>	<u>23,510</u>	<u>(2,051)</u>
Plant expansion				
Capital outlay	-	4,339,023	3,091,322	1,247,701
Total expenditures	<u>7,043,496</u>	<u>11,382,519</u>	<u>9,798,762</u>	<u>1,583,757</u>
Excess of revenues over expenditures	3,918,021	(421,002)	2,239,730	2,660,732
OTHER FINANCING SOURCES (USES)				
Transfer out	<u>(2,496,975)</u>	<u>(2,496,975)</u>	<u>(2,618,849)</u>	<u>(121,874)</u>
Net change in fund balance	<u>\$ 1,421,046</u>	<u>\$ (2,917,977)</u>	<u>(379,119)</u>	<u>\$ 2,538,858</u>
FUND BALANCES - AS PREVIOUSLY REPORTED			<u>8,004,603</u>	
FUND BALANCE - ENDING			<u>\$ 7,625,484</u>	

# CIBOLO CREEK MUNICIPAL AUTHORITY

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

**September 30, 2020**

### (1) Budgetary information

The budget for the general fund is adopted on a basis consistent with generally accepted accounting principles. Annual appropriations lapse at fiscal year-end.

The original budget for the general fund was adopted by the Board of Directors in September 2019. Budgetary preparation and control is exercised at the functional level. Any transfer or supplemental appropriation that amends the total expenditures of a department or total budget requires Board of Directors' approval. Both the original and final amended budget are presented.

(this page intentionally left blank)





Financial Advisory Services  
Provided By:

