OFFICIAL STATEMENT DATED DECEMBER 7, 2021

U.S. Capital Advisors

NEW ISSUE **RATING:** Standard & Poor's "AA-"
BOOK-ENTRY ONLY (See "RATING" herein)

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS WILL BE EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, PUBLISHED RULINGS AND COURT DECISIONS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED TAX MATTERS.

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

$6,830,000
JOHNSON COUNTY SPECIAL UTILITY DISTRICT
(Johnson, Tarrant, Hill and Ellis Counties)
REVENUE BONDS, SERIES 2021

Dated Date: December 1, 2021 **Due: August 15 — See page ii**

Johnson County Special Utility District (the "District") is located in portions of Johnson, Tarrant, Hill and Ellis Counties, Texas. The District is issuing its Revenue Bonds, Series 2021 (the "Bonds") pursuant to the General Laws of the State of Texas, including particularly Chapters 49 and 65 of the Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and the order (the "Order" or the "Bond Order") passed by the Board of Directors of the District (the "Board") authorizing the issuance of the Bonds. As permitted by the provisions of Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each a "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Order, are collectively referred to herein as the "Bond Order"). The Pricing Certificate was executed by the General Manager of the District on December 7, 2021, thereby completing the sale of the Bonds. The Bonds are special obligations of the District, and together with the District's outstanding parity revenue bonds and any additional parity obligations that may be issued from time to time in accordance with the Bond Order (collectively the "Parity Obligations"), are payable both as to principal and interest, solely from and secured by a lien on and pledge of the Pledged Revenues of the District's combined water and sewer utility system (the "System"). The Pledged Revenues consist of the net revenues of the System that remain after payment of all costs of operating and maintaining the System, plus any additional payment sources that may be pledged to secure the Bonds and other Parity Obligations currently outstanding or that may be issued in the future. **The District has no taxing powers and has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.** None of the State of Texas, Johnson County, Tarrant County, Hill County or Ellis County, or any other political subdivision thereof, other than the District, shall be obligated to pay the principal of or interest on the Bonds. See "SECURITY FOR THE BONDS."

Interest on the Bonds will accrue from the Date of Delivery (defined below) of the Bonds to the Initial Purchaser and is payable February 15, 2022 and each August 15 and February 15 thereafter until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-months.

The Bonds will be issued in fully-registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and the nominee for The Depository Trust Company, New York, New York ("DTC") which will act as securities depository for the Bonds. Individual purchasers of the Bonds will initially be made pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the bonds will be made to the beneficial owners thereof. For as long as Cede & Co. is the sole registered owner of the Bonds, the principal of and interest on the Bonds will be payable by UMB Bank, N.A., Dallas, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used for (i) constructing a one million gallon elevated storage tank; (ii) constructing water distribution lines; (iii) fund a debt service reserve fund for the Bonds; and (iv) paying the costs of issuing the Bonds. See "THE BONDS – Purpose" and "THE BONDS - Sources and Uses."

SEE PAGE ii FOR MATURITY SCHEDULE

The Bonds are subject to optional redemption prior to their scheduled maturities as described herein. See "THE BONDS – Optional Redemption."

The Bonds are offered for delivery, when, as and if issued by the District and received by the Initial Purchaser, subject to the approving opinion of the Attorney General of the State and McCall, Parkhurst and Horton, L.L.P., Dallas, Texas, Bond Counsel for the District. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 16, 2021 (the "Date of Delivery").

MATURITY SCHEDULE

$6,830,000
JOHNSON COUNTY SPECIAL UTILITY DISTRICT
(Johnson, Tarrant, Hill and Ellis Counties)
REVENUE BONDS, SERIES 2021

Maturity [(a)]	Principal Amount	Interest Rate	Initial Reoffering Yield [(b)]	CUSIP No [(c)]
8/15/2022	$ 670,000	2.000%	0.200%	479014 DC 3
8/15/2023	650,000	2.000%	0.300%	479014 DD 1
8/15/2024	665,000	1.000%	0.400%	479014 DE 9
8/15/2025	670,000	1.000%	0.600%	479014 DF 6
8/15/2026	680,000	1.000%	0.800%	479014 DG 4
8/15/2027	685,000	1.000%	1.000%	479014 DH 2
8/15/2028	690,000	1.000%	1.150%	479014 DJ 8
8/15/2029	700,000	1.250%	1.300%	479014 DK 5
8/15/2030	705,000	1.375%	1.400%	479014 DL 3
8/15/2031	715,000	2.000%	1.400% [(d)]	479014 DM 1

(Interest accrues from the date of initial delivery)

(a) The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on August 15, 2026, or any date thereafter at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption" herein.

(b) The initial reoffering prices or yields of the Bonds are furnished by the Initial Purchaser (as defined herein) and may not represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(d) Priced to August 15, 2026, the first optional redemption date, at a redemption price of par.

DISTRICT OFFICIALS, ADMINISTRATION AND CONSULTANTS

Elected Officials

Board Members	Position	Year Elected	Term Expires
Harry Shaffer	President	2017	2023
Glen Walden	Vice President	2020	2023
Ronald Nichols	Secretary/Treasurer	2019	2022
Michael Bowles	Director	2019	2022
Gene Petross	Director	2019	2022
Eric Baze	Director	2018	2021
Gary Giesen	Director	2018	2021

District Employees

Name	Position	Years in Office
Peter Kampfer	General Manager	1
Joshua Howard	Finance Manager	5

Consultants

Bond Counsel .... McCall, Parkhurst and Horton, L.L.P.
Dallas, Texas

Certified Public Accountants.. George Morgan & Sneed P.C.
Weatherford, Texas

Financial Advisor ....USCA Municipal Advisors, LLC
Houston, Texas
Austin, Texas

For Additional Information Contact:

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Johnson County SUD
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USE OF INFORMATION IN OFFICIAL STATEMENT

The information contained in this Official Statement is subject to change without notice and neither the delivery of this Official Statement nor any sale made by means of it shall, under any circumstances, create an implication that there have not been changes in the matters discussed herein since the date of this Official Statement.

No broker, dealer, sales representative or any other person has been authorized by the District to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the District to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or any other person. 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 shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

All the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District.

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

None of the District, the Financial Advisor or the Initial Purchaser makes any representations 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 furnished by The Depository Trust Company or otherwise incorporated herein by reference.

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

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OFFICIAL STATEMENT SUMMARY

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

The District	Johnson County Special Utility District (the "District") was created by an election held on November 4, 2003. The voters within the District approved the creation of the District and the conversion of the Johnson County Water Supply Corporation into the District, which dissolved the Water Supply Corporation and transferred all assets, liabilities and equity of that organization to the Johnson County Special Utility District effective January 1, 2004. The District is an organization created under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 65 of the Texas Water Code. The District is governed by a Board of nine directors. See "INTRODUCTION - Description of the District."
The Bonds	$6,830,000 Johnson County Special Utility District Revenue Bonds, Series 2021 (the "Bonds"). The Bonds are being issued in the principal amounts, maturities, and at the interest rates per annum, set forth on page ii hereof.
Interest	Interest on the Bonds will accrue from the initial date of delivery of the Bonds to the Initial Purchaser and is payable February 15, 2022 and each August 15 and February 15 thereafter until the earlier of redemption or maturity.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Dallas, Texas.
Redemption	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on August 15, 2026, or any date thereafter at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.
Authority for Issuance	The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including particularly Chapters 49 and 65, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and a bond order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Directors of the District. As permitted by the provisions of Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each a "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Order, are collectively referred to herein as the "Bond Order"). The Pricing Certificate was executed by the General Manager of the District on December 7, 2021, thereby completing the sale of the Bonds. The Bonds are authorized for issuance by a TCEQ Order. See "THE BONDS - Authority for Issuance" herein.
Security for Payment	The Bonds constitute special obligations of the District and are payable solely from and ratably secured by an irrevocable first lien on and pledge of the Net Revenues of the System (as defined in the Order) pledged therefor under the Bond Order (the "Pledged Revenues"). The Pledged Revenues consist of the net revenues of the System that remain after payment of all costs of operating and maintaining the System, plus any additional payment sources that may be pledged to secure the Bonds and any additional Parity Obligations that may be issued in the future. The Bonds are further secured by amounts on deposit in the debt service reserve fund to be created for the benefit of the Bonds (the

"2021 Reserve Fund"). The Bonds do not constitute a general obligation of the District, the State of Texas (the "State") nor any political subdivision of the State. The taxing power of the State, nor any political subdivision of the State is pledged as security for the Bonds. See "SECURITY FOR THE BONDS" herein.

Debt Service Reserve Fund

The District has established debt service reserve funds for the benefit of each of the outstanding series of Parity Obligations, and in connection with the issuance of the Bonds the District has also established a debt service reserve fund solely for the benefit of the Bonds. The 2021 Reserve Fund will be funded in the amount of $733,294 which is the Maximum Annual Debt Service Requirements (as defined herein) of the Bonds. The District will fund the 2021 Reserve Fund with proceeds of a Reserve Fund Obligation in the form of a surety policy issued by Build America Mutual Assurance Company. See "MUNICIPAL BOND DEBT SERVICCE RESERVE INSURANCE POLICY" herein.

Use of Proceeds

Proceeds from the sale of the Bonds will be used for (i) constructing a one-million gallon elevated storage tank; (ii) constructing new water distribution lines; (iii) funding a debt service reserve fund for the Bonds; and (iv) paying the costs of issuing the Bonds. See "THE BONDS – Purpose" and "THE BONDS - Sources and Uses."

Book-Entry-Only System

The Bonds are issued in fully registered form in integral multiples of $5,000 principal amount. The Bonds are initially issuable only to Cede & Co., the nominee of DTC pursuant to a book-entry-only system. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be paid to Cede & Co., which will distribute such payment to the participating members of DTC for remittance to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."

Rating

S&P Global Ratings, Inc. ("S&P") has assigned its municipal bond rating of "AA-" to the Bonds. See "RATING" herein.

Tax Exemption

In the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes described under "TAX MATTERS" herein (see "TAX MATTERS" and the form of opinion of McCall, Parkhurst & Horton L.L.P. in "APPENDIX C – FORM OF OPINION OF BOND COUNSEL").

Qualified Tax-Exempt Obligations

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

Delivery

It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 16, 2021.

Legality

Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst and Horton, L.L.P., Bond Counsel, Dallas, Texas.

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OFFICIAL STATEMENT

$6,830,000
JOHNSON COUNTY SPECIAL UTILITY DISTRICT
(Johnson, Tarrant, Hill and Ellis Counties)
REVENUE BONDS, SERIES 2021

INTRODUCTION

This Official Statement is provided to furnish information in connection with the offering of Johnson County Special Utility District (the "District") Revenue Bonds, Series 2021 (the "Bonds"), in the aggregate principal amount of $6,830,000.

The Bonds are issued pursuant to the Texas Constitution, the laws of the State of Texas (the "State"), specifically Chapter 7216, Special District Local Laws Code, as amended, Chapters 49 and 65, Texas Water Code, as amended, Chapter 1371, Texas Government Code, as amended ("Chapter 1371") and a bond order (the "Order" or "Bond Order") adopted by the Board of Directors (the "Board") of the District. As permitted by the provisions of Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each a "Pricing Officer") to execute a pricing certificate (the "Pricing Certificate") establishing the pricing terms for the Bonds (the Pricing Certificate, together with the Order, are collectively referred to herein as the "Bond Order"). The Pricing Certificate was executed by the General Manager of the District on December 7, 2021, thereby completing the sale of the Bonds. In addition, the Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality ("TCEQ"). See "THE BONDS – Purpose".

The District's audited general purpose financial statements for the fiscal year ended December 31, 2020, which are set forth in Appendix B attached hereto, present information on the general financial condition of the District at the dates and for the periods described therein.

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

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

THE BONDS

General

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

Description

The Bonds will be dated December 1, 2021. Interest will accrue from the Date of Delivery to the Initial Purchaser and will be payable February 15, 2022 and each August 15 and February 15 thereafter until maturity or prior redemption. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on August 15 in each of the years and in the amounts shown on the inside cover page hereof. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including particularly Chapter 2716, Texas Special District Local Laws Code, as amended, Chapters 49 and 65, Texas Water Code, as amended, Chapter 1371 and the Bond Order. The Bonds are authorized for issuance by a TCEQ Order.

Purpose

Proceeds from the sale of the Bonds, along with cash contributed by the District, will be used to fund the "Project" and to pay the costs of issuance of the Bonds. The Bond Order provides that the Project consists of the properties, facilities, plants, improvements, equipment, interests in land authorized to be funded with proceeds of the Bonds by the order issued by the TCEQ, dated November 3, 2021, approving the issuance of up to $7,040,000 in revenue bonds by the District (the "TCEQ Order"), as such TCEQ Order may be further modified by TCEQ from time to time, including the construction, renovation and upgrading of the System (as hereinafter defined) for the project. Such facilities include a one-million gallon elevated storage tank, new water distribution lines and appurtenances thereto.

Sources and Uses

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

Sources of Funds	
Par Amount of Bonds	$ 6,830,000
Plus Net Premium	61,461
District Contribution	1,235,000
Total Sources of Funds	$ 8,126,461
Uses of Funds	
Construction - Water Lines	$ 3,150,000
Construction - Elevated Tank	3,250,000
Engineering Basic Services(1)	650,000
Land Acquisition	150,000
Contingency(1)	585,000
Surveying	25,000
Geotechnical Services	10,000
Financial Advisor	50,000
Bond Counsel; Related Expenses	71,000
AG Fee	6,830
Bond Issuance Expenses (DSRF Surety, Rating, PAR, Misc.)	48,666
Underwriter's Discount	76,363
Bond Engineering Report	35,000
TCEQ Fee	17,075
Additional Proceeds (2)	1,527
Total Uses of Funds	$ 8,126,461

(1) To be paid from the District's Contribution.
(2) The amount of any additional proceeds will be finalized post issuance. TCEQ, in its order approving the Bonds directed that any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on the use of surplus bond proceeds.

Optional Redemption

The District reserves the right, at its option, to redeem Bonds having stated maturities on, or after August 15, 2027, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2026, or any date thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all the Bonds of a stated maturity are to be redeemed, the Bonds, or portions thereof, within such maturity to be redeemed shall be selected by lot or other customary method.

Notice of Redemption

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the registered owner of each Bond to be redeemed, in whole or in part, at the address of the registered owner shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY CONDITION TO REDEMPTION SPECIFIED THEREIN HAVING BEEN SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The District reserves the right, in the case of a redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption for which such redemption has been rescinded shall remain outstanding.

Defeasance

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to take any other action amending the terms of the Bonds are extinguished.

SECURITY FOR THE BONDS

The following summary of the provisions of the Bond Order that describe the security for the Bonds is qualified by reference to the Order, excerpts of which are included herein under "SELECTED PROVISIONS OF THE BOND ORDER."

The System

The Bond Order defines the "System" as the District's utility system, which currently consists of a waterworks system, including all properties, facilities, plants, improvements, equipment, interests and rights owned, operated and maintained by the District for the supply, treatment, and transmission and distribution of treated potable water and a sewer system. In the Order, the District has retained the right to (i) sell or disaggregate the System as set forth in Section 16 of the Bond Order and (ii) incorporate any other utility system as provided by the laws of the State of Texas as a part of the System. The System shall not include any Special Projects, or any disaggregated part of the System as provided in Sections 16 and 19 of the Order. See SELECTED PROVISIONS OF THE BOND ORDER".

Pledged Revenues

The Board has pledged the Pledged Revenues to secure the payment of the Bonds and its Previously Issued Bonds (as defined below) and has reserved the right, subject to certain conditions, to pledge the Pledged Revenues to secure additional parity obligations (the "Additional Parity Obligations" and, together with the Previously Issued Bonds and the Bonds, the "Parity Obligations") from time to time in the future (see "SECURITY FOR THE BONDS - Issuance or Incurrence of Additional Parity Obligations"). The Bond Order defines Pledged Revenue as (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the District to the payment of the Parity Obligations, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues. The Bond Order defines Net Revenues as Gross Revenues remaining after deducting the Maintenance and Operating Expenses, which are defined as the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Obligations), and all payments under contracts for materials and services provided to the District that are required to enable the District to render efficient service. The Bond Order provides that depreciation shall never be considered as a Maintenance and Operating Expense of the District.

Water Supply Agreements

The District has entered into a raw water contract with Brazos River Authority ("BRA") and has water supply contracts for treated water in place with Brazos Regional Public Utility Agency (the "Agency") and the City of Mansfield and the City of Grand Prairie. At present, the primary treated water supply for the District is its contract with the Agency, which treats raw water purchased from the BRA by the District. Payments made by the District to the Agency under such agreements constitute Maintenance and Operating Expenses of the System, and therefore such payments are made from the Gross Revenues of the District, and, accordingly, have a prior right and obligation for payment to the Pledged Revenues that secures the Bonds. See "THE UTILITY SYSTEM" and the "THE BRAZOS REGIONAL PUBLIC UTILITY AGENCY" herein.

Previously Issued Bonds

The District has outstanding bonds secured by and payable from Pledged Revenues on parity with the Bonds (the "Previously Issued Bonds"), as follows:

Dated Date	Original Par Amount	Outstanding 9/1/2021	Descripton	Final Maturity
6/1/2018	$ 22,000,000	$ 19,065,000	Rev Bds Ser 2018	8/15/2038
2/1/2013	8,510,000	4,455,000	Rev Ref & Imp Bds Ser 2013	8/15/2031
10/15/2012	9,500,000	5,525,000	Rev Bds Ser 2012	8/15/2031
Totals	$ 40,010,000	$ 29,045,000		

Flow of Funds

The Bond Order confirms the prior establishment or provides that the District shall create and maintain on the books of the District, a Revenue Fund, an Interest and Sinking Fund and the 2021 Reserve Fund, and further provides that the District shall make such deposits into such funds or into such other funds as may be established in connection with the issuance or incurrence of future Debt, in the order of priority with respect to the funds and accounts described below:

All Gross Revenues deposited and credited to the Revenue Fund shall be applied in the following order of priority:

First: to the payment of all necessary and reasonable Maintenance and Operating Expenses.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Parity Obligations issued by the District as the same become due and payable.

Third: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2012 Reserve Fund created and established for the Series 2012 Bonds to fund or maintain the amount required therein by the order authorizing the Series 2012 Bonds, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2012 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2012 Reserve Fund, (ii) to the 2013 Reserve Fund created and established for the Series 2013 Bonds to fund or maintain the amount required therein by the order authorizing the Series 2013 Bonds, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2013 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2013 Reserve Fund (iii) to the 2021 Reserve Fund created and established for the Bonds to fund or maintain the Required Reserve Amount (as hereinafter defined) in accordance with the provisions of this Order, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2021 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2021 Reserve Fund and (iv) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Parity Obligations hereafter issued by the District (collectively, all such debt service reserve funds are the "Reserve Funds").

Fourth: to the payment, including reserve fund requirements, of Subordinate Lien Obligations.

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

Series 2021 Reserve Fund

The District has funded debt service reserve funds for each series of its currently outstanding Parity Obligations and the District has established the 2021 Reserve Fund, with any cash therein to be held at a depository of the District, solely for the benefit of the Bonds. Upon the delivery of the Bonds, the District shall deliver to the Paying Agent/Registrar for the credit of the 2021 Reserve Fund debt service reserve fund surety policy (the "Policy") to be issued by Build America Mutual Assurance Company in the amount of $733,294, which is equal to the Maximum Annual Debt Service Requirements of the Bonds (such amount is the "2021 Required Reserve Amount"). A specimen of the Policy is attached hereto as Exhibit D. See "MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY." All funds, investments and Reserve Fund Obligations on deposit and credited to the 2021 Reserve Fund from time to time shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds.

When and for so long as the cash, investments and/or Reserve Fund Obligations in the 2021 Reserve Fund equal the 2021 Required Reserve Amount, no deposits need be made to the credit of the 2021 Reserve Fund; but following the full funding of the 2021 Required Reserve Amount in accordance with clause (a) above, if thereafter the 2021 Reserve Fund at any time contains less than the 2021 Required Reserve Amount, the District must restore the deficiency in the 2021 Reserve Fund by making deposits equal to one-twelfth of the 2021 Required Reserve Amount to the 2021 Reserve Fund on or before the last day of each month until the 2021 Required Reserve Amount and all costs of the Reserve Insurer have been fully restored or in accordance with the terms of any Reserve Fund Obligation held in the 2021 Reserve Fund. See "SELECTED PROVISIONS OF THE BOND ORDER – Section 36. THE DEBT SERVICE RESERVE POLICY."

Rate Covenant

In the Bond Order, the District has covenanted to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient: (A) to pay Maintenance and Operating Expenses; (B) to produce Pledged Revenues sufficient to pay the principal and interest on the Parity Obligations as such principal and interest come due; (C) to produce Pledged Revenues in amounts sufficient to enable the District to make the deposits and credits, if any, from Pledged Revenues to the Reserve Funds to make the deposits required to be made thereto, including the payment of any Reserve Fund Obligation Payment then due; (D) to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the District expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the District and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Pledged Revenues; and (E) to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

In addition, the District has covenanted that while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce the Net Earnings at least equal to the sum of 1.10 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of all Parity Obligations Outstanding during each Fiscal Year.

Issuance or Incurrence of Additional Parity Obligations

In the Bond Order, the Board has reserved the right to issue or incur Parity Obligations for any purpose authorized by law provided that: (i) a designated officer of the District certifies (A) that the District is not then in default as to any covenant or requirement contained in any order authorizing the issuance of Outstanding Parity Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all outstanding Parity Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency; (ii) a designated officer of the District certifies that based on the books and records of the District, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Earnings (as defined in the Bond Order) at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis) of the Parity Obligations and the Additional Parity Obligations to be outstanding after the issuance of the then proposed Additional Parity Obligations; and (iii) in making a determination of Net Earnings, such officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the date the order authorizing the issuance of the Additional Parity Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by such certification based on such change in rates and charges being in effect for the entire period covered by the certification.

Issuance of Special Project Obligations

In addition to the issuance of Additional Parity Obligations, in the Bond Order, the District has reserved the right to issue Special Project obligations secured by liens on and pledges of revenues and proceeds derived from Special Projects. The Bond Order defines "Special Project" as any drainage project, waterworks, sanitary sewer or wastewater reuse system property, improvement or facility or other public improvement declared by the District not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

Issuance of Subordinate Lien Obligations and Outstanding Subordinate Lien Obligations

In the Bond Order, the District has also reserved the right to issue bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt issued by the District that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Net Revenues that are or will be pledged to the payment of any Parity Obligations (Subordinate Lien Obligations). The District does not currently have any Subordinate Lien Obligations.

Amendments

In the Bond Order, the District reserves the right to amend the Bond Order without the consent of any Registered Owner for the purpose of amending or supplementing the Bond Order to (i) cure any ambiguity, defect, or omission therein that does not materially adversely affect the interest of the Registered Owners, (ii) grant additional rights or security for the benefit of the Registered Owners, (iii) add events of defaults as shall not be inconsistent with the provisions of the Bond Order that do not materially adversely affect the interest of the Registered Owners, (iv) qualify the Bond Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Bond Order that are not inconsistent with the provisions thereof, and which in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the Registered Owners.

The Bond Order further provides that the Registered Owners of the Bonds aggregating in principal amount of 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Bond Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the Registered Owners in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal of or interest or redemption premium if any on any outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds, necessary for consent to such amendment. Reference is made to the Bond Order for further provisions relating to the amendment thereof.

Bondholder Remedies

The Bond Order provides that in the event the District (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund or any Reserve Fund, (iii) declares bankruptcy, or (iv) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners of any of the Bonds will be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition or obligation prescribed in the Bond Order. Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. A Registered Owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a Registered Owner could be required to enforce such remedy on a periodic basis.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. District of Mexia*, 197 S.W.3rd 325 (Tex. 2006) ("*Tooke*") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code, as amended (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods or services to cities. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

The Bond Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition. The opinion of Bond Counsel will note that the rights of bondholders are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, by principals of governmental immunity and may be limited by general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Ownership

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

Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, 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 any integral multiple of $5,000, for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer.

All Bonds issued in any transfer or exchange of Bonds shall be delivered to the Registered Owners at the designated office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid to the Registered Owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the District, evidencing the same obligation to pay, and entitled to the same benefits under the Bond Order, as the Bonds surrendered in such transfer or exchange.

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (the "Paying Agent/Registrar"). In the Bond Order, the District retains the right to replace the Paying Agent/Registrar with respect to the Bonds. The Paying Agent/Registrar may be removed from its duties upon not less than forty-five (45) days written notice to the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar for the Bonds until the Bonds are duly paid. Any successor Paying Agent/Registrar shall be a commercial bank or trust company organized and doing business under the laws of the United States or any state, and authorized under such laws to act as Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner affected by the change, which notice shall give the address of the new Paying Agent/Registrar.

Record Date for Interest Payment

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

BOOK-ENTRY-ONLY SYSTEM

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

The District and the Initial Purchaser cannot and do 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates 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 Security 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 District" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity, corporate and municipal debt issues, and money market instrument (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 certificates 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 Districts, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing District ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing District and Fixed Income Clearing District all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing Districts that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 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 transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the certificate documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent/Registrar on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with certificates held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the District, or Paying Agent/Registrar, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

Use of Certain Terms in Other Sections of this Official Statement

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

Information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the District or the Initial Purchaser

Effect of Termination of Book-Entry-Only System

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

THE UTILITY SYSTEM

The Waterworks System

The District's service area consists of approximately 320 square miles in Johnson, Tarrant, Hill and Ellis Counties, Texas with predominately customers residing in Johnson County. The District has a Certificate of Convenience and Necessity (the "CCN") issued by the TCEQ to provide continuous and adequate water utility services in the District's service area. The City of Cleburne, Texas is the only entity with any significant amount of overlapping CCN, but the city's water system has minimal penetration into the overlapping area.

The District's waterworks system has approximately 891 miles of distribution lines with 48 miles of transmission lines divided into 15 separate pressure planes, 7 elevated storage tanks. In addition to wells, the District is entitled to 7.19 MGD of treated water from the Brazos Regional Public Utility Agency's (the "PUA") Surface Water Treatment Plan (the "SWATS Plant") at Lake Granbury pursuant to a facility operating agreement between the District and the PUA. The agreement terminates upon the earlier of the (i) the termination or liquidation of the PUA; and (ii) the mutual agreements of the participants (District and Action Municipal Utility District) to terminate the agreement.

The District has a raw water contract with the Authority for 13,210 acre-ft per year of water from Lake Granbury. The contract expires on August 31, 2048. Currently less than 20% of the water available is utilized. The District pays annual fees to the Authority to secure their rights to this surface water based on a cost per acre foot of water provided by the Authority, subject to annual escalation. The District also has treated water capacity contracts with the City of Mansfield for 9 MGC and the City of Grand Prairie for 6 MGD.

TABLE 1 – HISTORICAL WATER CONSUMPTION (MGD)

Fiscal Year Ended December 31	Average Daily Usage	Peak Day Usage	Total Usage	Number of Water Customers
2016	3.48	7.48	1,270	14,738
2017	3.76	7.00	1,372	15,132
2018	4.55	10.09	1,661	15,580
2019	4.42	8.57	1,613	16,069
2020	4.76	9.95	1,737	16,851

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Alvarado	Municipality	71,008,000	4.40%	$ 642,917	3.94%
City of Keene	Municipality	59,522,000	3.69%	479,234	2.94%
Stonetown Ranches of Joshua	Mobile Home Park	14,811,839	0.92%	119,394	0.73%
Cypress Creek Joshua Station LP	Apartment Complex	14,483,980	0.90%	101,495	0.62%
Prairland DC LaSalle Corrections	Correctional Facility	9,700,980	0.60%	70,350	0.43%
Mariposa South Broadway LP	Apartment Complex	7,950,051	0.49%	71,122	0.44%
Stonetown Walnut Creek	Mobile Home Park	5,479,837	0.34%	37,940	0.23%
Godley ISD	School District	5,249,350	0.33%	41,570	0.25%
Joshua ISD	School District	4,661,099	0.29%	79,826	0.49%
Bethany Special Utility District	Municipality	4,205,000	0.26%	176,231	1.08%
		197,072,136	12.22%	$ 1,820,079	11.15%
	Total Water Usage:	1,737,420,000			
	Total Water Sales:			$16,326,905	

TABLE 3 - MONTHLY WATER AND SEWER RATES

Water Rates

Meter Size	5/8th Meter Equivalents	Monthly Rate
5/8 "	1	$ 33.00
3/4"	1.3	$ 42.90
1"	2.2	$ 72.60
1 1/2"	4	$ 132.00
2"	10	$ 330.00
3"	20	$ 660.00
4"	40	$1,320.00
6"	64	$2,122.00

Minimum $33.00.

In addition to the minimum charge, a gallonage charge shall be added at the following rates for usage during any one(1) billing period

Up to 5K gallons	$4.25 per thousand
5K gallons to 10K gallons	$5.25 per thousand
Over 10 K gallons	$6.25 per thousand

Sewer Rates

Monthly Minimum	$22.00
Residential	0 to 10,000 Gallons 4.50 per thousand gallons
Commercial	Actual usage; minimum $25 for commerical

THE BRAZOS REGIONAL PUBLIC UTILITY AGENCY

On April 17, 2012, the Agency and the District entered into a Regional Water Supply Contract (the “Water Supply Contract”), pursuant to which the Agency is required to deliver to the District potable water meeting the minimum quality requirements for human consumption as prescribed by the TCEQ (or other appropriate regulatory agency) to which the District is entitled and for which the District is obligated to pay to the Agency the Annual Payments. The Water Supply Contract defines Annual Payments to mean payments to be made by the District to the Agency from time to time including the Bond Payment, Operation and Maintenance Expenses, and Overhead Expenses. “Bond Payment” means that portion of the Annual Payment that is equal to the debt service coming due on the Bonds Similarly Secured (defined herein) from time to time outstanding (and which includes the Bonds). “Operation and Maintenance Expenses” mean that portion of the Annual Payment that is equal to all direct costs and expenses incurred by the Agency for its operation and maintenance, including but not limited to, the operation and maintenance of the Project, attributed to the District under the Water Supply Contract. “ Overhead Expenses” means that portion of the Annual Payment that is equal to the Agency’s reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the “Bonds Similarly Secured” from time to time outstanding (and which includes the Bonds), the acquisition of real property interests required for the ownership and operation of the Project attributable to the District under the Water Supply Contract, the permitting, financing, acquisition, and ownership and operation of the Project and any other activities required of or involving the Agency in connection with or attributable to the District’s portion of the Project under the Water Supply Contract or the Bonds Similarly Secured from time to time outstanding (and which includes the Bonds). The Water Supply Contract provides that the District’s obligation to make the Annual Payment to the Agency represents an operating and maintenance expense of the District’s retail waterworks system.

THE SWATS PROJECT

The District and the Acton Municipal Utility District, a governmental body and a political subdivision of the State ("AMUD" and collectively with the District, the "Participating Members"), created the Agency in 2011 to accomplish the acquisition of the Lake Granbury Surface Water and Treatment System (the "SWATS Plant") from the Brazos River Authority (the "BRA"). Through this acquisition, the Participating Members secured a captive, localized source of treated water for retail sale to their respective customers on a regional basis. To accomplish such acquisition, the Participating Members entered into a Contract to Transfer the SWATS Plant with the BRA dated February 2, 2012 (the "Transfer Agreement"), by which contract the Participating Members jointly secured the necessary contractual rights for the Agency to acquire ownership of the "SWATS Project" (which means (i) the SWATS Plant and the facilities, lines, booster pumps, treatment facilities, and other appurtenances sufficient to deliver the treated water to each Participating Member under its respective regional water supply contract (and which includes the Water Supply Contract between the Agency and the District) entered into with the Agency, and (ii) the easements, rights-of-ways, and other interests in land necessary for the diversion or production of water and the acquisition, maintenance, and operation of the SWATS Plant and related facilities). Such acquisition was subject to the Agency's payment of certain existing BRA debt, as well as the assumption of certain liabilities and obligations, related to the SWATS Project. Financial prerequisites to the acquisition of the SWATS Project were financed by the Agency using certain cash contributions disclosed in the Transfer Agreement and certain proceeds derived from the sale of the Agency's $13,745,000 Contract Revenue Bonds, Series 2012 (SWATS Plant Acquisition - Johnson County Special Utility District Contribution) (representing approximately 85% of such acquisition cost) and the Agency's $2,870,000 Contract Revenue Bonds, Series 2012 (SWATS Plant Acquisition Acton Municipal Utility District Contribution) (the "AMUD Bonds") (representing the remaining cost of such acquisition), respectively.

In connection with the execution of their respective regional water supply contracts and the Transfer Agreement, the Participating Members and the Agency have entered into an operating agreement (the "Operating Agreement") pursuant to which various matters involving the operation and maintenance of the SWATS Project (including, specifically budgetary matters, capacity, and water allocation) will be governed. Under the Operating Agreement, AMUD is allocated 5.81 million gallons per day ("MGD") of the SWATS project's existing 13.0 MGD capacity, with the District being allocated the remaining 7.19 MGD. The Operating Agreement requires that the Agency annually prepare a budget that allocates operation and maintenance costs uniformly to each Participating Member in proportion to their respective volumes expected to be taken from the SWATS Project as determined by the Agency Board based upon prior year volumes and input from the respective Participating Member, and not on the capacity allocated to each Participating Member. Membrane replacement costs will be allocated to the Participating Members based upon the average volume from the SWATS Project used over the preceding five years. Capital improvement costs are allocated to each Participating Member based on capacity allocation of the SWATS Project. In the event there is an underage or overage of the budgeted costs as compared to the actual costs in any year, then, such overage or underage attributable to a Participating Member shall be, at the option of the Participating Member, (a) included in the next year's annual budget or (b) refunded to such Participating Member.

TABLE 4 - OTHER OBLIGATIONS

BRAZOS REGIONAL PUBLIC UTILITY AGENCY (BRPUA) [(1)]

	Principal	Interest	Total
2022	$ 910,000	$ 36,900	$ 946,900
2023	320,000	9,600	329,600
	$ 1,230,000	$ 46,500	$ 1,276,500

(1) Brazos Regional Public Utility Agency Contract Revenue Bonds, Series 2012 (SWATS Plant Acquisition Johnson County Special Utility District Contribution) sold in May 2012.

DEBT INFORMATION

TABLE 5 - REVENUE DEBT SERVICE REQUIREMENTS

FYE 12/31	Outstanding Parity Debt Service Principal	Outstanding Parity Debt Service Interest	Outstanding Parity Debt Service Total	The Bonds Principal	The Bonds Interest	The Bonds Total	Total	Percent of Principal Retired
2021	$ 2,055,000	$ 550,029	$ 2,605,029	$ -	$ -	$ -	$ 2,605,029	
2022	2,000,000	521,579	2,521,579	670,000	61,771	731,771	3,253,350	
2023	1,920,000	494,368	2,414,368	650,000	79,644	729,644	3,144,012	
2024	1,950,000	467,471	2,417,471	665,000	66,644	731,644	3,149,114	
2025	1,980,000	436,780	2,416,780	670,000	59,994	729,994	3,146,773	33.114%
2026	2,020,000	403,671	2,423,671	680,000	53,294	733,294	3,156,964	
2027	2,055,000	366,994	2,421,994	685,000	46,494	731,494	3,153,488	
2028	2,105,000	328,404	2,433,404	690,000	39,644	729,644	3,163,047	
2029	2,150,000	287,767	2,437,767	700,000	32,744	732,744	3,170,510	
2030	2,195,000	242,332	2,437,332	705,000	23,994	728,994	3,166,325	69.984%
2031	2,245,000	194,921	2,439,921	715,000	14,300	729,300	3,169,221	
2032	1,145,000	145,598	1,290,598	-	-	-	1,290,598	
2033	1,165,000	127,278	1,292,278	-	-	-	1,292,278	
2034	1,180,000	108,056	1,288,056	-	-	-	1,288,056	
2035	1,200,000	87,996	1,287,996	-	-	-	1,287,996	90.153%
2036	1,225,000	67,116	1,292,116	-	-	-	1,292,116	
2037	1,245,000	45,433	1,290,433	-	-	-	1,290,433	
2038	1,265,000	23,023	1,288,023	-	-	-	1,288,023	100.000%
	$ 31,100,000	$ 4,898,811	$ 35,998,811	$ 6,830,000	$ 478,521	$ 7,308,521	$43,307,332	

FINANCIAL INFORMATION

TABLE 6 - CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year End December 31,				
	2020	2019	2018	2017	2016
GROSS REVENUES					
Water Sales	$ 16,326,905	$ 15,369,001	$ 15,437,363	$ 13,921,186	$ 12,610,422
Sewer Services	1,514,523	1,423,371	1,305,050	1,268,534	1,234,598
Interest Income	306,552	895,101	572,396	129,394	59,017
Other Revenue	3,502,212	2,671,369	2,286,530	2,331,483	1,417,141
Total Gross Revenues	21,650,192	20,358,842	19,601,339	17,650,597	15,321,178
OPERATING EXPENSES [1]					
Treated Water	5,712,043	6,010,545	5,695,275	5,970,177	5,501,863
Brazos River Authority Contracts	747,026	719,319	692,782	671,069	654,957
Other Expenses	6,304,565	5,429,379	5,312,722	4,996,751	4,594,226
Total operating expenses	12,763,634	12,159,243	11,700,779	11,637,997	10,751,046
Net Available for Debt Service	$ 8,886,558	$ 8,199,599	$ 7,900,560	$ 6,012,600	$ 4,570,132
Active Water Customers	16,851	16,069	15,580	15,132	14,738
Active Sewer Customers	2,153	2,014	1,951	1,901	1,891

[1] Excludes Depreciation and Amortization

TABLE 7 - COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements (2021-2038)	$ 2,405,963 [a]
Coverage of Average Requirements by December 31, 2020 Net Revenues	3.69 [a]
Maximum Principal and Interest Requirements (2022)	$ 3,253,350 [a]
Coverage of Maximum Requirements by December 31, 2020 Net Revenues	2.73 [a]
Utility System Revenue Bonds Outstanding, 12-31-2020	$ 31,100,000
Interest and Sinking Fund, 12/31/20	$ 2,459,865
Reserve Funds, 12/21/20	$ 2,595,927

[a] Includes the Bonds.

INVESTMENTS

Legal Investments

Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board of Trustees. Both State law and the District's investment policies are subject to change. Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256 of the Texas Government Code, as amended) (the "PFIA") (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (5) or clause (13) or in any other manner and amount provided by law for District deposits, or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State primary government securities dealer or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer, or other investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation and advisory board requirements.

Current Investments

As of 9/30/2021, the District had approximately $ 30,706,088 invested in governmental investment pools and certificate of deposits. The market value of such investments is approximately 100% of their book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

SELECTED PROVISIONS OF THE BOND ORDER

The following are excerpts of certain provisions of the Bond Order. These provisions are not to be considered a full statement of the terms of the Bond Order. Accordingly, these selected provisions are qualified in their entirety by reference to the Bond Order and are subject to the full text thereof. In addition, certain provisions of the Order are subject to completion and modification by the Pricing Certificate.

"*2021 Required Reserve Amount*" means the amount required to be maintained in the 2021 Reserve Fund pursuant to the provisions of Section 11 of this Order.

"2021 Reserve Fund" means the special fund created, established and maintained by the provisions of Section 11 of this Order.

"*Accountant*" means an independent certified public accountant or accountants or a firm of independent certified public accountants, in either case, with demonstrated expertise and competence in public accountancy.

"*Additional Parity Obligations*" means bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt which the Issuer reserves the right to issue or enter into, as the case may be, in the future under the terms and conditions provided in Section 17 of this Bond Order and which obligations are equally and ratably secured solely by a lien on and pledge of the Pledged Revenues on a parity with the Previously Issued Bonds and the Bonds.

"*Amortization Installment*" means, with respect to any Term Bonds of any series of Parity Obligations, the amount of money which is required to be deposited into a mandatory redemption account for retirement of such Term Bonds (whether at maturity or by mandatory redemption and including redemption premium, if any) provided that the total Amortization Installments for such Term Bonds shall be sufficient to provide for retirement of the aggregate principal amount of such Term Bonds.

"*Annual Debt Service Requirements*" means, as of the date of calculation, the principal of and interest on all Parity Obligations coming due at Maturity or Stated Maturity (or that could come due on demand of the owner thereof other than by acceleration or other demand conditioned upon default by the Issuer on such Debt, or be payable in respect of any required purchase of such Debt by the Issuer) in such Fiscal Year, and, for such purposes, any one or more of the following rules shall apply at the election of the Issuer:

(1) Balloon Debt. If the principal (including the accretion of interest resulting from original issue discount or compounding of interest) of any series or issue of Funded Debt due (or payable in respect of any required purchase of such Funded Debt by the Issuer) in any Fiscal Year either is equal to at least 25% of the total principal (including the accretion of interest resulting from original issue discount or compounding of interest) of such Funded Debt or exceeds by more than 50% the greatest amount of principal of such series or issue of Funded Debt due in any preceding or succeeding Fiscal Year (such principal due in such Fiscal Year for such series or issue of Funded Debt being referred to herein and throughout this Bond Order as "Balloon Debt"), the amount of principal of such Balloon Debt taken into account during any Fiscal Year shall be equal to the debt service calculated using the original principal amount of such Balloon Debt amortized over the Term of Issue on a level debt service basis at an assumed interest rate equal to the rate borne by such Balloon Debt on the date of calculation;

(2) Consent Sinking Fund. In the case of Balloon Debt, if a Designated Financial Officer shall deliver to the Issuer a certificate providing for the retirement of (and the instrument creating such Balloon Debt shall permit the retirement of), or for the accumulation of a sinking fund for (and the instrument creating such Balloon Debt shall permit the accumulation of a sinking fund for), such Balloon Debt according to a fixed schedule stated in such certificate ending on or before the Fiscal Year in which such principal (and premium, if any) is due, then the principal of (and, in the case of retirement, or to the extent provided for by the sinking fund accumulation, the premium, if any, and interest and other debt service charges on) such Balloon Debt shall be computed as if the same were due in accordance with such schedule, provided that this clause (2) shall apply only to Balloon Debt for which the installments previously scheduled have been paid or deposited to the sinking fund established with respect to such Debt on or before the times required by such schedule; and provided further that this clause (2) shall not apply where the Issuer has elected to apply the rule set forth in clause (1) above;

(3) Prepaid Debt. Principal of and interest on Parity Obligations, or portions thereof, shall not be included in the computation of the Annual Debt Service Requirements for any Fiscal Year for which such principal or interest are payable from funds on deposit or set aside in trust for the payment thereof at the time of such calculations (including without limitation capitalized interest and accrued interest so deposited or set aside in trust) with a financial institution acting as fiduciary with respect to the payment of such Debt; and

(4) Variable Rate. As to any Parity Obligations that bear interest at a variable interest rate which cannot be ascertained at the time of calculation of the Annual Debt Service Requirement then, at the option of the Issuer, either (A) an interest rate equal to the average rate borne by such Parity Obligations (or by comparable debt in the event that such Parity Obligations have not been Outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation, or (B) an interest rate equal to the 30-year Revenue Bond Index (as most recently published in The Bond Buyer), shall be presumed to apply for all future dates, unless such index is no longer published in The Bond Buyer, in which case an index of revenue bonds with maturities of at least 20 years which is published in a financial newspaper or journal with national circulation may be used for this purpose (if two Series of Parity Obligations which bear interest at variable interest rate, or one or more maturities within a Series, of equal par amounts, are issued simultaneously with inverse floating interest rates providing a composite fixed interest

rate for such Parity Obligations taken as a whole, such composite fixed rate shall be used in determining the Annual Debt Service Requirement with respect to such Parity Obligations).

With respect to any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and, with respect to prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

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

"Board" means the board of directors of the Issuer, and references to "President," "Vice President" and "Secretary" means such of the directors of the Board as are elected by the members thereof to such offices.

"*Bonds*" means the Johnson County Special Utility District Revenue Bonds, Series 2021 authorized by this Order.

"Debt" and *"Debt of the Issuer payable from Pledged Revenues*" mean:

(1) all indebtedness payable from Pledged Revenues and/or Net Revenues incurred or assumed by the Issuer for borrowed money and all other financing obligations of the System payable from Pledged Revenues and/or Net Revenues that, in accordance with generally accepted accounting principles, are shown on the liability side of a balance sheet; and

(2) all other indebtedness payable from Pledged Revenues and/or Net Revenues (other than indebtedness otherwise treated as Debt hereunder) for borrowed money or for the acquisition, construction or improvement of property or capitalized lease obligations pertaining to the System that is guaranteed, directly or indirectly, in any manner by the Issuer, or that is in effect guaranteed, directly or indirectly, by the Issuer through an agreement, contingent or otherwise, to purchase any such indebtedness or to advance or supply funds for the payment or purchase of any such indebtedness or to purchase property or services primarily for the purpose of enabling the debtor or seller to make payment of such indebtedness, or to assure the owner of the indebtedness against loss, or to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether or not such property is delivered or such services are rendered), or otherwise.

For the purpose of determining Debt, there shall be excluded any particular Debt if, upon or prior to the Maturity thereof, there shall have been deposited with the proper depository (a) in trust the necessary funds (or investments that will provide sufficient funds, if permitted by the instrument creating such Debt) for the payment, redemption, or satisfaction of such Debt or (b) evidence of such Debt deposited for cancellation; and thereafter it shall not be considered Debt. No item shall be considered Debt unless such item constitutes indebtedness under generally accepted accounting principles applied on a basis consistent with the financial statements of the System in prior Fiscal Years.

"Depository" means one or more official depository banks of the Issuer.

"Designated Financial Officer" means the General Manager of the Issuer or the chief financial officer of the Issuer, if such an office exists, or such other financial or accounting official of the Issuer so designated by the Board.

"Fiscal Year" means the twelve-month accounting period used by the Issuer in connection with the operation of the System, currently ending on December 31 of each year, which may be any twelve consecutive month period established by the Issuer, but in no event may the Fiscal Year be changed more than one time in any three calendar year period.

"Funded Debt" means all Parity Obligations created or assumed by the Issuer that mature by their terms (in the absence of the exercise of any earlier right of demand), or that are renewable at the option of the Issuer to a date, more than one year after the original creation or assumption of such Debt by the Issuer.

"Gross Revenues" and *"Gross Revenues of the Issuer's System*" mean all revenues, income and receipts of every nature derived or received by the Issuer from the operation and ownership of the System; including (except to the extent provided by this Bond Order or any order authorizing the issuance of Additional Parity Obligations or Subordinate Lien Obligations)

the interest income from investment or deposit of money in any Fund created by this Bond Order or maintained by the Issuer in connection with the System; and any other revenues hereafter pledged to the payment of all Parity Obligations.

"Holder" or *"Holders"* means the registered owner, whose name appears in the Registration Books, for any Parity Obligation.

"Independent Engineer" means an individual, firm or corporation engaged in the engineering profession, being a registered professional engineer under the laws of the State of Texas, having specific experience with respect to water, wastewater, reuse water and/or stormwater drainage systems similar to the System.

"Interest and Sinking Fund" means the special fund maintained by the provisions of Sections 7 and 10 of this Order.

"*Issuer*" means the Johnson County Special Utility District, and where appropriate, the Board.

"*Maintenance and Operating Expenses*" means the reasonable and necessary expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service (but only such repairs and extensions as, in the judgment of the Board, are necessary to keep the System in operation and render adequate service to the Issuer and the inhabitants thereof, or such as might be necessary to meet some physical accident or conditions which would otherwise impair the Parity Obligations), and all payments under contracts for materials and services provided to the Issuer that are required to enable the Issuer to render efficient service. Depreciation shall never be considered as a Maintenance and Operating Expense.

"*Maturity*" means, when used with respect to any Debt, the date on which the principal of such Debt or any installment thereof becomes due and payable as therein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption, or otherwise.

"*Maximum Annual Debt Service Requirements"* means the greatest requirements of Annual Debt Service Requirements (taking into account all mandatory principal redemption requirements) scheduled to occur in any future Fiscal Year or in the then current Fiscal Year for the particular obligations for which such calculation is made. Capitalized interest payments provided from Debt proceeds, accrued interest on any Debt, and interest earnings thereon shall be excluded in making such computation.

"Net Earnings" means the Gross Revenues of the System after deducting the Maintenance and Operating Expenses of the System but not depreciation or other expenditures which, under standard accounting practice, should be charged to capital expenditures.

"*Net Revenues*" and "*Net Revenues of the Issuer's System*" mean all Gross Revenues remaining after deducting the Maintenance and Operating Expenses.

"*Order*" means this order, finally adopted by the Board on November 16, 2021.

"Outstanding", when used with respect to Parity Obligations, means, as of the date of determination, all Parity Obligations theretofore delivered under this Bond Order and any order authorizing Additional Parity Obligations, except:

(1) Parity Obligations theretofore cancelled and delivered to the Issuer or delivered to the Paying Agent/Registrar for cancellation;

(2) Parity Obligations deemed paid pursuant to the provisions of Section 25 of this Bond Order or any comparable section of any order authorizing Additional Parity Obligations;

(3) Parity Obligations upon transfer of or in exchange for and in lieu of which other Parity Obligations have been authenticated and delivered pursuant to this Bond Order and any order authorizing Additional Parity Obligations; and

(4) Parity Obligations under which the obligations of the Issuer have been released, discharged or extinguished in accordance with the terms thereof.

"*Parity Obligations*" means the Previously Issued Bonds, the Bonds and any Additional Parity Obligations hereafter issued by the Issuer or obligations issued to refund any of the foregoing (as determined within the sole discretion of the Board in accordance with applicable law) if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues.

"*Paying Agent/Registrar*" shall have the meaning set forth in Section 4(a) hereof.

"Permitted Investments" means any security or obligation or combination thereof permitted under the Public Funds Investments Act, Chapter 2256, Texas Government Code, as amended or other applicable law.

"*Pledged Revenues*" means (1) the Net Revenues, plus (2) any additional revenues, income, receipts, or other resources, including, without limitation, any grants, donations or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which hereafter are pledged by the Issuer to the payment of the Parity Obligations, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues.

"Project" means the properties, facilities, plants, improvements, equipment, interests in land to be funded with proceeds of the Bonds for the purpose of planning, acquisition, design and construction of improvements to the System, including construction of an elevated storage tank and water distribution lines related thereto.

"*Rating Agency*" means any nationally recognized securities rating agency which has assigned, at the request of the Issuer, a rating to the Bonds.

"Record Date" means Record Date as defined in the Form of Bonds in Exhibit "B" to this Order.

"*Reserve Fund Obligation*" means, to the extent permitted by law, (i) a policy of insurance or a surety bond, issued by an Issuer of policies of insurance insuring the timely payment of debt service on governmental obligations, provided that a Rating Agency having an Outstanding rating on Parity Obligations would rate the Parity Obligations fully insured by a standard policy issued by the Issuer of such Reserve Fund Obligation in its two highest generic rating categories for such obligations; and (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an Outstanding rating on the Parity Obligations would rate the Parity Obligations in any one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of the Parity Obligations and the interest thereon.

"Reserve Fund Obligation Payment" means any subrogation payment the Issuer is obligated to make from Pledged Revenues deposited in the Reserve Fund with respect to a Reserve Fund Obligation.

"*Special Project*" means any drainage project, waterworks, sanitary sewer or wastewater reuse system property, improvement or facility or other public improvement declared by the Issuer not to be part of the System, for which the costs of acquisition, construction and installation are paid from proceeds of a financing transaction other than the issuance of bonds payable from Pledged Revenues or Net Revenues and for which all maintenance and operation expenses are payable from sources other than Pledged Revenues or Net Revenues, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

"Stated Maturity" means the annual principal payments of the Parity Obligations payable on the respective dates set forth in the orders which authorized the issuance of such Parity Obligations.

"*Subordinate Lien Obligations*" means (i) any bonds, notes, warrants, certificates of obligation, contractual obligations or other Debt issued, incurred or assumed by the Issuer that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Pledged Revenues, such pledge being subordinate and inferior to the lien on and pledge of the Pledged Revenues that are or will be pledged to the payment of any Parity Obligations issued by the Issuer, and (ii) obligations hereafter issued to refund any of the foregoing if issued in a manner that provides that the refunding bonds are payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues on a parity with the Subordinate Lien Obligations.

"*System*" means as currently comprised, the Issuer's utility system, which currently consists of a waterworks system, including all properties, facilities, plants, improvements, equipment, interests and rights owned, operated and maintained by the Issuer for the supply, treatment, and transmission and distribution of treated potable water and a sewer system; provided, however, that the Issuer expressly retains the right to (i) sell or disaggregate the System as set forth in Section 16 of this Bond Order and (ii) incorporate any other utility system as provided by the laws of the State of Texas as a part of the System. The

System shall not include any Special Project or any disaggregated part of the System as provided in Sections 16 and 19 of this Order.

"*Term Bonds*" means those Parity Obligations so designated in the orders authorizing such bonds which shall be subject to retirement by operation of a mandatory redemption account.

"*Term of Issue*" means with respect to any Balloon Debt, a period of time equal to the greater of (i) the period of time commencing on the date of issuance of such Balloon Debt and ending on the final maturity date of such Balloon Debt or (ii) twenty-five years.

Section 6. PLEDGE OF PLEDGED REVENUES.

(a) The Issuer hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, all as hereinafter provided; and it is hereby ordered that the Parity Obligations, and the interest thereon, shall constitute a lien on and pledge of the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the Issuer, and the lien created hereby on the Pledged Revenues for the payment and security of the Parity Obligations, including the establishment and maintenance of the special funds created, established and maintained for the payment and security thereof, shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligations heretofore or hereafter issued or assumed by the Issuer.

(b) The Issuer hereby covenants and agrees that it will not at any time in the future issue any additional obligations in any way superior in security to the Parity Obligations.

(c) Article 1208, Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues granted by the Issuer under this Section, and is therefore valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are Outstanding and unpaid, the result of such amendment being that the pledge of the Pledged Revenues granted by the Issuer under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, in order to preserve to the Holders of the Bonds a security interest in said pledge, the Issuer agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing of a security interest in said pledge to occur.

Section 7. SPECIAL FUNDS. To provide for the payment of the Previously Issued Bonds, the Bonds and any Additional Parity Obligations there have been previously created and established, the funds described in clauses (a) through (e) below are hereby confirmed, and the fund described in clause (f) below is hereby ordered created, and in all instances shall be maintained so long as the respective Parity Obligations secured by such funds are Outstanding, the following limited special funds:

(a) Johnson County Special Utility District Utility System Revenue Fund, hereinafter called the "Revenue Fund."

(b) Johnson County Special Utility District Utility System Revenue Bonds Interest and Sinking Fund, hereinafter called the "Interest and Sinking Fund."

(c) Johnson County Special Utility District Utility System Revenue Bonds Series 2012 Reserve Fund, hereinafter called the "2012 Reserve Fund."

(d) Johnson County Special Utility District Utility System Revenue Bonds Series 2013 Reserve Fund, hereinafter called the "2013 Reserve Fund."

(e) Johnson County Special Utility District Utility System Revenue Bonds Series 2018 Reserve Fund, hereinafter called the "2018 Reserve Fund."

(f) Johnson County Special Utility District Utility System Revenue Bonds Series 2021 Reserve Fund, hereinafter called the "2021 Reserve Fund."

(g) There is hereby created, established and maintained on the books of the Issuer, a separate fund to be entitled the Johnson County Special Utility District Utility System Revenue Bonds Series 2021 Construction Fund, hereinafter called the "Construction Fund." Monies in the Construction Fund shall be maintained at an official depository bank of the Issuer.

Except as otherwise provided in Section 26(b) hereof, the proceeds of the Bonds shall be deposited into the Construction Fund and used by the Issuer for payment of the costs of the Project, and the payment of costs associated therewith, including any costs for engineering, financing, financial consultation, administrative, auditing and legal expenses.

Though all of such funds may be subaccounts of the Issuer's General Fund held by the Issuer's depository, and, as such, not held in separate bank accounts, such treatment shall not constitute a commingling of the monies in such funds or of such funds and the Issuer shall keep full and complete records indicating the monies and investments credited to each of such funds.

Section 8. REVENUE FUND. The Issuer hereby covenants, agrees and establishes that the Gross Revenues shall be deposited and credited to the Revenue Fund immediately as collected and received. All Maintenance and Operating Expenses are and shall be paid from such Gross Revenues as a first charge against same.

Section 9. FLOW OF FUNDS.

(a) All Gross Revenues deposited and credited to the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

First: to the payment of all necessary and reasonable Maintenance and Operating Expenses as defined herein, and the payment of such Maintenance and Operating Expenses shall be a first charge on and claim against the Gross Revenues.

Second: to the payment of the amounts required to be deposited and credited to the Interest and Sinking Fund created and established for the payment of the Previously Issued Bonds, the Bonds and any Additional Parity Obligations issued by the Issuer as the same become due and payable.

Third: pro rata to the payment of the amounts required to be deposited and credited (i) to the 2012 Reserve Fund created and established for the Series 2012 Bonds to fund or maintain the amount required therein by the order authorizing the Series 2012 Bonds, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2012 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2012 Reserve Fund, (ii) to the 2013 Reserve Fund created and established for the Series 2013 Bonds to fund or maintain the amount required therein by the order authorizing the Series 2013 Bonds, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2013 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2013 Reserve Fund, (iii) to the 2018 Reserve Fund created and established for the Series 2018 Bonds to fund or maintain the amount required therein by the order authorizing the Series 2018 Bonds, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2018 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2018 Reserve Fund, (iv) to the 2021 Reserve Fund hereby created and established for the Bonds to fund or maintain the Required Reserve Amount (as hereinafter defined) in accordance with the provisions of this Order, including amounts owed with respect to any Reserve Fund Obligation on deposit in the 2021 Reserve Fund from time to time, if any, or to restore the amount so required to be on deposit in the 2021 Reserve Fund and (v) to each other reserve fund created and established to maintain a reserve in accordance with the provisions of the orders relating to the issuance of any Additional Parity Obligations hereafter issued by the Issuer (collectively, all such debt service reserve funds are the "Reserve Funds").

Fourth: to the payment, including reserve fund requirements, of Subordinate Lien Obligations.

(b) Any Pledged Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other Issuer purpose now or hereafter permitted by law.

Section 10. INTEREST AND SINKING FUND.

(a) For purposes of providing funds to pay the principal of, premium, if any, and interest on the Parity Obligations as the same become due and payable, including any mandatory sinking fund redemption payments, the Issuer agrees that it shall maintain the Interest and Sinking Fund. The Issuer covenants to deposit and credit to the Interest and Sinking Fund prior to each principal, interest payment or redemption date from the available Pledged Revenues an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Parity Obligations then coming due and payable.

(b) The required deposits and credits to the Interest and Sinking Fund shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in and credited to the Interest and Sinking Fund and the Reserve Funds, and excluding any Reserve Fund Obligation in any such Reserve Fund, is equal to the amount required to fully pay and discharge all Outstanding Parity Obligations (principal, premium, if any, and interest) or (ii) the Parity Obligations are no longer Outstanding.

(c) Accrued interest and capitalized interest, if any, received from the purchaser of any Parity Obligation shall be taken into consideration and reduce the amount of the deposits and credits hereinabove required into the Interest and Sinking Fund.

Section 11. 2021 RESERVE FUND.

(a) There is hereby created and ordered to be created soley for the benefit of the Bonds, the 2021 Reserve Fund. with any cash therein to be held at a depository of the District. Upon the delivery of the Bonds, the District shall deliver to the Paying Agent/Registrar and for the credit of the 2021 Reserve Fund a debt service reserve fund surety policy to be issued by Build America Mutual Assurance Company in the amount of $733,294, which is equal to Annual the Maximum Average Debt Service Requirements of the Bonds (such amount hereinafter, is the "2021 Required Reserve Amount"). An amount equal to the 2021 Required Reserve Amount shall be held in cash, in the form of a Reserve Fund Obligation or a combination thereof at all times while there are any Bonds Outstanding. All funds, investments and Reserve Fund Obligations on deposit and credited to the 2021 Reserve Fund shall be used solely for (i) the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, (ii) to make Reserve Fund Obligation Payments and (iii) to retire the last Stated Maturity or Stated Maturities of or interest on the Bonds. See "SELECTED PROVISIONS OF THE BOND ORDER – Section 36. THE DEBT SERVICE RESERVE POLICY for additional terms pertaining to the Policy."

(b) When and for so long as the cash, investments and Reserve Fund Obligations in the 2021 Reserve Fund equal the 2021 Required Reserve Amount, no deposits need be made to the credit of the 2021 Reserve Fund; but in the event that draws are made on the 2021 Reserve Fund, or if for any other reason the amount on deposit therein is less than the amount then required to be on deposit therein, the Issuer covenants and agrees that the Issuer shall cure the deficiency in the 2021 Reserve Fund by making monthly deposits in the amount equal to one-twelfth of the 2021 Required Reserve Amount to such Fund from the Pledged Revenues in accordance with Section 9, with any such deficiency payments being made on or before the last day of each month until the 2021 Required Reserve Amount has been fully restored. In addition, in the event that all or a portion of the 2021 Required Reserve Amount is represented by a Reserve Fund Obligation and the Reserve Fund Obligation is drawn on in accordance with its terms, the 2021 Required Reserve Amount shall be restored as soon as possible from monthly deposits of Pledged Revenues on deposit in the Revenue Fund in accordance with Section 9, but subject to making the full deposits and credits to the Interest and Sinking Fund required to be made by Section 10 until the amount equal to the face value of the Reserve Fund Obligation has been restored. The Issuer further covenants and agrees that, subject only to the prior deposits to be made to the Interest and Sinking Fund and in accordance with Section 9, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the amount in the Reserve Funds in the amount required by each order authorizing Parity Obligations that establishes a debt service reserve fund, including by paying any Reserve Fund Obligation Payments when due, and to cure any deficiency in such amounts as required by the terms of any order pertaining to the issuance of Additional Parity Obligations. Reimbursements to the provider, if any, of a Reserve Fund Obligation shall constitute the making up of a deficiency in the 2021 Reserve Fund to the extent that such reimbursements result in the reinstatement, in whole or in part, as the case may be, of the amount of the Reserve Fund Obligation.

(c) Earnings and income derived from the investment of amounts held for the credit of the 2021 Reserve Fund shall be retained in the 2021 Reserve Fund until the 2021 Reserve Fund contains the 2021 Required Reserve Amount. During such time as the 2021 Reserve Fund contains the 2021 Required Reserve Amount or any cash or Permitted Investment is replaced with a Reserve Fund Obligation pursuant to subsection (d) below, the Issuer may, at its option, withdraw all surplus funds in the 2021 Reserve Fund and deposit such surplus in the Revenue Fund; provided that the face amount of any Reserve Fund Obligation may reduced at the option of the Issuer in lieu of such transfer. Notwithstanding the foregoing, any surplus funds in the 2021 Reserve Fund that consist of proceeds of the Bonds or interest thereon shall be used for purposes for which the Bonds were issued or deposited to the Interest and Sinking Fund.

(d) The Issuer may at any time deposit, supplement, replace or substitute a Reserve Fund Obligation for cash or Permitted Investments on deposit in the 2021 Reserve Fund or in substitution for or replacement of any existing Reserve Fund Obligation, provided, that the deposit, supplement, replacement or substitution of the Reserve Fund Obligation will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the order authorizing the substitution of the Reserve Fund Obligation for all or part of the 2021 Required Reserve Amount contains a finding that such substitution is cost effective. The Issuer will not utilize a Reserve Fund Obligation in connection with the initial issuance of the Bonds. Notwithstanding any other provision of this Order, if a Reserve Fund Obligation is utilized in connection with the Bonds after the issuance date of the Bonds, the Board must specifically approve any such Reserve Fund Obligation and any such Reserve Fund Obligation must be submitted to the Attorney General of Texas (if submission is then required by law) for approval.

(e) If the Issuer is required to make a withdrawal from the 2021 Reserve Fund for any of the purposes described in this Section, the Issuer shall promptly notify the issuer of any such Reserve Fund Obligation of the necessity for a withdrawal from the 2021 Reserve Fund for any such purposes, and shall make such withdrawal FIRST from available moneys or Permitted Investments then on deposit in the 2021 Reserve Fund, and NEXT from a drawing under any Reserve Fund Obligation to the extent of such deficiency.

(f) In the event there is a draw upon the Reserve Fund Obligation, the Issuer shall reimburse the issuer of such Reserve Fund Obligation for such draw, in accordance with the terms of any agreement pursuant to which the Reserve Fund Obligation is used, from Pledged Revenues, however, such reimbursement from Pledged Revenues shall be in accordance with the provisions of Section 9 hereof.

(g) The Issuer may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of Additional Parity Obligations for the purpose of securing that particular issue or series of Parity Obligations or any specific group of issues or series of Parity Obligations, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Parity Obligations for which such debt service reserve fund was established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues after the requirements of the Interest and Sinking Fund, which secures all Parity Obligations, have first been met. Each such debt service reserve fund shall be designated in such manner as is necessary to identify the Parity Obligations it secures and to distinguish such debt service reserve fund from the debt service reserve funds created for the benefit of other Parity Obligations.

Section 13. INVESTMENT OF FUNDS; VALUATION; TRANSFER OF INVESTMENT INCOME.

(a) Money in the Revenue Fund, the Interest and Sinking Fund and the 2021 Reserve Fund may, at the option of the Issuer, be invested in Permitted Investments; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued in terms of current market value no less frequently than the last business day of the Issuer's Fiscal Year, except that any direct obligations of the United States of America – State and Local Government Series shall be continuously valued at their par value or principal face amount. Any obligation in which money is so invested shall be kept and held at the Depository, except as otherwise permitted by the laws applicable to the Issuer. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the Issuer, in common investments of the kind described above, or in a common pool of such investments held by the Issuer or its designated agent, which shall not be deemed to be or constitute a commingling of such money or funds provided that safekeeping receipts or certificates of participation clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such fund are held by or on behalf of each such fund. If necessary, such investments shall be promptly sold to prevent any default.

(b) All interest and income derived from such investments (other than interest and income derived from amounts credited to the 2021 Reserve Fund if the 2021 Reserve Fund does not contain the Required Reserve Amount) shall be credited to the Revenue Fund semi-annually and shall constitute Gross Revenues.

Section 14. PAYMENT OF THE BONDS. Subject to the payment priorities of Section 9 hereof, while any of the Bonds are Outstanding, the Issuer shall transfer to the respective paying agent/registrar therefor, from funds on deposit in and credited to the Interest and Sinking Fund, and, if necessary with respect to the Bonds, in the 2021 Reserve Fund, amounts sufficient to fully pay and discharge promptly the interest on and principal of the Bonds as shall become due on each interest or principal payment date, or date of redemption of the Bonds; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds not later than the business day next preceding the date such payment is due on the Parity Obligations. The Paying Agent/Registrar shall destroy all paid Bonds and furnish the Issuer with an appropriate certificate of cancellation or destruction.

Section 15. RATES AND CHARGES.

(a) For the benefit of the Holders of the Parity Obligations, the Issuer hereby covenants and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Gross Revenues in each Fiscal Year reasonably anticipated to be sufficient:

A. to pay Maintenance and Operating Expenses;

B. to produce Pledged Revenues sufficient to pay the principal and interest on the Parity Obligations as such principal and interest come due;

C. to produce Pledged Revenues in amounts sufficient to enable the Issuer to make the deposits and credits, if any, from Pledged Revenues to the Reserve Funds to make the deposits required to be made thereto, including the payment of any Reserve Fund Obligation Payment then due;

D. to produce Pledged Revenues, together with any other lawfully available funds (including the proceeds of Debt which the Issuer expects will be utilized to pay all or part of the principal of and/or interest on any obligations described in this subsection D), sufficient to pay the principal of and interest on any Subordinate Lien Obligations issued by the Issuer and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Subordinate Lien Obligations and any other obligations or evidences of indebtedness issued or incurred that are payable from, in whole or in part, a subordinate lien on and pledge of the Pledged Revenues; and

E. to pay any other Debt payable from the Pledged Revenues and/or secured by a lien on the Pledged Revenues.

(b) For the benefit of the Holders of the Parity Obligations, the Issuer hereby covenants and agrees, while any of the Parity Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce the Net Earnings at least equal to the sum of 1.10 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of all Parity Obligations Outstanding during each Fiscal Year.

Section 16. GENERAL COVENANTS. The Issuer further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in any order authorizing the issuance of Parity Obligations, including this Order, and in each and every Parity Obligation; it will promptly pay or cause to be paid the principal of and interest on every Parity Obligation on the dates and in the places and manner prescribed in such orders and obligations; and it will, at the times and in the manner prescribed, deposit and credit or cause to be deposited and credited the amounts required to be deposited and credited to the Interest and Sinking Fund and the Reserve Funds.

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

(c) Title. It has or will obtain lawful title to the lands, buildings, structures and facilities constituting the System, that it warrants that it will defend the title to all the aforesaid lands, buildings, structures and facilities, and every part thereof, for the benefit of the Holders of the Parity Obligations, against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge the Pledged Revenues to the payment of the Parity Obligations in the manner prescribed herein, and has lawfully exercised such rights.

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

(e) Operation of System; No Free Service. It will, while the Parity Obligations are Outstanding and unpaid, continuously and efficiently operate the System, and shall maintain the System in good condition, repair and working order, all at reasonable cost. No free service of the System shall be allowed, and should the Issuer or any of its agencies or instrumentalities make use of the services and facilities of the System, payment of the reasonable value shall be made by the Issuer out of funds from sources other than the Gross Revenues of the System, unless made from surplus or excess Pledged Revenues as permitted in Section 9.

(f) Further Encumbrance. While the Parity Obligations are Outstanding and unpaid, it will not additionally encumber the Pledged Revenues in any manner, except as permitted in this Bond Order in connection with Additional Parity Obligations, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants and agreements of this Order; but the right of the Issuer to issue or incur obligations payable from a subordinate lien on the Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While the Parity Obligations are Outstanding and unpaid, it will not sell, convey, mortgage, encumber, lease or in any manner transfer title to, or otherwise dispose of the System, or any significant or substantial part thereof; provided that whenever the Issuer deems it necessary to dispose of any other property, machinery, fixtures or equipment, it may sell or otherwise dispose of such property, machinery, fixtures or equipment when it has made arrangements to replace the same or provide substitutes therefor, unless it is determined that no such replacement or substitute is necessary; and, provided further, that the Issuer retains the right to sell, convey, mortgage, encumber, lease or otherwise dispose of any significant or substantial part of the System if (i) the Board makes a finding and determination to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the Issuer contained in the orders authorizing the issuance of Parity Obligations; (ii) the Issuer obtains a certificate or opinion of an Accountant, an Independent Engineer or a certified financial analyst to the effect that, or certificates or opinions of a combination of the foregoing that together are to the effect that, following such action by the Issuer, the System is expected to produce Gross Revenues in amounts sufficient in each Fiscal Year while any of the Parity Obligations are to be Outstanding to comply with the obligations of the Issuer contained in this Bond Order and in the orders authorizing the issuance of Additional Parity Obligations; and (iii) each Rating Agency then maintaining a rating on any Parity Obligation delivers a letter to the Issuer confirming that it will not withdraw or lower the rating then in effect after it has been informed by the Issuer of such sale, conveyance, mortgage, encumbrance, lease or other disposition. Proceeds from any sale hereunder not used to replace or provide for substitution of such property sold, shall be used for improvements to the System or to purchase or redeem Parity Obligations.

(h) Insurance. So long as any of the Parity Obligations are Outstanding, the Issuer agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by political subdivisions owning and operating similar properties. Nothing in this Bond Order shall be construed as requiring the Issuer 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 Issuer from doing so.

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

(j) No Competition. That so far as it legally may, the Issuer covenants and agrees, for the protection and security of the Parity Obligations and the holders thereof from time to time and until all Parity Obligations shall have been retired, that it will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System's facilities and, to the extent that it legally may, the Issuer will prohibit any such competing facilities.

Section 17. ADDITIONAL PARITY OBLIGATIONS.

(a) The Issuer shall have the right and power at any time and from time to time and in one or more series or issues, to authorize, issue and deliver additional parity revenue bonds or other obligations (herein called "Additional Parity Obligations"), in accordance with law, in any amounts, for purposes of extending, improving or repairing the System or for the purpose of refunding of any Parity Obligations, Subordinate Lien Obligations or other obligations of the Issuer incurred in connection with the ownership or operation of the System. Such Additional Parity Obligations, if and when authorized, issued and delivered in accordance with this Order, shall be secured by and made payable equally and ratably on a parity with all other Outstanding Parity Obligations, from the lien on and pledge of the Pledged Revenues herein granted.

(b) The Interest and Sinking Fund shall secure and be used to pay all Parity Obligations. Each order under which Additional Parity Obligations are issued shall provide and require that, in addition to the amounts required by the provisions of this Bond Order and the provisions of any other order or orders authorizing Additional Parity Obligations to be deposited to the credit of the Interest and Sinking Fund, the Issuer shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Obligations then being issued, as the same come due.

(c) Additional Parity Obligations shall be issued only in accordance with this Order, but notwithstanding any provisions of this Bond Order to the contrary, no installment, Series or issue of Additional Parity Obligations shall be issued or delivered unless:

(i) The General Manager of the Issuer shall have executed a certificate stating (A) that, to the best of such person's knowledge and belief, the Issuer is not then in default as to any covenant or requirement contained in any order authorizing the issuance of Outstanding Parity Obligations, and (B) either (1) payments into all special funds or accounts created and established for the payment and security of all Outstanding Parity Obligations have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (2) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(ii) The Designated Financial Officer signs and delivers to the Board a written certificate to the effect that based on the books and records of the Issuer, during either the next preceding Fiscal Year, or any twelve consecutive calendar month period ending not more than ninety days prior to the date of the then proposed Additional Parity Obligations, the Net Earnings at least equal to the sum of 1.25 times the Average Annual Debt Service Requirements (computed on a Fiscal Year basis), including Amortization Installments, of the Parity Obligations to be Outstanding after the issuance of the then proposed Additional Parity Obligations.

(iii) In making a determination of Net Earnings for any of the purposes described in this Section, the Designated Financial Officer may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least 60 days prior to the date the order authorizing the issuance of the Additional Parity Obligations is adopted and, for purposes of satisfying the Net Earnings tests described above, make a pro forma determination of the Net Earnings of the System for the period of time covered by said Designated Financial Officer's certification or opinion based on such change in rates and charges being in effect for the entire period covered by said Designated Financial Officer's certificate or opinion.

(d) Parity Obligations may be refunded (pursuant to any law then available) upon such terms and conditions as the Board may deem to the best interest of the Issuer and its inhabitants, and if less than all such Outstanding Parity Obligations are refunded the proposed refunding bonds shall be considered as "Additional Parity Obligations" under the provisions of this Section and the certificate required in subdivision (c) 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 provision being made for their payment).

Section 18. ISSUANCE OF SUBORDINATE LIEN OBLIGATIONS. The Issuer hereby reserves the right to issue, at any time, obligations including, but not limited to, Subordinate Lien Obligations, payable from and equally and ratably secured, in whole or in part, by a lien on and pledge of the Pledged Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Pledged Revenues securing the payment of the Parity Obligations, as may be authorized by the laws of the State of Texas.

* * * * *

Section 36. THE DEBT SERVICE RESERVE POLICY. The provisions below are incorporated into the Order for all purposes thereof as Section 36, and such terms shall govern the Bonds notwithstanding anything to the contrary set forth in the Order.

(A) Defined Terms. In addition to the terms defined in the Order, the following defined terms are incorporated into and made a part of the Order for all purposes:

(a) "2021 Required Reserve Amount" means the amount of $733,293.75, which amount is equal to the policy limit of the Reserve Policy.

(b) "Authorizing Documents" means the Order and the Pricing Certificate of the Issuer pertaining to the Bonds.

(c) "Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy with respect to the Bonds issued by the Reserve Insurer.

(d) "Reserve Insurer" means Build America Mutual Assurance Company, a New York mutual insurance company, or any successor thereto or assignee thereof.

B) Additional Terms with respect to the Municipal Bond Debt Service Reserve Insurance Policy. Notwithstanding anything to the contrary set forth in the Authorizing Documents the Issuer and the Trustee agree to comply with the following provisions:

(a) The Issuer shall repay any draws under the Reserve Policy and pay all related reasonable expenses incurred by the Reserve Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Reserve Insurer at the Late Payment Rate. “Late Payment Rate” means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Reserve Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Reserve Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Reserve Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the debt service reserve fund or account established for the Bonds (the “2021 Reserve Fund”) and all other available amounts in any funds available to pay debt service on the Bonds shall be transferred to the Interest and Sinking Fund for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other credit facility on deposit in the 2021 Reserve Fund in lieu of cash (“2021 Reserve Fund Credit Instrument”).

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all 2021 Reserve Fund Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the 2021 Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other 2021 Reserve Fund Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the 2021 Reserve Fund. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable 2021 Reserve Fund Credit Instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Reserve Requirement.

(b) Draws under the Reserve Policy may only be used to make payments on Bonds covered under the Reserve Policy.

(c) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Reserve Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Order or any other document executed in connection with the Bonds (collectively, the "Security Documents").

(d) The Security Documents shall not be discharged until all Policy Costs owing to the Reserve Insurer shall have been paid in full. The Issuer's obligation to pay such amount shall expressly survive payment in full of the Bonds.

(e) The Reserve Policy shall expire and terminate in accordance with the terms and provisions of the Reserve Policy.

(f) Any amendment, supplement, modification to, or waiver of any of the Security Documents that requires the consent of the owners of the Bonds or adversely affects the rights or interest of the Reserve Insurer shall be subject to the prior written consent of the Reserve Insurer.

(g) The Reserve Insurer is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(h) Policy Costs due and owing shall be included in debt service requirements for purposes of calculation of the additional bonds test and the rate covenant in the Security Documents.

(i) The Paying Agent/Registrar shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and shall provide notice to the Reserve Insurer in accordance with the terms of the Reserve Policy at least five business days prior to each date upon which interest or principal is due on the Bonds. Where deposits are required to be made by the Issuer with the Trustee to the debt service fund for the Bonds more often than semi-annually, the Trustee shall give notice to the Reserve Insurer of any failure of the Issuer to make timely payment in full of such deposits within two business days of the date due.

(j) The Issuer agrees unconditionally that it will pay or reimburse the Reserve Insurer on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that the Reserve Insurer may pay or incur, including, but not limited to, fees and expenses of the Reserve Insurer's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of this Order or any other Security Document ("Administrative Expenses"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of the Reserve Insurer spent in connection with the actions described in the preceding sentence. The Issuer agrees that failure to pay any Administrative Expenses on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to the Reserve Insurer until the date the Reserve Insurer is paid in full.

(k) Payments made by the Reserve Insurer under the Reserve Policy with respect to claims for interest on or principal of the Bonds shall not discharge the obligation of the Issuer with respect to such Bonds, and the Reserve Insurer shall become the owner of such unpaid Bonds and claims for the interest thereon. The Issuer and the Trustee recognize and agree that to the extent the Reserve Insurer makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent/Registrar), on account of principal of or interest on the Bonds, the Reserve Insurer will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon.

(l) In order to secure the Issuer's payment obligations with respect to Policy Cost, there is hereby granted and perfected in favor of the Reserve Insurer a security interest (subordinate only to that of the owners of the Bonds) in all revenues and collateral pledged as security for the Bonds. Policy Costs shall be paid to the Reserve Insurer immediately following the payment of principal of and interest on the Bonds, including following the occurrence of a default or event of default.

(m) The Issuer shall be obligated to pay, as an additional payment into the 2021 Reserve Fund an amount equal to the debt service reserve fund replenishment under the Order, including amounts required to repay draws and Policy Costs under the Reserve Policy.

(n) Notice and Other Information to be given to the Reserve Insurer.

(1) The Issuer will provide the Reserve Insurer with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Bonds or the Trustee under the Security Documents.

(2) In addition, the Issuer shall provide the Reserve Insurer with the following notices and other information: (i) notice of any draw upon the 2021 Reserve Fund within two (2) business days after knowledge thereof, other than in connection with withdrawals of amounts in excess of the 2021 Required Reserve Amount; and (ii) prior written notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof.

(3) The Reserve Insurer shall be entitled to receive such additional information as it may reasonably request.

MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Debt Service Reserve Insurance Policy relating to the Bonds (the "Reserve Policy") in the form attached hereto as Appendix D.
The Reserve Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

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

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

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM does not guarantee the market price or liquidity of bonds (including the Bonds), nor does it guarantee that the rating on bonds (including the Bonds) will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $504.3 million, $181.5 million and $322.8 million, respectively.

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

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

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District and, based upon an examination of such transcript of proceedings, the legal opinion of Bond Counsel in substantially the form attached hereto as Appendix C. Though it may represent the Initial Purchaser from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form or the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Order. The District expects to pay the fee of Bond Counsel in connection with the issuance of the Bonds from proceeds of the Bonds.

The 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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Litigation

The District is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; error and omissions; injuries to employees; and natural disasters. The District has obtained commercial insurance coverage for these risks and provided various employee education and prevention programs. Various claims and lawsuits are pending against the District. In the opinion of District management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the District's financial position.

Closing Certifications

At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished a certificate, executed by a proper officer acting in his or her official capacity, to the effect that to the best of his or her knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain any 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 light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements, and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District since the date of the last audited financial statements of the District; and (e) no litigation of any nature has been filed or is pending, as of the date of delivery of the Bonds, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

TAX EXEMPTION

Opinion

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the facilities financed with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner’s social security number or other taxpayer identification number (“TIN”), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations For Financial Institutions

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The District will provide certain updated financial information to the MSRB annually. The information to be updated includes all quantitative financial information with respect to the District of the general type included in this Official Statement in Schedules 1-7 and Appendix B attached hereto. The District will update and provide the information in Schedules 1-7 within six months after the end of each fiscal year ending in and after 2021, and shall additionally provide the annual audited financial statements within twelve months after the end of each fiscal year ending in and after 2021. The financial information to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's internet website or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 ("Rule 15c2-12"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B attached hereto or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is December 31. Accordingly, it must provide updated Schedules by June 30 in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by December 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB.

Event Notices

The District shall notify the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the System or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of trustee, if material (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with Rule 15c2-12. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB. As used in this section, the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in 15c2-12 Rule) has been provided to the MSRB consistent with the Rule.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that has been provided except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the District amends its agreement, it has agreed to include with the financial information and operating data next 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 operating data so provided.

Compliance with Prior Undertakings

The District failed to timely file audited financial statements and operating data for fiscal year 2020. A filing of the required information was made on October 25, 2021 along with a failure to file notice. Otherwise, during the past five years, the District has complied in all material respects with its previous continuing disclosure agreements in accordance with the Rule.

FINANCIAL ADVISOR

USCA Municipal Advisors, LLC ("USCA" or the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. USCA, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the obligations, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

USCA has reviewed the information in this Official Statement in accordance with its responsibilities to the District and, as applicable, to investors under federal securities laws as applied to the facts and circumstances of this transaction, but USCA does not guarantee the accuracy or completeness of such information.

SALE OF BONDS

After requesting competitive bids for the Bonds, the District has accepted a bid tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the rates shown on the inside cover page of this Official Statement at a price of $6,815,097.75. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the District. The District has no control over the prices at which the Bonds will initially be re-offered to the public.

RATING

S&P Global Ratings ("S&P") has assigned its underlying rating of "AA-" to the Bonds. An explanation of the rating may be obtained from S&P. The rating reflects only the view of S&P and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by 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.

GENERAL CONSIDERATIONS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds, stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is a bondhouse, broker, dealer, or similar person acting in the capacity of Initial Purchaser or wholesaler. The District has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Initial Purchaser at the yields specified on the inside cover page of this Official Statement. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees, and for municipalities and other political subdivisions or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments of such entity's funds. The "Public Funds Collateral Act," Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter, must be secured by eligible security. "Eligible Security" is defined to include local government obligations (such as the Bonds) with a rating from a nationally recognized investment firm of "A" or its equivalent. See "RATING" herein.

The District makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to any such entities or institutions for investment purposes. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Securities Laws

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

Sources and Compilation of Information

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

Forward-Looking Statements

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

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

Approval of Official Statement

The Bond Order authorized the Pricing Officer to approve 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 Purchaser. This Official Statement has been approved by the Pricing Officer of the District for distribution in accordance with the provisions of the Rule.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

/s/ Pete Kampter
General Manager and Pricing Officer

APPENDIX A

INFORMATION ABOUT THE DISTRICT

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LOCATION AND SIZE OF THE DISTRICT

Johnson County, Texas (the "County") came into existence in 1854, covering 731 square miles on North Central Texas. The County is bounded on the north by Tarrant County, the east by Ellis County, the west by Hood and Somervell Counties and on the south by Bosque and Hill Counties. The County is a component of the Fort Worth-Arlington Primary Metropolitan Statistical Area. Incorporated Cities located in the County include the following:

City	General Location in the County	2000 Census Population	2010 Census Population	Estimated Population
Alavardo	East	3,300	3,785	4,922
Burleson	North	21,150	36,690	47,641
Cleburne	Central	25,750	29,337	31,352
Grandview	Southeast	1,350	1,561	1,879
Joshua	North	5,600	5,910	7,891
Keene	East	4,650	6,106	6,900
Venus	Northeast	1,950	2,960	4,361
Johnson County		126,811	150,934	180,513

Source: U.S. Census Bureau and The Municipal Advisory Council of Texas.

Transportation

Roadways . . . Roadways and highways located within the County include one interstate highway and two U.S. highways and two state highways, as well as numerous county and farm-to-market roads. Interstate Highway 35W runs north-south through the County, passing through the cities of Burleson, Texas and Alvarado, Texas. This highway provides direct access to the City of Fort Worth, Texas to the north and to the cities of Austin, Texas and San Antonio, Texas to the south. U.S. Highway 67 transverses the County from east to west passing through the cities of Keene, Texas and Cleburne, Texas, which provides direct access to the City of Dallas, Texas.

Railways . . . Railway Systems, providing movement of material in and out of the major commercial and industrial areas of the County, include the MKT Railroad, Atchison, Topeka & Santa Fe Railroad, Burlington Northern and Union Pacific. The County is served by Amtrak passenger service in the City of Cleburne, Texas.

Other Transportation . . . Other transportation activities serving the County include numerous freight companies and Central Texas Trailways buses. There are two small airports in the County located in the cities of Cleburne, Texas and Keene, Texas. Cleburne airport is a general aviation facility with a 5,700 X 100-foot runway, providing facilities for commercial and personal aircraft. The Keene airport offers facilities for personal aircraft only. Commercial passenger facilities are located at the Dallas-Fort Worth International Airport located some 50 miles from the center of the County.

Education

The County contains eleven independent school districts with enrollment ranging from 663 at Keene ISD to 5,841 at Cleburne ISD. Higher Education is available in the County at Southwestern Adventist University located in the City of Keene, Texas, and Hill College located in the City of Cleburne, Texas. Additionally, there are seven universities and/or colleges located within a radius of sixty miles from the center of the County which include Baylor University in the City of Waco, Texas, Southern Methodist University in the City of Dallas, Texas, Texas Christian University in the City of Fort Worth, Texas, and the University of Texas at Arlington in the City of Arlington, Texas.

Medical Facilities

The County is served by Texas Health Harris Methodist Hospital, is a full-service, 137-bed acute care hospital with more than 80 physicians on the medical staff in the City of Cleburne, Texas. The Hospital is a privately owned facility. Located within the County are eleven nursing homes. Two nursing homes are located in the City of Burleson, Texas and five nursing homes are located in the City of Cleburne, Texas.

Economy

The economy is based on agribusiness and manufacturing. Minerals extracted from the County include limestone, sand, gravel, oil and gas.

Employers

The following table shows the top employers in Johnson County for calendar year 2020.

Employer	Business	Employees
Burleson ISD	School	1,700
Cleburne ISD	School	1,025
Wal-Mart Distribution Center	Distribution Center	950
Joshua ISD	School	815
Sabre Tubular Structures	Roofing	665
Wal-Mart Supercenter (Burleson)	Retail	560
Johnson County	Government	522
City of Burleson	Government	440
Wal-Mart Supercenter (Cleburne)	Retail	432
Texas Health Resources	Health Care	395

Source: The Municipal Advisory Council of Texas.

APPENDIX B

SELECTED DATA FROM
ANNUAL FINANCIAL REPORT
JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FISCAL YEAR ENDED DECEMBER 31, 2020

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Comprehensive Annual Financial Report

for the year ended December 31, 2020

740 FM 3048 • Joshua, TX 76058

(817) 760-5200 • www.jcsud.com

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended
December 31, 2020

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

Issued By
Finance Department
Joshua Howard
Joshua, Texas

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Comprehensive Annual Financial Report
December 31, 2020

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INTRODUCTION SECTION

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Johnson County Special Utility District

2020 ANNUAL FINANCIAL REPORT

April 20, 2021

President Harry Shaffer and Board of Directors
Johnson County Special Utility District
740 FM 3048
Joshua, TX 76058

Dear Reader:

We are pleased to present the JCSUD District Comprehensive Annual Financial Report for the fiscal year ended December 31, 2020. State law and debt covenants require that the District publish, at the close of each fiscal year, respectively, a complete set of audited financial statements. This report is published to fulfill that requirement and to provide the Board of Directors (Board), the public, and other interested parties these basic financial statements.


Peter Kampfer, GM

The past year was marked by unprecedented challenge. As the pandemic tested nearly every aspect of our business, we also endured an uncertain economy. Throughout the year, we were guided by our purpose of serving a reliable supply of high-quality water. As I shared with our workforce this year, while I am a General Manager by trade, my roots lie deep in agriculture. As a farmer, one must adjust to the conditions that each year brings. Like seasoned farmers, our team too adjusted to the challenges of 2020 and embraced new approaches to getting the job done.

Throughout it all, we never lost sight of our purpose. We continued to process millions of gallons of water every day and guaranteed delivery to our customers. Importantly, in the face of a novel virus, we made certain that the water we delivered to homes and businesses was safe to use for drinking and cleaning. We completed more than 8 million dollars of critical infrastructure projects in the fiscal year 2020, including our most extensive pipeline replacement in decades. We advanced work on major projects like TWDB $22M Project. We continued crucial maintenance activities and around-the-clock leak response, keeping water flowing to customers more than 99.9% of the time. And we did it all while maintaining water affordability for customers.

I am proud of what was accomplished and how we continue to improve with every day. I have a renewed appreciation for what it means to be an essential service. There is a lot of work left to be done and I am as confident as ever in our ability to meet the needs of our customers.

For the last few years trending, the District has done well financially in 2020 to exceed budgeted projections. In summary, total operating revenue was 12% more than budgeted while holding expenses 3% below the budget amount. Total water production for 2020 was 2,050 million gallons, which is 33% more than the average of 1,805 MG over the last five years. Over the last few years, new connections coming onto the system are trending upward. In 2020, there were 778 new connections, which is 68% more than the previous year.

Every year management submits its annual financial report of the Johnson County Special Utility District. This cycle documents the fiscal year ending December 31, 2020. It provides the Board of Directors and the public with a comprehensive, reliable financial report. Management has prepared the annual financial report in accordance with generally accepted accounting principles (GAAP). Responsibility for both accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with JCSUD management.

We believe the data, as presented, is accurate in all material respects and that it is presented in a manner designed to fairly state the financial position and highlight the major initiatives of the operations of the District.

Financial statements for the fiscal year ending in 2020 are audited by George, Morgan, and Sneed, P.C., a firm of licensed certified public accountants in Weatherford, TX. The independent auditors concluded, based on the audit, that there was a reasonable basis for rendering an unmodified opinion and that the financial statements for 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A. The District's MD&A can be found immediately following the Independent Auditor's Report.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Johnson County Special Utility District for its comprehensive annual financial report for the fiscal year ended December 31, 2019. This was the 7th consecutive year that JCSUD has achieved this prestigious award. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparations of state and local government financial reports.

CONCLUSION

Significant events, historical and current, are worth noting each reporting cycle. The preparation of this report would not have been possible without the skill, effort, and dedication of the entire staff of the Finance Department. We wish to thank all departments for their assistance in providing the data necessary to prepare this report. We would also like to thank the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.

Thank you for reading. Respectfully Submitted,

Peter Kampfer
General Manager

Joshua Howard
Finance Manager

ABOUT JCSUD

JCSUD is the second-largest Special Utility District in Texas. The District's Board of Directors consists of seven members elected at-large by the voting public within the District. Board Directors have 3-year terms with a staggered term election process. The General Manager serves as the District's authorized administrator to manage and oversee all business and personnel activities in accordance with District policies.

OUR MISSION STATEMENT

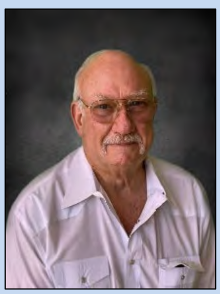
JCSUD's constancy of purpose to maximize value-added work will ensure all its customers continually receive potable water effectively, efficiently, and economically.

OUR BOARD VISION:

JCSUD will become Texas' preeminent Special Utility District by consistently fulfilling mandates to supply potable water in a safe, timely and environmentally compliant manner. Dedicated to innovation, stewardship, collaboration, and excellent customer service.

THE BOARD OF DIRECTORS

Harry Shaffer
President



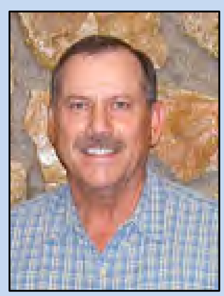
Glen Walden
Vice President

Ronnie Nichols
Secretary

Mike Bowles
Director

Gary Giesen
Director

Eric Baze
Director



Gene Petross
Director

Department Managers

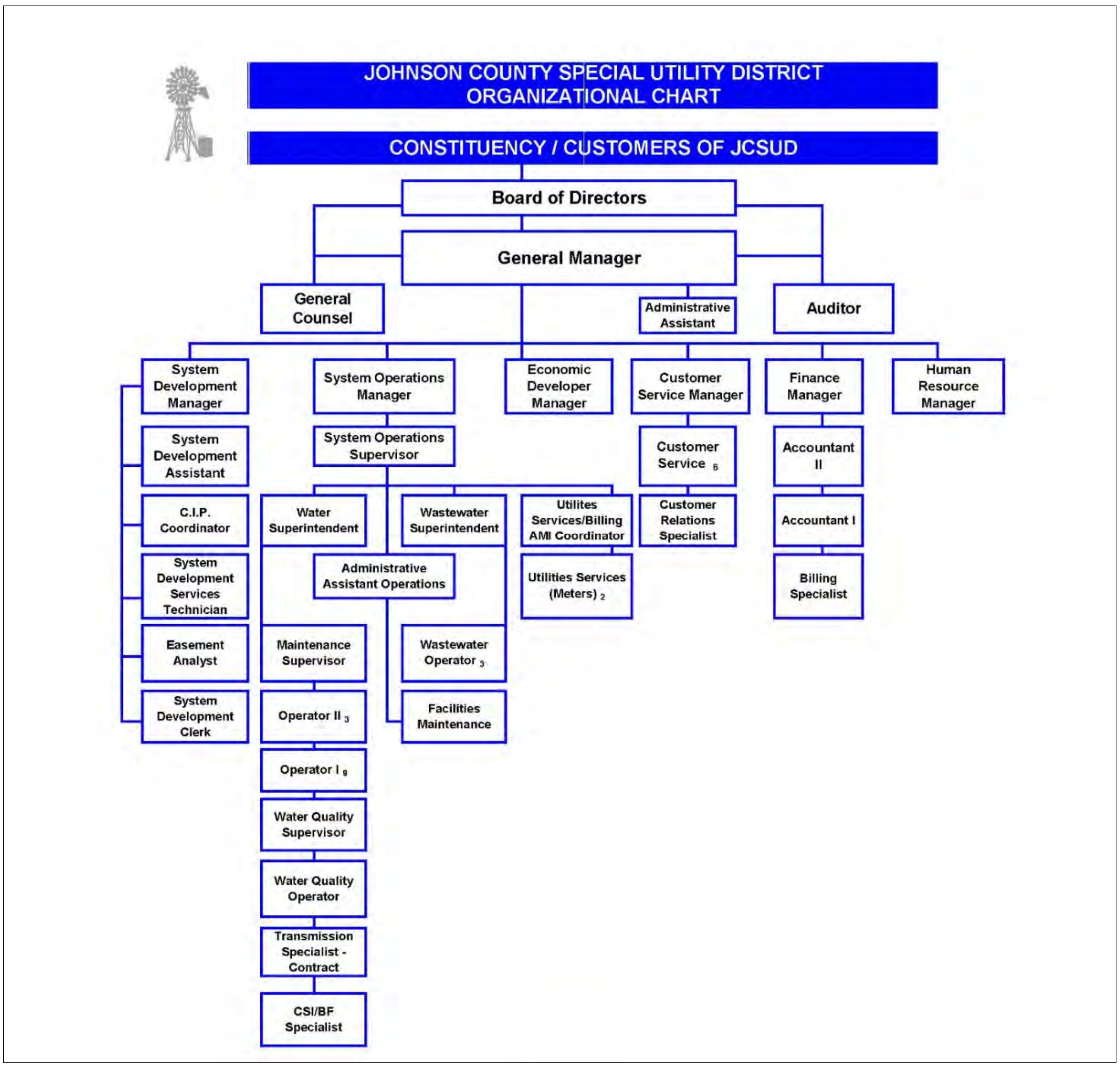
Danny Armstrong
System Operations Manager

Dana Collier
System Development Manager

Joshua Howard
Finance Manager

Kelli Roberts
Human Resource Manager

Carrie LaFountain
Customer Service Manager



PROFILE OF THE DISTRICT

In 1965, the Johnson County Rural Water Supply Corporation organized and chartered under state statutes as a non-profit corporation, much like many others of its kind in Texas during this era. The beginnings of these rural water suppliers arose throughout the country and were funded through loans from the Farmers Home Administration. The system began with 305 users and served a genuine need in supplying drinking water to the rural community. In 1972, the West Prairie Water Supply Corporation in the northern portion of the County was merged into the existing system. The merger of two entities into one was named the Johnson County Rural Water Supply Corporation. In 1977, the Nolan River Water Supply Corporation in the southern portion of the County also merged with the Corporation. This public water supplier with such humble beginnings is steadily evolving into much more as time and growth continues in Johnson County.

In 2000, the system was serving 10,200 connections. The Board of Directors voted to convert Johnson County Rural Water Supply Corporation to a special utility district (SUD). Converting to a SUD allows water supply corporations to become a political subdivision. The largest cost-savings accumulates for governmental entities issuing tax-exempt bonds to fund capital projects. Finally, in 2004, the Texas legislature approved the conversion, and the organization began operating as the Johnson County Special Utility District.

For several years, the Joshua area was served by the Johnson County Fresh Water Supply District #1 (FWD for freshwater district). In 2005, the JCSUD staff had been approached to consult with the FWD as they were going through several years of tough economic times and mismanagement. The effort here was to help the FWD officials regain the best management practices and streamline cost. It led to discussions in measuring the merit of the FWD to consolidate the two systems. The next year, the FWD approved a resolution to conjoin with JCSUD and an application was made with the State to consummate the merger. In April 2007, the District began managing the day-to-day operation of the FWD. Merging the Joshua area water system with JCSUD helped to better maintain stable rates among all the domain of ratepayers which now totaled 14,426.

2012 was quite a mile-marker year in the life of the District. The Brazos River Authority - Surface Water Advanced Treatment System (SWATS) which once served five municipal suppliers was favorably reduced to only two. The ownership and management transferred from the Brazos River Authority to a newly created Brazos Regional Public Utility Agency (PUA). Only two owner-entities created and sustain the Brazos Regional Public Utility Agency today - JCSUD and AMUD. The five-member governing body of the PUA are also Board members of the sponsors. In this transition, Granbury decided it worked best to construct their own treatment plant. Also, the city of Keene agreed to become a direct wholesale customer to JCSUD.

The Brazos Regional PUA has proven to be a great improvement as the new organization of record which provides more favorable results to the two sponsors it serves. Having sources in both the Trinity and Brazos basin to draw from affords the District an extra measure of safety when one supplier needs to suspend service.

In June 2019, JCSUD moved its business operation from Cleburne, Texas, to occupy its new facility on FM 3048 in Joshua, Texas. Now begins a new era as the total business and operations finally originate from a central location relative to the District's area of service.

In the last 20 years, the number of connections has doubled to some 18,922 households today, an estimated 49,000 in population. Besides these retail connections, the District takes on a greater role as a regional wholesale water provider. The City of Alvarado, City of Keene, Bethany Special Utility District, and Monarch Utilities (each serving over 1,000 connections) have wholesale water contracts with the District for long-term water supply needs. The City of Joshua and the Lillian community look to JCSUD as their water provider.

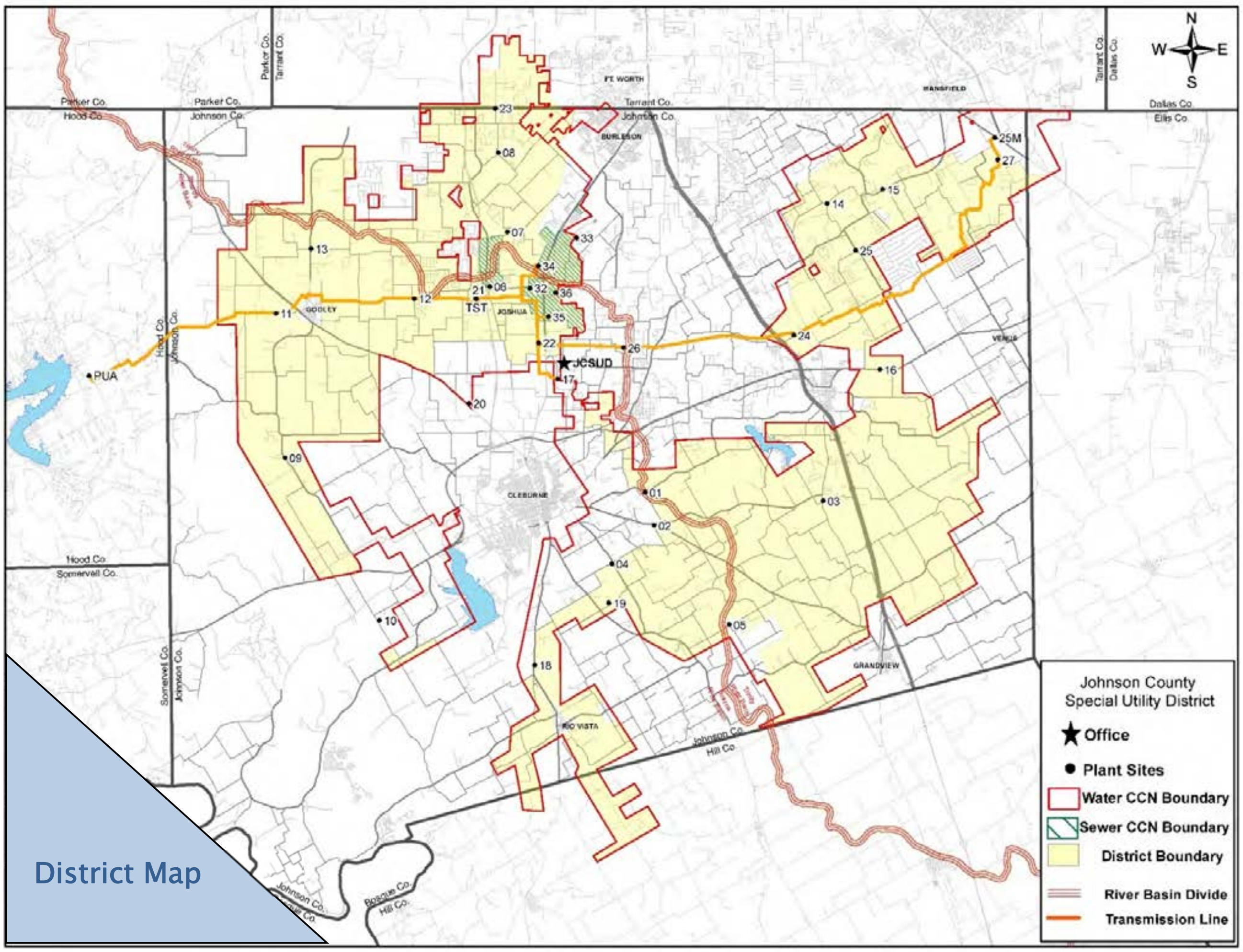
WATER SUPPLY AND DISTRIBUTION

The District contracts with the Brazos Regional PUA to have 7.2 MGD through the SWATS plant on Lake Granbury. In addition, the District water well supply varies from year to year; but more recently accounts for supplying around 1.5 MGD. Wholesale water contracts are in place with the City of Mansfield for 9 MGD and 6 MGD with the City of Grand

Prairie. JCSUD accounts for an ample total water supply capacity of 23.7 MGD.

Johnson County is in the Region G Water Planning Area. In the 2021 Water Plan, JCSUD is projected to have a surplus in 2030 through 2050. The 2021 Plan accounts for JCSUD's projected retail supply needs combined with the projected wholesale supply demand. The 2050 projected total supply-demand of 13,750-acre ft. compares to the JCSUD's total treated water supply capacity in 2060 to be 14,002-acre ft. It also lists all 25 wholesale suppliers in the Region G planning area and JCSUD is well-positioned for having an abundant surplus supply through 2050.

The system has about 891 miles of distribution pipeline and 48 miles of transmission lines and is divided into 15 separate pressure planes. The District operates 7 elevated storage tanks with a combined total of 5 million gallons in the system. The water CCN (certificate of convenience and necessity) service area of the District is approximately 320 square miles; predominately in Johnson County, but also serving in Tarrant and Hill county. Only three connections are being served just inside of the Ellis county line.



District Map

WASTEWATER COLLECTION AND TREATMENT FACILITIES

The District took ownership and operation of the Joshua wastewater collection and treatment facilities (permit # WQ0014350001) in 2007 from Johnson County Freshwater Supply District #1. The collection system serves some 3,000 connections in and around the City of Joshua and a small portion within the Burleson city limits. This small system is uniquely challenged as it straddles the basin divide line between the Trinity River and Brazos River water-shed areas.

The District operates 7 lift stations among nearly 48 miles of sewer mains in this collection system. In 2013 the District completed improvements to the treatment plant which has an average daily discharge of about 360K gallons per day. The treatment method includes influent screening for two aeration basins, four clarifiers, three on-site lift stations and a chlorine contact basin. Treated effluent discharges into the Village Creek which eventually flows into Lake Arlington. In 2017, the TCEQ approved the District's permit request to expand its average daily discharge volume to 790K gal/day.

RELEVANT FINANCIAL POLICIES

Cash Management – JCSUD maintains financial policies with regards to budget, investments and management, financial audit, debt financing, capital improvement plan, and reserve funds. None of these policies had a significant impact on the current period's financial statements.

Interest rates for investments allowed by JCSUD's Investment Policy and State Law rose early in the year before falling by year-end. Pool rates were 1.80% at the beginning of 2020 and ending at .33%, a drop of 1.47% yield at the end of December 2020. Rates for Certificates of Deposit (CD) also dropped dramatically. At the end of December 2020, a one-year CD yielded between .02% and .10% as compared to .75% and 1.70% at the end of December 2019. CDs and other financial institution deposits remain significantly more attractive than alternative Treasury and Agency positions. Additional information on the District's cash management activity can be found in Note 3 of the Notes to Financial Statements.

Budgetary Controls – The annual budget serves as the basis for the District's financial planning and control. Comparative budget-to-actual expense statements are provided to the Board of Directors on a monthly basis throughout the fiscal year.

Internal Accounting Controls – Internal accounting controls are designed to provide reasonable assurance regarding safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. We believe the District's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As part of the District's audit, tests were performed of its internal controls and compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a material effect on the District's financial statements. Although it was not an objective of the audit to provide an opinion on the compliance, the results of the test disclosed no material instance of noncompliance related to the audit for the year ended December 31, 2020.

2020 Major Accomplishments

Risk & Resilience Assessment

The District completed a risk and resilience assessment as required by the Environmental Protection Agency (EPA) for water systems serving a population of greater than 3,300 persons. This risk and resilience assessment includes the risk to the system from malevolent acts and natural hazards; the resilience of the pipes and constructed conveyances, physical barriers, source water, water collection and intake, pretreatment, treatment, storage and distribution facilities, electronic, computer, or other automated systems (including the security of such systems) which are utilized by the system; the monitoring practices of the system; the financial infrastructure of the system; the use, storage, or handling of various chemicals by the system; and the operation and maintenance of the system.

OUR IMPORTANT ROLE IN COVID-19

Safe and reliable water service is a cornerstone of public health. Clean water is used for drinking and washing, food production and firefighting. Indeed, water providers are essential services, and our water systems are critical infrastructure that supports life, business, and public health.

We knew—and regulatory agencies confirmed—that the same disinfectants that make water safe to drink are also effective at killing the COVID-19 virus. In March 2020, we took quick action to ensure our ability to continue providing our customers with safe water throughout this crisis. Staff were instructed to work from home when possible, highly trained employees were isolated, and our emergency operations team was activated to map out our response.

EARLY ACTIONS TO FIGHT THE SPREAD of COVID-19:

- Cleaned and masked. We increased our cleaning and sanitizing efforts with a focus on high contact surfaces. We sanitized our fleet of vehicles and required masks when around others.
- Public spaces closed. Our lobby was closed to minimize exposure to the public and our employees until safe alternatives were put into place.
- Field crews remained at work. We initially scaled back field crews to critical activities only while we adjusted work schedules and practices to ensure safe maintenance and leak repairs.
- Suspended shutoffs. Recognizing the hardships facing many of our customers, we committed to not turning off water service for nonpayment.
- As new information was learned about the spread of the virus, we developed our business continuity plans and updated our procedures to optimize the service we provide and to protect the public and our employees.

AMI and Smart-Meter Conversion

Deployment of this project began in 2019. Advanced Metering Infrastructure (AMI) is rapidly the up-and-coming new standard among public water systems and other utilities around the country for the same good reasons. AMI platforms from a specialized data management software system that integrates with new "smart meters". Converting JCSUD over to the AMI system will enhance customer service and improve the overall efficiency in the meter reading and billing process.

Redline Projects

Over the last seven years, redline projects funded through 2020 totals some $2.2 million for about 11.5 miles (driving distance from Cleburne courthouse to I-35) of 6, 8, and 12-inch waterline. This is a year-over-year process to generally address new connections which tend to come onto older areas of the system. Adding new meters where smaller water lines have existed for decades eventually becomes problematic as it relates to volume and/or pressure. One-third of the system consists of 3-inch and smaller diameter lines. JCSUD models distribution system hydraulics to best plan for improvements as stimulated by new connections in areas more vulnerable to being impacted are monitored. Certain waterline segments are ranked in accordance with the need to be upsized or replaced. Priority waterlines are designated as "redlines". The District's strategy is to replace or supplement existing lines with larger ones as soon as practical coupled with available funding. The staff generally manages the prelim work prior to construction while the actual installation is outsourced to a selected contractor based on competitive quantity pricing. Future projects are identified, ranked, and scheduled to implement as the system Master Plan stipulates.

In 2020, Johnson County Special Utility District initiated a water pipe replacement project in the FM 2258 corridor in Grandview, we replaced 1.0 mile of water pipes to improve service reliability. In addition, 5 fire hydrants were added to increase the protection of life and property when a fire breaks out.

We are proud to say our FM 2258 project was completed on time and within budget:

- FM 2258 – replace 4" line with 5,300 LF of 8"
- CR 423 – Tie in 1 ½" water line to 4" water line
- 190 LF of 12" water line along Caracal Drive
- 511 LF of 16" water line along Rustic Oak Lane
- 3,820 LF of 12" water line along Rustic Oak Lane

Contributed Property/Capital – Subdivision Development and Commercial Ventures

As new subdivision development continues, 2020 recorded a contributed property value of $1.2 million. This annual accounting to “book” contributed property memorializes the District’s final approval of a development. The water utility infrastructure within the subdivision has been properly installed and it is formally accepted as JCSUD’s capital to operate and maintain.

System Development Updates

System Development had an exceptionally large year in new developments and new connections set onto the system. In 2020, 778 new connections were set, a 68% increase from 2019.

System Development worked with several developers and engineering firms through 2020 to complete 24 developments, adding 434 connections onto the water system, 62 fire hydrants and 86 connections onto the wastewater system. Adding approximately $1.2M in contributed capital to the District.

The District was able to participate in two (2) of the developments with oversizing pipes that aligned with the 2014 master plan. These lines consisted of oversizing approximately 511 feet of 8-inch waterline to a 16-inch waterline and 4,010 feet of 8-inch waterline to 12-inch waterline.

Water Rates at Work: Increasing Infrastructure Investment

Every day, millions of gallons of safe, clean drinking water are transported around our communities by a complex network of pipes beneath our streets and neighborhoods. These pipes—many of which were constructed in the 1950s and 60s—deliver water to homes and businesses 24 hours a day, seven days a week. As with most infrastructure, water pipes need to be repaired or replaced as they age.

In 2020, Johnson County Special Utility District initiated one of the most expansive water pipe replacement projects in its history. In parts of Joshua, we replaced 1.5 miles of water pipes to improve service reliability. Also, we added more than 20 fire hydrants to increase protection of life and property when fire breaks out. At more than 60 years old, pipes in this neighborhood were at the end of their useful life.

Community infrastructure projects like this one are funded with the rates our customers already pay for regular water service. Proactive maintenance that fits within our financial means is part of being a responsible water provider.

We are taking a proactive approach that focuses on neighborhoods that have a history of leaks. In 2021, we plan to begin six water pipe replacement projects that will exceed, in total, five miles in length. Replacing old pipes with the longest-lasting materials and highest quality design and construction minimizes the risk of disruptive and costly breaks. We are committed to making these improvements for the benefit of customers for decades to come.

Current Initiatives

$22 million TWDB Loan – Bundled CIP Water Line Extension Projects

In terms of distribution system projects taken on in a consolidated, relatively short interval, this TWDB loan project represents the largest undertaking for the District in its 54-year history. About $17 million of this project goes to the construction of distribution system improvements. About $5.2 million, towards the AMI (Advanced Metering Infrastructure) system project while JCSUD reserves are ample to cover the remainder which is designated for soft cost including engineering, project management, etc. Roughly half of this undertaking is dedicated towards replacing smaller lines and some system maintenance. The other half is committed to addressing new growth and related distribution improvements. Completion is expected in 2021.

Community Development Grant Project

This waterline extension project is 6-inch pipe for 11,260 feet. The District submitted this grant application in February 2017. The grant consultant indicates that JCSUD qualifies for funding, but the final confirmation is not yet complete. This $275,000 grant through the Community Development Block program is administered by the Texas Department of Agriculture as federal HUD dollars are distributed throughout the states. The grant calls for JCSUD to participate with fractional matching funds depending on total construction cost.

Water And Wastewater Master Plan Update

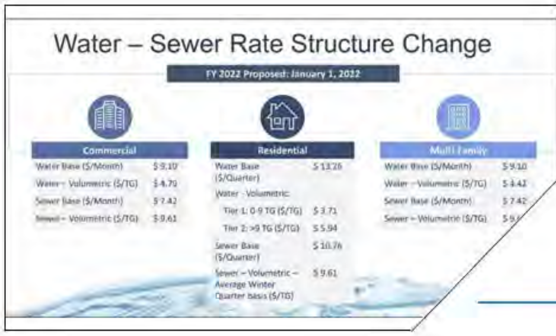
Since the District's last Master Plan update in 2014, the District has implemented more water system improvements in such a short interval than ever before. The water system Master Plan was updated to best plan for capital projects need in 5-year increments for the next 15 years. Changes in growth patterns and growth rates impact the timing of implementing projects. Likewise, the District maintains a Wastewater Master Plan for the Joshua area of the system. Master planning enables the District to plan best for needed collection system improvements and evaluate the timing of treatment plant improvements for better efficiency and accommodating growth.

tyler technologies

Tyler Technologies – Incode 10

Incode 10 will serve as an all-in-one solution, Enterprise Resource Planning (ERP), for all aspects of accounting, customer management, billing, payroll, and reporting. Currently, the District is relying on integrations between various software systems to accurately consolidate information between departments. By migrating to Incode 10, these processes will reside in a single software improving reporting capabilities, accuracy across the various roles creating less manual work, and streamlined processes.

Current Initiatives ....Continued

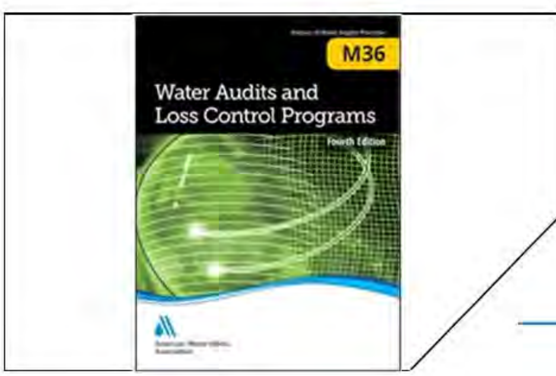


Wholesale and Retail Water and Wastewater Rate Study

The District has engaged NewGen Strategies & Solutions regarding a Wholesale and Retail Water and Wastewater (Sewer) Rate Study. The District is in the process of completing the Water and Wastewater Master Plans and needs to be adequately positioned to fund these capital investments and improvements. NewGen is developing a scope of work to prepare a 5 to 10-year financial plan for the District's water and wastewater utility, recognizing the impact of debt-funding the majority of the capital plan, as well as the general impact of inflation, customer growth, and estimated changes in customer demand. This plan will consider key financial metrics that the District must maintain to ensure the financial stability of the utility including the maintenance of sufficient working cash reserves and appropriate debt service coverage levels.

Emergency Response Plan

In correlation with the risk and resilience assessment, the EPA requires water systems to prepare an emergency response plan that incorporates the findings of the assessment. The emergency response plan includes: strategies and resources to improve the resilience of the system, including the physical security and cybersecurity of the system; plans and procedures that can be implemented, and identification of equipment that can be utilized, in the event of a malevolent act or natural hazard that threatens the ability of the water system to deliver safe drinking water; actions, procedures and equipment which can obviate or significantly lessen the impact of a malevolent act or natural hazard on the public health and the safety and supply of drinking water provided to communities and individuals; and strategies that can be used to aid in the detection of malevolent acts or natural hazards that threaten the security or resilience of the system.



Water Loss Reduction/Control

The evaluation of short to medium-term water loss reduction opportunities will reduce the current real-loss water volume. Implementation intervention strategies continue. Our focus will be on improved:

- Failure location tracking and repair times.
- Intervention frequency for proactive leak detection.
- Pressure management.
- The collection of historical data of water-line failures.

FISCAL YEAR 2020 FINANCES IN BRIEF

Revenues, Expenses, and Changes in Net Position (in thousands)

Source	Total
Water Sales	$ 16,327
System Development Fees	2,311
Sewer Revenue	1,515
Capital Contributions	1,226
Installation Fees	557
Miscellaneous	408
Investment Earnings	307
Penalties	227
Total	**22,878**

Program	Total
Water Purchases	$ 6,459
Depreciation	3,111
Personnel Services	3,110
Repair & Maintenance	1,253
Other	1,239
Utilities & Communication	704
Interest Expense	554
Change in Net Position	6,448
Total	**22,878**

Read our FY20 Comprehensive Annual Financial Report at **jcsud.com**

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Johnson County Special Utility District
Texas

For its Comprehensive Annual Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Management
Johnson County Special Utility District
Joshua, Texas

Report on the Financial Statements

We have audited the accompanying basic financial statements of Johnson County Special Utility District (the "District"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

George, Morgan & Sneed, P.C.
1849 Wall Street | Weatherford, TX 76086 | *Phone* 817.594.2704 | *Fax* 817.599.7389

www.gms-cpa.com

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Johnson County Special Utility District, as of December 31, 2020, and the changes in financial position and its cash flows 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 Unites States of America require that the management's discussion and analysis on pages 4 - 8 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 with management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, 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 an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section, supplementary financial data and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary financial data and schedule of expenditures of federal awards 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 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 ni the United States of America. In our opinion, the supplementary financial data and schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2021 on our consideration of the District's internal control over financial reporting and 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 District'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 District's internal control over financial reporting and compliance.

George, Morgan & Sneed, P.C.

Weatherford, Texas
April 14, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Johnson County Special Utility District, we offer readers of the Johnson County Special Utility District's financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2020. We encourage readers to consider the information presented here.

FINANCIAL HIGHLIGHTS

- The assets of the Johnson County Special Utility District exceeded its liabilities at the close of the current year by $97,918,602 (net position) compared to $91,470,420 for the prior year. Of this amount, $29,782,810 (unrestricted net position) may be used to meet the District's obligations to creditors.
- The District's total net position increased by $6,488,183 for the current year reported. Net position in the previous year increased by $7,459,363.
- Total capital assets (net of depreciation) were $82,908,018 for the current year reported compared to $76,364,276 in the previous year.
- Bonds payable were $31,268,725 at year-end compared to $33,331,450 at the previous year-end.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Johnson County Special Utility District's basic financial statements. The Johnson County Special Utility District's basic financial statements comprise two components: 1) proprietary fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information and statistical information in addition to the basic financial statements themselves.

Proprietary fund financial statements. The District maintains one proprietary fund. The District uses an enterprise fund to account for its water and sewer operations. The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases to net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

The basic financial statements can be found on pages 9 through 11.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 12 - 21 of this report.

Other information. In addition to the basic financial and accompanying notes, this report also presents certain supplementary information that further explains and supports the information in the financial statements.

Proprietary Fund Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Johnson County Special Utility District, assets exceeded liabilities by $97,918,602 as of December 31, 2020.

A significant portion of the District's net position (65%) reflects its investment in capital assets (e.g. land, construction in progress, buildings, water systems, sewer systems, and equipment), net of any related debt used to acquire those asset that is still outstanding. Johnson County Special Utility District uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. The use of constructed assets (pumps, storage tanks, distribution system, metering equip, transmission line, etc.) coupled with the workforce actually provide the foundation which generates some $16 million annually in collections from retail and wholesale customers. JCSUD reports that about 16% of every dollar collected goes towards debt service and CIP spending. Seemingly assets have a significant role as a source which in part helps to retire debt.

An additional portion of the District's net position (5%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of $29,782,810 represents resources that may be used to meet the District's ongoing obligations to creditors. As of December 31, 2020, the District is able to report a positive balance in all the categories of net position.

Below are summaries of the Johnson County Special Utility District's Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position-Proprietary Fund.

Condensed Statement of Net Position

	2020	2019
Current assets and other assets	$ 51,446,413	$ 51,998,984
Capital assets	82,908,018	76,364,276
Total assets	134,354,431	128,363,260
Liabilities		
Current liabilities	7,139,880	5,479,692
Long-term liabilities	29,295,949	31,413,149
	36,435,829	36,892,841
Net position		
Invested in capital assets, net of related debt	63,286,260	62,168,882
Restricted for debt service	4,849,532	3,905,147
Unrestricted	29,782,810	25,396,390
	$ 97,918,602	$ 91,470,419

Changes in Net Position

	2020	2019
Revenues		
Operating revenues:		
Water sales	$ 16,326,905	$ 15,369,001
Sewer revenue	1,514,523	1,423,371
Penalties	226,336	262,359
Installation fees	556,765	321,770
Miscellaneous fees	245,389	220,540
Nonoperating revenues:		
Gain (Loss) on disposal of assets	(40,193)	411,309
Investment earnings	306,552	895,101
Other income	203,055	143,911
System development fees	2,310,860	1,311,480
Total revenues	21,650,192	20,358,842
Expenses:		
Water purchases	6,459,069	6,729,864
Other operating	6,304,565	5,429,379
Depreciation	3,110,589	2,770,288
Nonoperating	554,080	587,012
Total expenses	16,428,303	15,516,543
Income before capital contributions	5,221,889	4,842,299
Capital contributions	1,226,294	2,617,064
Change in net position	6,448,183	7,459,363
Net position - beginning	91,470,419	84,011,056
Net position - ending	97,918,602	91,470,419

The District's net position increased $6,448,183 in the current year compared with a $7,459,363 increase in the prior year. $1,226,294 of the increase is due to developer contributions of water and sewer system improvements compared to $2,617,064 in the previous year.

Total operating revenues increased $1,272,877 (7.23%). Water sales increased $957,905 due to a 130 million gallon increase of water sold. Sewer revenues increased $91,152 because number of customers increased by 7%. Nonoperating revenues increased $18,473 primarily because of the increase in system development fees. Total expenses increased $911,760. Water purchases decreased $270,795 because less water was purchased from Mansfield in current year and the share of BRPUA expenses decreased. Depreciation expense increased $340,300 due to significant assets being depreciated. Other operating expenses increased $875,187 due to new employees being hired and repairs and work to transmission line and water system. The increase in expenses before nonoperating expenses is 6%.

Capital Assets

The Johnson County Special Utility District's investment in capital assets as of December 31, 2020, amounts to $82,908,018 (net of accumulated depreciation).

Major capital asset events during the current year included the following:

- $1,226,294 water and sewer system improvement contributed by developers.
- $7,763,496 for engineering and water system improvement bond projects.

Johnson County Special Utility District's Capital Assets
(Net of Depreciation)

	2020	2019
Land	$ 875,358	$ 875,358
Construction in progress	14,325,744	6,364,334
Buildings and building improvements	5,845,598	6,205,033
Water distribution systems	55,417,389	56,139,187
Sewer distribution systems	5,789,003	6,084,386
Equipment, furniture and fixtures	654,926	695,978
Master Plan	-	-
	$ 82,908,018	$ 76,364,276

Additional information on the District's capital assets can be found on Note 4 in the notes to the financial statements.

Long-Term Debt

The following is the District's Outstanding Debt at December 31, 2020:

Description	2020	2019
Revenue Bonds	$ 31,268,725	$ 33,331,449

More detailed information about the District's debt is presented on Note 5 in the notes to financial statements.

Economic Factors and the Next Year's Budgets and Rates

Operating income is budgeted to increase to $17,657,807 in the 2021 budget. The 2021 budget conservatively projects water sales to be slightly higher due to the growing housing market in the Godley/Joshua area.

Request for Information

The District's financial statements are designed to provide a general overview of Johnson County Special Utility District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Comptroller of Johnson County Special Utility District, P.O. Box 1390, Joshua, Texas 76058.

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JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Statement of Net Position
Proprietary Fund
December 31, 2020

ASSETS		
Current Assets		
Cash and cash equivalents	$	14,775,620
Certificates of deposit		3,310,000
Accounts receivable (net of allowance for uncollectibles)		1,421,292
Inventory		517,525
Prepaid items		306,520
Restricted assets		
Cash and cash equivalents		18,778,458
Total current assets		39,109,415
Noncurrent Assets		
Other assets:		
Equity interest in joint venture		12,336,998
Capital assets (net of accumulated depreciation)		
Nondepreciable		15,201,102
Depreciable assets		67,706,916
Capital assets, net		82,908,018
Total noncurrent assets		95,245,016
Total assets	$	134,354,431
LIABILITIES		
Current liabilities		
Accounts payable	$	2,667,158
Accrued expenses		9,071
Accrued payroll liabilities		62,892
Compensated absences payable		48,601
Current liabilities payable from restricted assets		
Interest payable		206,261
Customer deposits payable		2,075,700
Current portion of bonds payable		2,070,197
Total current liabilities		7,139,880
Noncurrent liabilities		
Compensated absences payable		97,422
Bonds payable		29,198,527
Total noncurrent liabilities		29,295,949
Total liabilities	$	36,435,829
NET POSITION		
Net investment in capital assets	$	63,286,260
Restricted for debt service		4,849,532
Unrestricted net position		29,782,810
Total net position	$	97,918,602

The notes to the financial statements are an integral part of this statement.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2020

OPERATING REVENUES	
Water sales	$ 16,326,905
Sewer revenue	1,514,523
Penalties	226,336
Installation fees	556,765
Miscellaneous fees	245,389
Total operating revenues	18,869,918
OPERATING EXPENSES	
Water purchases	6,459,069
Personnel	3,109,900
Repair, maintenance and supplies	1,252,147
Utilities and communication	703,502
Other	1,239,016
Depreciation	3,110,589
Total operating expenses	15,874,223
Operating income (loss)	2,995,695
NONOPERATING REVENUES (EXPENSES)	
Loss on disposal of assets	(40,193)
Investment earnings	306,552
Other income	203,055
System development fees	2,310,860
Interest expense	(554,080)
Total nonoperating revenue (expenses)	2,226,194
Income (loss) before contributions	5,221,889
CAPITAL CONTRIBUTIONS	
Capital contributions	1,226,294
Change in net position	6,448,183
Net position - beginning	91,470,419
Net position - ending	$ 97,918,602

The notes to the financial statements are an integral part of this statement.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2020

Cash flows from operating activities:	
Cash received from customers	$ 19,446,105
Cash paid to suppliers and service providers	(10,304,808)
Cash paid to employees for salaries and benefits	(3,128,825)
Net cash provided (used) by operating activities	6,012,472
Cash flow from capital and related financing activities:	
Capital outlay	(7,007,756)
Proceeds from sale of capital assets	8,500
System development fees	2,310,860
Principal payments on long-term debt	(2,050,000)
Interest paid on bonds	(576,872)
Net cash (used) by capital and related financing activities	(7,315,268)
Cash flow from investing activities:	
Interest received	306,552
Other income	203,055
Redemption of certificates of deposit	
Net cash provided by investing activities	509,607
Net increase (decrease) in cash and cash equivalents	(793,189)
Cash and cash equivalents, January 1, 2020	34,347,267
Cash and cash equivalents, December 31, 2020	$ 33,554,078
Reconciliation of Operating Income to	
Net Cash Provided (Used) by Operating Activities	
Operating income	$ 2,995,695
Adjustments to reconcile operating income to	
net cash provided (used) by operating activities:	
Depreciation expense	3,110,589
(Increase) decrease in accounts receivable	449,587
(Increase) decrease in supplies inventory	(154,973)
(Increase) decrease in prepaid items	(70,453)
(Increase) decrease in equity interest in joint venture	(464,779)
Increase (decrease) in accounts payable	550,666
Increase (decrease) in accrued expenses	(511,535)
Increase (decrease) in accrued payroll liabilities	32,430
Increase (decrease) in compensated absences payable	(51,355)
Increase (decrease) in customer deposits payable	126,600
Total adjustments	3,016,777
Net cash provided by operating activities	$ 6,012,472
Noncash Investing, Capital and Financial Activities	
Contribution of capital assets by developers	$ 1,226,294
	$ 1,226,294

The notes to the financial statements are an integral part of this statement.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Johnson County Special Utility District (the District) is a governmental entity created by the 78th Texas Legislature in Senate Bill 5 on June 20, 2003, subject to a confirmation election which was held November 4, 2003. The District operates under Texas Water Code Chapter 65, as amended. The District is a conversion of the former Johnson County Water Supply Corporation and succeeded to all of its assets, liabilities, and operations, on November 4, 2003. The Corporation was dissolved January 1, 2004. The District supplies retail and wholesale water and sewer services to customers in rural North Central Texas, primarily in Johnson County.

B. Basic Financial Statements – Fund Financial Statements

The financial statements of the District are reported in the proprietary fund financial statements. The fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, net position, revenues and expenses.

Proprietary Fund

The focus of proprietary fund measurement is on the determination of operating income, changes in net position, financial position, and cash flows. The generally accounting principles applicable are those similar to businesses in the private sector. The following briefly describes the purpose of proprietary fund.

Proprietary fund is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues.

C. Measurement Focus and Basis of Accounting and Financial Statement Presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as soon as all eligibility requirements imposed by the grantor have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary fund are charges to customers for sales and services. Operating expenses include the costs of sales and services, administrative expenses, and depreciation on capital assets. 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 District's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

2. Receivables

All trade receivables are shown net of an allowance for uncollectibles of $27,907. Trade accounts receivable in excess of ninety days comprise the allowance for uncollectible trade accounts receivable.

3. Inventory

Inventories of parts and supplies are stated at cost using the first-in-first out method. These inventories are used for repairs and maintenance of the water and sewer systems.

4. Prepaid Items

Payments made to vendors for goods and services that will benefit future periods are recorded as prepaid items in the financial statements.

5. Capital Assets

Capital assets are recorded at cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation. Furniture and fixture assets with a cost of $1,000 or more and a useful life greater than three years will be capitalized. All other assets with a cost of $10,000 or more and a useful life greater than three years will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of proprietary fund is included as part of the capitalized value of the assets constructed. There was no interest capitalized during the year.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings and building improvements	5 – 40	years
Water system	5 – 40	years
Sewer system	5 – 40	years
Equipment, furniture and fixtures	3 – 20	years
Master plan	5	years

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Compensated absences

The District offers employees a leave benefit program known as Paid Time Off (PTO). Under this policy, all employees may draw upon their accrued PTO days for vacation, sick leave, medical appointments, family illnesses or personal leave issues. PTO is accrued when earned.

Participating employees have the option to rollover PTO time to the Personal Illness Bank (PIB) for the sake of having leave time available in the case of long-term illness. Employees are encouraged to rollover accrued PTO as a form of insurance to help during such unavoidable events. At termination employees are eligible to receive PIB time if the termination is not a result of a violation of District policy.

7. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expenses in the current period.

8. Net Position

Net position represents the difference between assets and liabilities. Proprietary fund net position are divided into three components:

- Net investment in capital assets – consist of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets and adding back unspent proceeds.
- Restricted net position – consist of net position that are restricted by the District's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted – all other net position are reported in this category.

9. Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires the use of estimates by management that affect reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2: DEPOSITS AND INVESTMENTS

1. Deposits

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a fair value of not less than the principal amount of the deposits. At December 31, 2020, the District's deposits were fully insured or collateralized as required by the District's investment policy.

2. Investments

The Texas Public Funds Investment Act requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Per the District's investment policy, public funds of the District may be invested in (1) obligations of the United States Government, its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities; (5) certificates of deposit which are fully FDIC insured or collateralized from a depositor institution doing business in the State of Texas; (6) no-load Money Market Mutual Funds; (7) Texas Local Government Investment Pools. During the year ended December 31, 2020, the District did not own any types of securities other than those permitted by its investment policy.

The District invests idle funds in the Logic Local Government Investment Pool, Texstar Local Government Investment Pool, Texas Local Government Investment Pool (Tex-Pool) and Texas Term Local Investment Pool. The City's pools are local government investment pools organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. Each pool is governed by an advisory board composed of participants and other persons who do not have a business relationship with the pool. All investments of the pools are stated at amortized cost, which in most cases approximates the market value of the securities. The objective of the pools is to maintain a stable $1.00 net asset value; however, the $1.00 net asset value is not guaranteed or insured by the State of Texas.

Credit Risk-Investments

The District controls risk by limiting its investments to those instruments described above.

NOTE 2: DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk-Investments

The District manages interest rate risk by spreading the fair value of its investments over varying maturities. The District's policy sets a maximum of five years on its investments, with no more than 20% of the portfolio extending beyond three years. The District's investments at December 31, 2020, included the following:

Description	Rating	Maturities	Investment	Cost	Market
Logic Pool	AAAm	55 days	62.61%	$21,753,316	$21,753,316
TexStar Pool	AAAm	38 days	15.03%	5,221,062	5,221,062
Tex-Pool	AAAm	37 days	11.83%	4,109,253	4,109,253
Texas TERM Pool	AAAf	32 days	1.00%	348,769	348,769
Certificates of Deposit	n/a	n/a	9.53%	3,310,000	3,310,000
Total			100.00%	$34,742,400	$34,742,400

The maturities reflected above for the pools are the weighted average maturities of the underlying securities held by the pools.

The pools listed above totaling $31,432,400 are reporting with cash and cash equivalents in the statement of net position.

NOTE 3: RESTRICTED ASSETS

Certain proceeds of the District's revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or other legal restrictions. Also included are customer deposits which are considered refundable.

Construction funds	$ 11,646,966
P&I sinking funds	2,459,865
Revenue bond reserves	2,595,927
Customer deposits	2,075,700
	$ 18,778,458

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Non Depreciable Assets:				
Land	$ 875,358	$ -	$ -	$ 875,358
Construction in progress	6,364,334	8,250,888	(289,478)	14,325,744
Total non-depreciable assets	7,239,692	8,250,888	(289,478)	15,201,102
Depreciable Assets:				
Buildings and building improvements	6,451,255		(169,385)	6,281,870
Water distribution systems	82,174,446	1,515,772		83,690,218
Sewer distribution systems	8,648,865			8,648,865
Equipment, furniture and fixtures	2,192,434	225,753	(22,246)	2,395,940
Master Plan	33,202	-	(33,202)	-
Total capital assets being depreciated	99,500,201	1,741,525	(224,833)	101,016,892
Accumulated Depreciation:				
Buildings and building improvements	(246,222)	(310,741)	120,692	(436,271)
Water distribution systems	(26,035,259)	(2,237,570)		(28,272,829)
Sewer distribution systems	(2,564,479)	(295,383)		(2,859,862)
Equipment, furniture and fixtures	(1,496,456)	(266,895)	22,336	(1,741,014)
Master Plan	(33,202)		33,202	-
Total accumulated depreciation	(30,375,618)	(3,110,589)	176,230	(33,309,977)
Business-type activities capital assets, net	$ 76,364,276	$ 6,881,823	$ (338,081)	$ 82,908,018

NOTE 5: LONG-TERM LIABILITIES

Revenue Bonds

The District issues bonds where the District pledges income derived from the acquired or constructed assets to pay debt service. The bonds were issued to finance the acquisition and construction of major capital facilities and to provide funds for the refunding of prior revenue bonds. The issuance of the refunding bonds did not result in a difference between the reacquisition price of the old debt and the net carrying amount of the old debt. Therefore, there is no deferred charge on refunding reflected in the statement of net position. Revenue bonds outstanding at year end are as follows:

NOTE 5: LONG-TERM LIABILITIES (continued)

Series	Issue Amount	Maturity Date	Interest Rates	Amount Outstanding
2005 Revenue Refunding Bonds	$ 6,245,000	8/15/2021	3.00% - 4.30%	$ 85,000
2012 Revenue Refunding Bonds	9,500,000	8/15/2031	.30% - 3.00%	6,000,000
2013 Revenue Refunding and Improvement Bonds	8,510,000	8/15/2031	1.00% - 2.65%	4,940,000
2018 Revenue Bonds (TWDB)	22,000,000	8/15/2038	.38% - 1.82%	20,075,000
Total				$ 31,100,000

Revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
2021	$ 2,055,000	$ 550,029	$ 2,605,029
2022	2,000,000	521,579	2,521,579
2023	1,920,000	494,368	2,414,368
2024	1,950,000	467,471	2,417,471
2025	1,980,000	436,780	2,416,780
2026-2030	10,525,000	1,629,166	12,154,166
2031-2035	6,935,000	663,848	7,598,848
2036-2040	3,735,000	135,572	3,870,572
	$ 31,100,000	$ 4,898,811	$ 35,998,811

The provisions of the bonds require the District to maintain an interest and sinking account and make monthly transfers from the system account equal to 1/6 of the next maturing interest plus 1/12 of the next maturing principal for debt service payments. The required balance in the interest and sinking account at December 31, 2020, was $976,076 and the actual balance was $2,459,865.

The provisions of the bonds require the District to maintain reserve accounts with a minimum balance of $2,470,753. The actual balance in the reserve accounts was $2,595,927 at December 31, 2020.

The provisions of the bonds require the District to maintain net revenues available for debt service of 1.25 times the average annual debt service. The District is in compliance with this requirement.

In the event of default, in addition to all rights and remedies provided by the laws of the State of Texas, the holders of any of the bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the District and other officers of the District to observe and perform any covenant, condition, or obligation prescribed in the bond order.

NOTE 5: LONG-TERM LIABILITIES (continued)

The following is a summary of long-term liability transactions of the District for the year ended December 31, 2020:

Description	Beginning Balance	Additions	Retirements	December 31, 12/31/2020	Due within one year
Revenue Bonds	$ 33,150,000	$ -	$ (2,050,000)	$ 31,100,000	$ 2,055,000
Bonds Discounts	(4,118)	-	3,295	(823)	(823)
Bond Premiums	185,568	-	(16,020)	169,548	16,020
Total Bonds Payable	33,331,450	-	(2,062,725)	31,268,725	2,070,197
Compensated absences	197,378	146,023	(197,378)	146,023	48,601
Total Long Term Debt	$ 33,528,828	$ 146,023	$ (2,260,103)	$ 31,414,748	$ 2,118,798

NOTE 6: BRAZOS REGIONAL PUBLIC UTILITY AGENCY (BRPUA)

In January 2012, Johnson County Special Utility District and Acton Municipal Utility District formed BRPUA, a joint venture entity that purchased and operates the Lake Granbury Surface Water and Treatment Center System (SWATS) plant. BRPUA issues audited annual financial statements for its fiscal year, which ends on September 30. Upon dissolution, BRPUA's assets would be distributed proportionally in accordance with the allocated production capacity of the SWATS plant that each participant has contracted to take at that time. The District's investment in the joint venture of $12,336,998 is based on the District's current 55.308% allocated production capacity.

The District is obligated to BRPUA to make monthly payments sufficient to pay for is allocated portion of operation and maintenance, capital improvements and debt service costs regarding the SWATS plant. The maturities of BRPUA's Contract Revenue Bond Series 2012 (JCSUD), for which the District is responsible for paying through the debt service payments were as follows as of December 31, 2020:

Year Ending	BRPUA Bonds		
December 31	Principal	Interest	Total
2021	900,000	63,900	963,900
2022	910,000	36,900	946,900
2023	320,000	9,600	329,600
Total	$ 2,130,000	$ 110,400	$ 2,240,400

NOTE 7: RETIREMENT PLAN

The Johnson County 457 Plan was established under Internal Revenue Services (IRS) Code Section 457(b). Eligible employees may defer the lesser of 100% of their includible compensation or $19,500 for 2020. In addition to these deferrals, employees at least age fifty may make catch-up contributions of $6,500 for 2020.

The Johnson County Profit Sharing Plan was established under IRS Code Section 401. The District contributes to this plan each year an amount equal to 11.0% of the compensation of eligible employees. The contributions were $165,646 for 2020.

Both plans are sole employer, defined contribution plans and have the same participation requirements: employees must be at least 21 and complete one year of service in which they complete 1,000 hours of continuous service. Additionally, a minimum 4.0% employee deferral contribution to the 457 Plan is required in order to participate in the Profit Sharing Plan.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risk of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not materially exceeded this commercial coverage in any of the past three years.

NOTE 9: CONTRACTS AND COMMITMENTS

1. City of Mansfield

In May 2009, the District and the City of Mansfield entered into a 20-year water purchase contract whereby the District has a total available volume of 9 million gallons per day (MGD) from the City.

2. City of Grand Prairie

In March 2010, the District and City of Grand Prairie entered into a 40-year water purchase contract whereby the District has a total available volume of 6 million gallons per day (MGD) from the City.

3. Brazos River Authority

The District reserves raw water from BRA to make treated water available for its future needs. Under the agreement dated December 1, 2012, the District had a total of 9,210 acre-feet of water secured each year. In turn, the District is obligated to unconditionally pay the system rate as determined each year by BRA. The agreement ends in 2048.

4. Texas Water Development Board (TWDB) Projects

June 2018 the District issued $22,000,000 Johnson County Special Utility District Revenue Bonds, Series 2018 that were purchased by the Texas Water Development Board with Drinking Water State Revolving Funds. The bonds were issued for smart meter upgrade, pump station and water distribution lines improvements. $12,605,926 has been spent as of December 31, 2020, for loan origination, engineering, the AMI (Advanced Metering Infrastructure) smart meter system change out, and the bundled water system improvements.

NOTE 10: EVALUATION OF SUBSEQUENT EVENTS

Subsequent events were evaluated through April 14, 2021, which is the date the financial statements were available to be issued.

NOTE 11: FUTURE ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*. The objective of the Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. This Statement is effective for reporting periods beginning after December 15, 2020. The District has not yet determined the effect this Statement will have on its financial reporting.

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SUPPLEMENTARY INFORMATION

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

BUDGETARY COMPARISON SCHEDULE

PROPRIETARY FUND

For the Year Ended December 31, 2020

	Original and Final Budgeted Amounts	Actual	Actual - Over (Under) Budget
OPERATING REVENUES			
Water sales	$ 14,828,390	$ 16,326,905	$ 1,498,515
Sewer service	1,387,000	1,514,523	127,523
Penalties	238,500	226,336	(12,164)
Installation fees	220,000	556,765	336,765
Miscellaneous	208,000	245,389	37,389
Total operating revenues	16,881,890	18,869,918	1,988,028
OPERATING EXPENSES			
Water purchases	7,900,000	6,459,069	(1,440,931)
Personnel services	3,219,023	3,109,900	(109,123)
Repair, maintenance and supplies	1,234,000	1,252,147	18,147
Utilities and communication	805,000	703,502	(101,498)
Other	1,109,050	1,239,016	129,966
Depreciation and amortization	3,151,667	3,110,589	(41,078)
Total operating expenses	17,418,740	15,874,223	(1,544,517)
OPERATING INCOME (LOSS)	(536,850)	2,995,695	3,532,546
NONOPERATING REVENUES (EXPENSES)			
Gain on sale of assets	25,000	(40,193)	(65,193)
Investment earnings	600,000	306,552	(293,448)
Other income	125,920	203,055	77,135
System development fees	1,024,000	2,310,860	1,286,860
Interest expense	(534,620)	(554,080)	(19,460)
Total nonoperating revenues (expenses)	1,240,300	2,226,194	985,894
INCOME (LOSS) BEFORE CONTRIBUTIONS	703,449	5,221,889	4,518,440
Capital contributions	-	1,226,294	1,226,294
CHANGE IN NET POSITION	$ 703,449	$ 6,448,183	$ 5,744,734

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF INSURANCE IN FORCE

December 31, 2020

INSURER	RISK COVERED	POLICY AMOUNT	EXPIRATION
Texas Municipal League	Worker's compensation	2,150,334	December 1, 2021
	General liability	$2,000,000 / $4,000,000	December 1, 2021
	Errors and omissions	5,000,000 / 10,000,000	December 1, 2021
	Automobile liability	1,000,000	December 1, 2021
	Auto physical damage	varies per vehicle	December 1, 2021
	Supplemental sewage backup	25,000 / 50,000	December 1, 2021
	Cyber Liability & Data Breach	1,000,000	December 1, 2021
	Flood and earthquake	5,000,000 / 10,000,000	December 1, 2021
	Real and personal property	54,735,289	December 1, 2021
	Boiler and machinery	100,000	December 1, 2021
	Mobile equipment	367,588	December 1, 2021
	Public employee dishonesty	1,000,000	December 1, 2021
	Forgery or alteration	100,000	December 1, 2021
	Theft, disappearance, and destruction	30,000	December 1, 2021
Ambac Assurance Corporation	Surety bond - Series 2005 Bonds	623,371	August 15, 2021

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

SCHEDULE OF SERVICES AND RATES

For the Year Ended December 31, 2020

(Unaudited)

1. Services provided by the District: Retail and Wholesale Water; Retail Sewer

2. Retail rates based on 5/8” meter
   Most prevalent type of meter: 5/8”

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 gallons over minimum	Usage Levels
Water	$33	N/A	N	$4.25	0-5,000
				5.25	5,001-10,000
				6.25	10,001 plus
Sewer	$22	N/A	N	$4.50	0-10,000

District employs winter averaging for sewer usage? No

Total water charges per 10,000 gallons usage: water $80.50; sewer $67.00 (maximum)

3. Total water consumption (in thousands) during the fiscal year:

Gallons pumped into system:	2,088,750
Gallons billed and unbilled:	1,737,420
Water accountability ratio:	83.2%

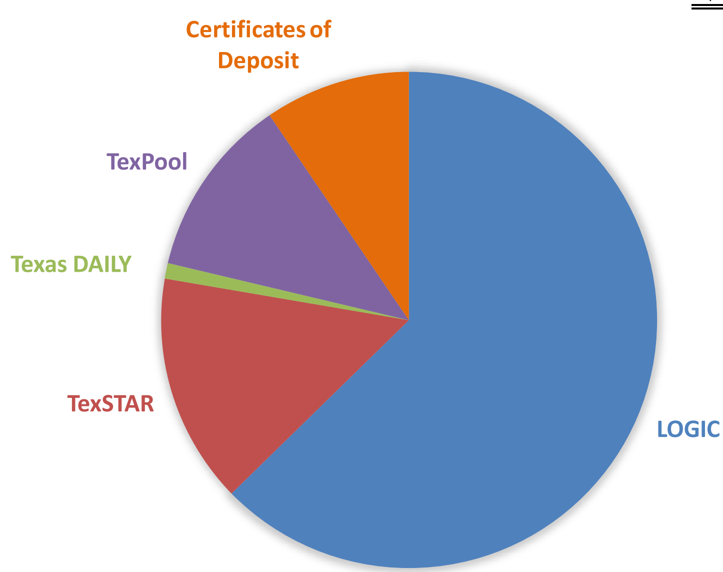
4. Retail water connections within the District as of the fiscal year end.

Meter Size	Total Meters	Active Meters		SUE Factor	Active SUE's
<=5/8"	17,808	16,477	x	1.0	16,477
3/4"	91	91	x	1.3	118
1"	192	191	x	2.2	420
1 1/2"	22	21	x	4.0	84
2"	62	54	x	10.0	540
3"	10	9	x	20.0	180
4"	7	5	x	40.0	200
6"	3	3	x	64.0	192
Total Water	18,195	16,851			18,212
Total Sewer	2,775	2,153	x	1.0	2,153

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF TEMPORARY INVESTMENTS
December 31, 2020

	Identification Number	Interest Rate	Maturity Date	Year End Balance	% of Total
LOGIC	No. 001 - 2018 L1000790	Market	Escrow	$ 11,646,966	
	No. 001	Market	On demand	984,269	
	No. 002	Market	On demand	7,678,021	
	No. 004	Market	On demand	106,862	
	No. 006	Market	On demand	1,337,198	
				21,753,316	62.7%
TexSTAR	No. 110	Market	On demand	280,872	
	No. 330	Market	On demand	4,259,640	
	No. 550	Market	On demand	680,550	
				5,221,062	15.0%
Texas DAILY		Market	On demand	348,769	1.0%
TexPool	No. 002	Market	On demand	2,459,863	
	No. 005	Market	On demand	390,659	
	No. 008	Market	On demand	685,388	
	No. 009	Market	On demand	573,341	
				4,109,253	11.8%
Certificates of Deposit	Multi Bk Securities - 19 CD's	1.42%		3,310,000	9.5%
Total				$ 34,742,400	100.0%



Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
FUTURE DEBT SERVICE OBLIGATIONS
December 31, 2020

Fiscal Year Ended December 31	2005 Revenue Refunding Bonds [1]			2012 Revenue Bonds [1]			2013 Revenue and Refunding Bonds [1]			2018 TWDB Bonds			Total Debt Service Requirements	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total		
2021	85,000	3,655	88,655	475,000	149,250	624,250	485,000	115,388	600,388	1,010,000	281,736	1,291,736	2,605,029	6.61%
2022	-	-	-	485,000	139,750	624,750	500,000	106,657	606,657	1,015,000	275,172	1,290,172	2,521,579	
2023	-	-	-	500,000	130,050	630,050	395,000	96,658	491,658	1,025,000	267,660	1,292,660	2,414,368	
2024	-	-	-	515,000	120,050	635,050	405,000	88,165	493,165	1,030,000	259,256	1,289,256	2,417,471	
2025	-	-	-	525,000	108,463	633,463	415,000	79,052	494,052	1,040,000	249,265	1,289,265	2,416,780	31.85%
2026	-	-	-	540,000	96,650	636,650	425,000	69,300	494,300	1,055,000	237,721	1,292,721	2,423,671	
2027	-	-	-	555,000	83,150	638,150	435,000	59,100	494,100	1,065,000	224,744	1,289,744	2,421,994	
2028	-	-	-	575,000	69,275	644,275	450,000	48,443	498,443	1,080,000	210,686	1,290,686	2,433,404	
2029	-	-	-	590,000	54,900	644,900	465,000	37,192	502,192	1,095,000	195,674	1,290,674	2,437,766	
2030	-	-	-	610,000	37,200	647,200	475,000	25,335	500,335	1,110,000	179,796	1,289,796	2,437,331	
2031	-	-	-	630,000	18,900	648,900	490,000	12,985	502,985	1,125,000	163,035	1,288,035	2,439,920	72.91%
2032										1,145,000	145,598	1,290,598	1,290,598	
2033										1,165,000	127,278	1,292,278	1,292,278	
2034										1,180,000	108,056	1,288,056	1,288,056	
2035										1,200,000	87,996	1,287,996	1,287,996	87.99%
2036										1,225,000	67,116	1,292,116	1,292,116	
2037										1,245,000	45,433	1,290,433	1,290,433	
2038										1,265,000	23,021	1,288,021	1,288,021	100.00%
	$ 85,000	$ 3,655	$ 88,655	$6,000,000	$1,007,638	$ 7,007,638	$4,940,000	$ 738,275	$5,678,275	$ 20,075,000	$3,149,243	$ 23,224,243	$35,998,811	

[1] Parity Lien Obligations secured solely from and secured by a lien on and pledge of the Pledged Revenues and shall be superior to the lien on and pledge of the Pledged Revenues securing payment of any Subordinate Lien Obligation.

Source: Bond Resolutions
Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

CHANGES IN LONG-TERM BONDED DEBT

December 31, 2020

Bond Authority:	Series 2005 Revenue Refunding Bonds	Series 2012 Revenue Bonds	Series 2013 Revenue and Refunding Bonds	Series 2018 TWDB Revenue Bonds	Total
Interest Rates	3.00% - 4.3%	0.30% - 3%	1.00% - 2.65%	.38% - 1.82%	
Dates Interest Payable	2/20;8/20	2/20;8/20	2/20;8/20	2/20;8/20	
Maturity Dates	8/15/2021	8/15/2031	8/15/2031	8/15/2038	
Beginning Balances January 1, 2020	$ 190,000	$ 6,465,000	$ 5,415,000	$ 21,080,000	$ 33,150,000
Addition During the Fiscal Year	-	-	-	-	-
Retired During the Fiscal Year	(105,000)	(465,000)	(475,000)	(1,005,000)	(2,050,000)
Ending Balances December 31, 2020	$ 85,000	$ 6,000,000	$ 4,940,000	$ 20,075,000	$ 31,100,000
Interest Paid During the Fiscal Year	$ 8,170	$ 158,550	$ 122,987	$ 287,164	$ 576,871

Paying Agent's Name and City

Revenue Refunding Bonds Series 2005	U.S. Bank Corporate Trust Services, Los Angeles, CA
Revenue Bonds Series 2012	BOKF, N.A. dba Bank of Texas, Dallas, TX
Revenue Refunding Bonds Series 2013	BOKF, N.A. dba Bank of Texas, Dallas, TX
TWDB Bonds Series 2018	UMB Kansas City, MO.

Bond Authority:	Series 2005 Revenue Refunding Bonds	Series 2012 Revenue Bonds	Series 2013 Revenue and Refunding Bonds	Series 2018 TWDB Revenue Bonds	
Amount Authorized by Voters	$ 6,245,000	$ 9,500,000	$ 8,510,000	$ 22,000,000	
Amount Issued	6,245,000	9,500,000	8,510,000	22,000,000	
Remaining to be Issued	-	-	-	-	
Restricted cash for debt service as of December 31, 2020:					
Interest and sinking funds	$ 690,657	$ 902,594	$ 866,612	$ -	$ 2,459,863
Reserve funds	[1]	685,388	573,341	1,337,198	2,595,927
Total	690,657	1,587,982	1,439,953	1,337,198	5,055,790

Average Annual Principal and Interest Requirements, 2020 - 2038	$ 1,999,934
Coverage of Average Requirements by December 31, 2020 Net Revenues	4.44
Maximum Principal and Interest Requirements, 2020	$ 2,605,029
Coverage of Maximum Requirements by December 31, 2020 Net Revenues	3.41
Number of years remaining on longest remaining bonded debt	18

[1] 2005 Bond reserve fund is funded by a surety policy issued by Ambac Assurance Corporation in the amount of $621,371.42. The 2012 and 2013 Bond reserves are funded monthly for 60 months.

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES
Five Years Ended December 31, 2020

	2016	2017	2018	2019	2020	Percent of Fund Total Revenues 2016	2017	2018	2019	2020
Operating Revenues										
Water sales	$ 12,610,422	$ 13,921,186	$ 15,437,363	$ 15,369,001	$ 16,326,905	87.5	87.7	87.9	87.3	86.5
Fire hydrant meter water sales	-	-	-	-	-	-	-	-	-	-
Sewer revenues	1,234,598	1,268,534	1,305,050	1,423,371	1,514,523	8.6	8.0	7.4	8.1	8.0
Penalties	232,984	242,888	254,690	262,359	226,336	1.6	1.5	1.5	1.5	1.2
Installation fees	164,048	232,548	339,539	321,770	556,765	1.1	1.5	1.9	1.8	3.0
Miscellaneous	175,298	201,425	225,301	220,540	245,389	1.2	1.3	1.3	1.3	1.3
Total Revenues	14,417,350	15,866,581	17,561,943	17,597,041	18,869,918	100.0	100.0	100.0	100.0	100.0
Operating Expenses:										
Water purchases	6,156,820	6,641,246	6,388,057	6,729,864	6,459,069	42.7	41.9	36.4	38.2	34.2
Personnel services	2,506,633	2,524,830	2,443,324	2,574,177	3,109,900	17.4	15.9	13.9	14.6	16.5
Repair, maintenance and supplies	659,054	870,910	1,183,265	990,004	1,252,147	4.6	5.5	6.7	5.6	6.6
Utilities and communication	662,079	719,035	768,760	790,444	703,502	4.6	4.5	4.4	4.5	3.7
Other	766,460	881,976	917,373	1,074,754	1,239,016	5.3	5.6	5.2	6.1	6.6
Operating Expenses Excluding Depreciation and amortization	10,751,046	11,637,997	11,700,779	12,159,243	12,763,634	74.6	73.3	66.6	69.1	67.6
Operating Income before Depreciation and amortization	3,666,304	4,228,584	5,861,164	5,437,798	6,106,284	25.4	26.7	33.4	30.9	32.4
Depreciation and Amortization:	2,870,202	2,894,213	3,171,978	2,770,288	3,110,589	19.9	18.2	18.1	15.7	16.5
Operating Income (Loss)	796,102	1,334,371	2,689,186	2,667,510	2,995,695	5.5	8.4	15.3	15.2	15.9
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	26,131	61,659	2,527	411,309	(40,193)	0.2	0.4	-	2.3	(0.2)
Investment earnings	59,017	129,394	572,396	895,101	306,552	0.4	0.8	3.3	5.1	1.6
Other income	180,020	674,363	182,128	143,911	203,055	1.2	4.3	1.0	0.8	1.1
System development fees	638,660	918,600	1,282,345	1,311,480	2,310,860	4.4	5.8	7.3	7.5	12.2
Interest expense	(393,260)	(361,109)	(476,872)	(587,012)	(554,080)	(2.7)	(2.3)	(2.7)	(3.3)	(2.9)
Bond issuance costs	-	-	(610,909)	-	-	-	-	(3.5)	-	-
Total Nonoperating Revenues (Expenses)	510,568	1,422,907	951,615	2,174,789	2,226,194	3.5	9.0	5.4	12.4	11.8
Income (Loss) Before Capital Contributions and Extraordinary Item	1,306,670	2,757,278	3,640,801	4,842,299	5,221,889	9.1	17.4	20.7	27.5	27.7
Capital contributions	2,496,019	1,010,942	5,079,367	2,617,064	1,226,294	17.3	6.4	28.9	14.9	6.5
Changes in Net Position	$ 3,802,689	$ 3,768,220	$ 8,720,168	$ 7,459,363	$ 6,448,183	26.4	23.7	49.7	42.4	34.2
Active Water Customers	14,738	15,132	15,580	16,069	16,851					
Active Sewer Customers	1,891	1,901	1,951	2,014	2,153					

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CONDENSED SUMMARY OF OPERATING RESULTS
(CALCULATION BASED ON BOND RESOLUTION REQUIREMENTS)
December 31, 2020

	Fiscal Year Ended December 31,				
	2016	**2017**	**2018**	**2019**	**2020**
Gross Revenues					
Water Sales	$12,610,422	$13,921,186	$ 15,437,363	$ 15,369,001	$ 16,326,905
Fire Revenue	-	-	-	-	-
Sewer Services	1,234,598	1,268,534	1,305,050	1,423,371	1,514,523
Interest Income	59,017	129,394	572,396	895,101	306,552
Other Revenue	1,417,141	2,331,483	2,286,530	2,671,369	3,502,212
Total Gross Revenues	$15,321,178	$17,650,597	$ 19,601,339	$ 20,358,842	$ 21,650,192
Operating Expenses (1) :					
Treated Water	$ 5,501,863	$ 5,970,177	$ 5,695,275	$ 6,010,545	$ 5,712,043
Brazos River Authority Contracts	654,957	671,069	692,782	719,319	747,026
Other	4,594,226	4,996,751	5,312,722	5,429,379	6,304,565
Total Operating Expenses	$10,751,046	$11,637,997	$ 11,700,779	$ 12,159,243	$ 12,763,634
Net Available For Debt Service	$ 4,570,132	$ 6,012,600	$ 7,900,560	$ 8,199,599	$ 8,886,558
Active Water Customers	14,738	15,132	15,580	16,069	16,851
Active Sewer Customers	1,891	1,901	1,951	2,014	2,153

(1) Excludes Depreciation and Amortization

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12 (Table 6)

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

BOARD OF DIRECTORS, MANAGEMENT TEAM, AND CONSULTANTS

December 31, 2020

(Unaudited)

Complete District Mailing Address: PO Box 1390, Joshua, Texas 76058
District Business Telephone Number: (817) 760-5200
Submission Date of the Most Recent District Registration Form: 03/25/19
Limit on Fees of Office that a Director May Receive During a Fiscal Year: $7,200

Board Director	Term of Office Elected and Expires	Fees and Expense Reimbursements*	Title at Year End
Harry Shaffer	2017 - 2020	$ -	President
Glen Walden	2020 - 2023	$ -	Vice-President
Ronald Nichols	2019 - 2022	$ -	Secretary / Treasurer
Michael Bowles**	2019 - 2022	$ -	Director
Gene Petross	2019 - 2022	$ -	Director
Eric Baze	2018 - 2021	$ -	Director
Gary Giesen**	2018 - 2021	$ -	Director

* These expense reimbursements are for lodging, meals, transportation related to training and conferences, and miscellaneous other costs.

** The Board of Directors appointed Michael Bowles and Gary Giesen to serve the remainder of two vacated director terms on 12/15/2020.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
BOARD OF DIRECTORS, MANAGEMENT TEAM, AND CONSULTANTS (continued)
December 31, 2020
(Unaudited)

Management Team	**Date Hired**	**Fees and Expense Reimbursements**	**Title at Year End**
Peter Kampfer	03/26/20	235	General Manager
Joshua Howard	02/01/16	-	Finance Manager
Danny Armstrong	12/09/02	-	System Operations Manager
Dana Collier	11/01/11	-	System Development Manager
Kelli Roberts	06/28/17	-	Human Resources Manager
Carrie LaFountain	06/19/17	750	Customer Service Manager
Professional & Engineering			
Cain & Associates, P.C.		98,059	Attorney
Jackson Walker LLP		3,462	Attorney
McDonald Sanders		9,057	Attorney
George, Morgan & Sneed, P.C.		43,500	Auditor
Yeldell, Wilson, Wood & Reeve, P.C.		8,025	Auditor
Enprotec/Hibbs & Todd		546,799	Engineer
Municipal Engineers & Mgmt.		91,274	Engineer

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
ANNUAL MATERIAL EVENT DISCLOSURE CHECKLIST
December 31, 2020
(Unaudited)

Yes	**No**		
	X	1.	Has Issuer failed to make timely payments of interest and principal or reserve fund requirements (if required on any outstanding debt obligation)?
	X	2.	Has Issuer had any other defaults not related to debt payments?
	X	3.	Has Issuer utilized any debt service reserves due to financial problems?
	X	4.	Have there been any unscheduled draws on credit enhancements due to financial problems (bond insurance policies, liquidity agreements, etc.)?
	X	5.	Has there been any change of providers of credit enhancement or liquidity facilities, or have they failed to provide funds under their contract with Issuer (if applicable)?
	X	6.	Is Issuer aware of any adverse tax opinions or other events that might affect the tax-exempt status of bonds?
	X	7.	Have there been any changes or amendments to outstanding documents which might affect the rights of bond investors?
	X	8.	Has Issuer exercised its right or given notice to prepay or call bonds in advance of maturity?
	X	9.	Has Issuer prepaid (defeased) any outstanding debt obligations?
	X	10.	Has there been any release, substitution, or sale of any property securing debt service?
	X	11.	Is Issuer aware of any changes in outstanding bond credit ratings?
	X	12.	Have there been any other material or adverse events that might impact an investor's decision to buy or sell Issuer's outstanding debt obligations?

STATISTICAL SECTION (UNAUDITED)

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STATISTICAL SECTION (Unaudited)

This part of the Johnson County Special Utility District's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health. This information has not been audited by the independent auditor.

Contents	**Page**	**Tables**
Financial Trends These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.	34-36	1-2
Revenue Capacity These schedules contain information to help the reader assess the District's most significant revenue sources, charges for services.	37-41	3-4
Debt Capacity These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.	42-43	5-6
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.	44-45	7-8
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the District's financial report relates to the services the District provides and the activities it performs.	46-48	9-11

Table 1

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

NET POSITION BY COMPONENT

Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net Position:										
Net investment in capital assets	$ 31,580,199	$ 37,337,910	$ 41,235,467	$ 43,088,093	$ 43,883,656	$ 48,120,547	$ 49,081,903	$ 54,689,237	$ 62,168,882	$ 63,286,260
Restricted for debt service	515,815	703,727	1,071,716	1,283,535	1,501,144	1,729,039	2,003,790	3,752,849	3,905,147	4,849,532
Unrestricted	10,073,892	14,776,114	14,693,631	13,890,939	12,827,743	12,165,646	14,697,759	25,568,970	25,396,390	29,782,810
Total Net Position	$ 42,169,906	$ 52,817,751	$ 57,000,814	$ 58,262,567	$ 58,212,543	$ 62,015,232	$ 65,783,452	$ 84,011,056	$ 91,470,419	$ 97,918,602

During fiscal year 2011, capital assets increased due to improvements to the water and sewer distribution system.

During fiscal year 2011, the District recorded a reduction in purchase water expense due to the receipt of $333,976 from the Brazos River Authority for fiscal years 2010 and 2011 expense adjustments. Contributed property increased due to the completion of a $816K commercial development project in the Joshua area. Operating revenues increased approximately $1.6M due to the implementation of a rate increase and increased volume due to drought conditions and $550K due to the temporary assignment sale of 8,000 acre feet of raw water.

During fiscal year 2012, construction in progress for the TBTF project increased $3.37M, construction in progress for the Highway 121 project increased $2.3M, added $1.35M in assets which included a 3MG transmission storage tank, high service pumps, and transmission line as part of the SWATS transfer to the Brazos River Public Utility Agency (BRPUA). These costs were offset by an increase in payables of $2.3M for capital related projects.

During fiscal year 2012, debt reserve and sinking fund requirements increased due to the issuance of $9.8M in bonds to fund the Trinity Basin Transmission Facilities (TBTF).

During fiscal year 2012, the District received $6M for a settlement of lost capacity at the SWATS plant. This was partially offset by cash paid for capital projects.

During fiscal year 2013, construction in progress for the TBTF project increased $13.1M, final payments of the Highway 121 project of $1.3M, and various other capital projects offset by the TBTF debt issuance of $8.5M and a reduction in capital liabilities of $2.3M recorded in prior year payables.

During fiscal year 2013, debt reserve and sinking fund requirements increased due to the issuance of $8.5M in bonds to fund the TBTF and cumulative funding for the 2012 bond debt reserve.

During fiscal year 2016, increase in improvements to the water distribution systems and capital contributed by developers.

During fiscal year 2017, increase in improvements to the water distribution systems and capital contributed by developers.

During fiscal year 2018, increase in improvements to the water distribution systems, construct new facility and capital contributed by developers.

During fiscal year 2018, issued new revenue bonds and increased the bond reserve.

During fiscal year 2018, adjusted the equity interest in joint venture asset for equity method of accounting.

During fiscal year 2019, completed new facility, capital contributed by developers and engineering on bond projects and started smart meter system change out.

During fiscal year 2020, completed $7,763,496 for engineering and water system improvement bond project.

Table 2

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CHANGE IN NET POSITION
Last Ten Fiscal Years

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Operating Revenues:										
Water sales	$ 14,024,137	$ 12,532,895 [a]	$ 12,801,892 [d]	$ 12,548,132	$ 12,753,026	$ 12,610,422	$ 13,921,186	$ 15,437,363	$ 15,369,001	$ 16,326,905
Fire hydrant meter water sales	627,149	291,365	177,865	165,258	-	-	-	-	-	-
Sewer revenues	1,064,181	1,033,085	1,038,053	1,075,121	1,129,415	1,234,598	1,268,534	1,305,050	1,423,371	1,514,523
Penalties	272,137	240,374	249,861	245,456	253,601	232,984	242,888	254,690	262,359	226,336
Installation fees	106,732	108,099	96,917	133,020	135,288	164,048	232,548	339,539	321,770	556,765
Miscellaneous	243,257	209,376	224,415	299,554	326,417	175,298	201,425	225,301	220,540	245,389
Total Operating Revenues	16,337,593	14,415,194	14,589,003	14,466,541	14,597,747	14,417,350	15,866,581	17,561,943	17,597,041	18,869,918
Operating Expenses:										
Water purchases	7,032,436	6,810,261	5,845,474 [e]	7,898,411	8,265,385	6,156,820	6,641,246	6,388,057	6,729,864	6,459,069
Personnel services	1,880,702	2,017,039	2,079,327	2,163,209	2,389,123	2,506,633	2,524,830	2,443,324	2,574,177	3,109,900
Repair, maintenance and supplies	587,843	672,861	646,738	807,274	734,081	659,054	870,910	1,183,265	990,004	1,252,147
Utilities and communication	615,459	523,349	541,600	711,131	696,930	662,079	719,035	768,760	790,444	703,502
Other expenses	588,489	604,639	577,731	628,873	627,637	766,460	881,976	917,373	1,074,754	1,239,016
Depreciation and amortization	1,956,682	2,095,588	2,096,605	2,395,717	2,820,344	2,870,202	2,894,213	3,171,978	2,770,288	3,110,589
Total Operating Expenses	12,661,611	12,723,737	11,787,475	14,604,615	15,533,500	13,621,248	14,532,210	14,872,757	14,929,531	15,874,223
Operating Income (Loss)	3,675,982	1,691,457	2,801,528	(138,074)	(935,753)	796,102	1,334,371	2,689,186	2,667,510	2,995,695
Nonoperating Revenues (Expenses):										
Gain (loss) on sale of assets	23,361	(1,555)	46,518	39,452	27,445	26,131	61,659	2,527	411,309	(40,193)
Investment earnings	35,703	36,746	48,823	29,518	19,319	59,017	129,394	572,396 [j]	895,101 [k]	306,552
Other income	-	-	-	243,968 [h]	300,000 [i]	180,020	674,363	182,128	143,911	203,055
System development fees	392,375	513,405	473,701	420,759	691,420	638,660	918,600	1,282,345	1,311,480	2,310,860
Interest expense	(262,985)	(239,032)	(149,203) [f]	(224,993)	(427,225)	(393,260)	(361,109)	(476,872)	(587,012)	(554,080)
Bond issuance costs	(57,538)	(135,666)	(106,168)	-	-	-	-	(610,909)	-	-
Total Nonoperating Revenues (Expenses)	130,916	173,898	313,671	508,704	610,959	510,568	1,422,907	951,615	2,174,789	2,226,194
Income (Loss) Before Capital Contributed and Extraordinary Item	3,806,898	1,865,355	3,115,199	370,630	(324,794)	1,306,670	2,757,278	3,640,801	4,842,299	5,221,889
Capital Contributed	1,145,484	2,782,488 [b]	1,067,864 [g]	51,990	274,770	2,496,019	1,010,942	5,079,367	2,617,064	1,226,294
Extraordinary Item	-	6,000,000 [c]	-	-	-	-	-	-	-	-
Change in Net Position	$ 4,952,382	$ 10,647,843	$ 4,183,063	$ 422,620	$ (50,024)	$ 3,802,689	$ 3,768,220	$ 8,720,168	$ 7,459,363	$ 6,448,183

[a] Water and Sewer sales decreased due to a decline in drought conditions.

[b] $2.3M for partial completion of the NTTA/TxDOT 121 project.

[c] Settlement received for lost capacity at the Lake Granbury Surface Water Treatment Plant.

[d] Temporary assignment sale of 8,000 acre feet of raw water in 2011 and 4,000 acre feet of raw water in 2013.

[e] Decrease in purchase water expense of $945K due to recognizing a full year of costs savings from the Brazos Regional Public Utility Agency taking ownership of SWATS in May 2012, which eliminated management fees, BRA overhead costs and higher debt costs (refinanced with favorable rates) and turning back 4,000 acre feet of raw water to the Brazos River Authority in December 2012.

[f] Decrease due to the capitalization of interest of $372K to the bond construction projects, partially offset by an increase due to the 2013 bond issue of $8.5M for the Trinity Basin Transmission Facilities (TBTF).

[g] $703K for remaining costs of the completed NTTA/TxDOT 121 project.

[h] In 2014, the District received $244K for the sale of CCN to the City of Ft. Worth.

[i] In 2015, the District received $300K for the sale of CCN to the City of Mansfield.

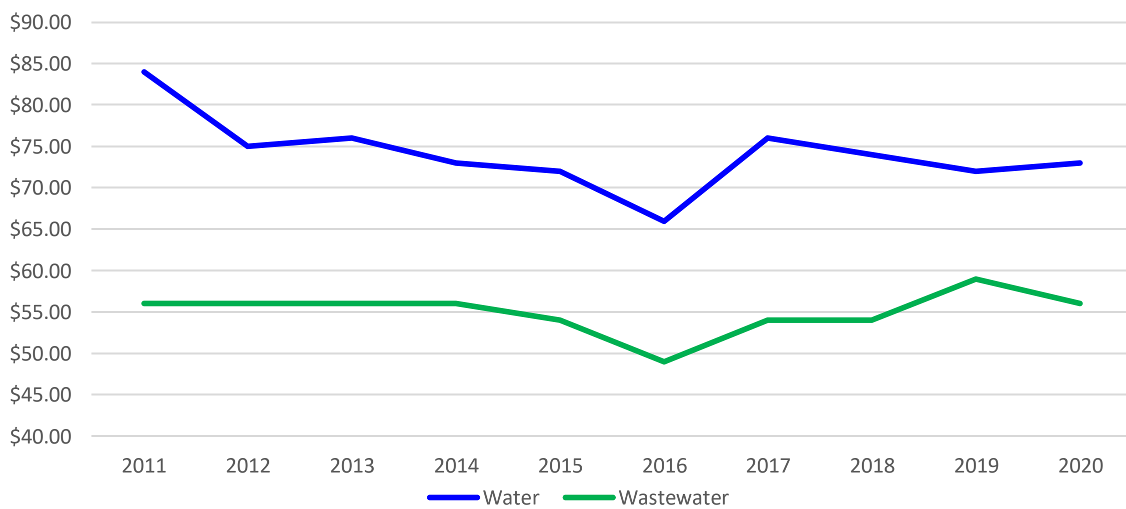
[j] Increase in Interest Income is due to the U.S. economy experiencing the best hike in savings & CD rates since 2008.

[k] Increase in Interest Income is due to $22M TWDB Loan accruing interest.

Table 3

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
AVERAGE REVENUE RATES
Last Ten Fiscal Years

Fiscal Year	**Monthly Revenue/Customer** **Water**	**Wastewater**
2011	84.00	56.00
2012	75.00	56.00
2013	76.00	56.00
2014	73.00	56.00
2015	72.00	54.00
2016	66.00	49.00
2017	76.00	54.00
2018	74.00	54.00
2019	72.00	59.00
2020	73.00	56.00



Source: District Annual Financial Audits

Table 4

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED)

Last Ten Years (unaudited)

FISCAL YEAR 2011

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage		Water Revenue	% of Total Unaudited Water Revenue
Chesapeake Operating Company	Energy Exploration & Production	36,342,110	2.18%	$	238,606	1.63%
EOG Resources	Energy Exploration & Production	33,428,160	2.00%		222,734	1.52%
Monarch Utilities	Investor-owned Utility Provider	15,947,390	0.95%		162,924	1.11%
Bridgeport Tank Trucks	Energy Exploration & Production	12,745,810	0.76%		83,127	0.57%
City of Alvarado	Municipality	12,168,700	0.73%		346,545	2.37%
City of Joshua	Municipality	9,145,900	0.55%		62,252	0.42%
Joshua ISD	School ISD	8,491,180	0.51%		104,397	0.71%
CT & Sallie Chien	Mobile Home Park	7,064,100	0.42%		43,535	0.30%
Godley ISD	School ISD	5,969,540	0.36%		40,616	0.28%
Norwood Land Services	Energy Exploration & Production	5,286,100	0.32%		34,470	0.24%
		146,588,990	**8.78%**	**$**	**1,339,206**	**9.14%**
	Total Usage	**1,670,652,000**				
	Total Water Sales			**$**	**14,651,286**	

FISCAL YEAR 2012

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage		Water Revenue	% of Total Unaudited Water Revenue
EOG Resources	Energy Exploration & Production	24,790,320	1.76%	$	164,773	1.29%
City of Alvarado	Municipality	20,210,600	1.44%		376,702	2.94%
Granite Construction	Construction	14,841,030	1.06%		97,527	0.76%
Monarch Utilities	Investor-owned Utility Provider	10,715,510	0.76%		135,456	1.06%
City of Keene	Municipality	9,405,000	0.67%		145,127	1.13%
Bridgeport Tank Trucks	Energy Exploration & Production	7,963,960	0.57%		55,600	0.43%
Joshua ISD	School ISD	7,916,190	0.56%		92,356	0.72%
Sabre Communications	Industrial Manufacturing	7,696,300	0.55%		49,716	0.39%
City of Joshua	Municipality	7,017,140	0.50%		52,789	0.41%
CT & Sallie Chien	Mobile Home Park	6,709,430	0.48%		41,495	0.32%
		117,265,480	**8.35%**	**$**	**1,211,541**	**9.45%**
	Total Usage	**1,404,835,000**				
	Total Water Sales			**$**	**12,824,260**	

FISCAL YEAR 2013

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage		Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	29,849,000	2.12%	$	300,262	2.31%
Granite Construction	Construction	20,326,930	1.45%		133,956	1.03%
Monarch Utilities	Investor-owned Utility Provider	12,183,700	0.87%		143,164	1.10%
Joshua ISD	School ISD	7,823,570	0.56%		91,732	0.71%
City of Joshua	Municipality	6,664,170	0.48%		52,241	0.40%
CT & Sallie Chien	Mobile Home Park	6,678,020	0.48%		41,315	0.32%
Halliburton Energy	Energy Exploration & Production	5,694,530	0.41%		40,552	0.31%
Lattimore Materials	Ready Mix Concrete	5,154,450	0.37%		30,520	0.24%
Godley ISD	School ISD	4,795,260	0.35%		39,286	0.30%
Alvarado ISD	School ISD	3,748,470	0.27%		24,218	0.19%
		102,918,100	**7.36%**	**$**	**897,246**	**6.91%**
	Total Usage	**1,414,626,000**				
	Total Water Sales			**$**	**12,979,757**	

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (continued)
Last Ten Years (unaudited)

FISCAL YEAR 2014

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	49,014,000	3.55%	$ 379,483	2.98%
Granite Construction	Construction	12,663,140	0.92%	83,451	0.66%
Monarch Utilities	Investor-owned Utility Provider	17,383,040	1.26%	167,571	1.32%
Joshua ISD	School ISD	7,820,120	0.57%	90,213	0.71%
City of Joshua	Municipality	4,464,930	0.32%	39,399	0.31%
CT & Sallie Chien	Mobile Home Park	2,541,460	0.18%	15,635	0.12%
Halliburton Energy	Energy Exploration & Production	5,631,570	0.41%	40,238	0.32%
Lattimore Materials	Ready Mix Concrete	10,474,310	0.76%	61,161	0.48%
Godley ISD	School ISD	1,982,130	0.14%	23,202	0.18%
Alvarado ISD	School ISD	590,230	0.04%	6,245	0.05%
		112,564,930	**8.15%**	**$ 906,597**	**7.13%**
	Total Usage	**1,380,044,000**			
	Total Water Sales			**$ 12,713,390**	

FISCAL YEAR 2015

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	40,201,000	2.98%	$ 368,959	2.89%
City of Alvarado	Municipality	26,700,400	1.98%	410,085	3.22%
Monarch Utilities	Investor-owned Utility Provider	9,595,730	0.71%	101,114	0.79%
City of Joshua	Municipality	7,244,900	0.54%	46,502	0.36%
Sabre Communications Corp.	Commercial	9,221,890	0.68%	46,583	0.37%
Walnut Creek Mobile Home Park	Mobile Home Park	5,239,230	0.39%	49,329	0.39%
Halliburton Energy	Energy Exploration & Production	3,725,430	0.28%	24,009	0.19%
Joshua ISD	School ISD	3,404,500	0.25%	39,666	0.31%
David Zulejkic	Multi Family Units	3,320,220	0.25%	22,441	0.18%
Sabre Communications Corp.	Commercial	3,059,490	0.23%	20,925	0.16%
		111,712,790	**8.29%**	**$ 1,129,613**	**8.86%**
	Total Usage	**1,348,005,000**			
	Total Water Sales			**$ 12,753,026**	

FISCAL YEAR 2016

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	38,414,000	2.73%	$ 381,782	3.03%
City of Alvarado	Municipality	32,833,400	2.33%	460,686	3.65%
City of Joshua	Municipality	10,619,300	0.76%	83,651	0.66%
Joshua ISD	School ISD	7,335,290	0.53%	121,638	0.96%
David A Zulejkic	Multi Family Units	5,798,380	0.42%	91,747	0.73%
Emerald Companies	Commercial	5,236,620	0.38%	36,109	0.29%
Walnut Creek Mobile Home Comm	Mobile Home Park	4,809,980	0.35%	48,115	0.38%
Monarch Utilities *	Investor-owned Utility Provider	4,687,310	0.34%	107,242	0.85%
Sabre Communications Corp	Commercial	3,955,410	0.29%	33,162	0.26%
Pecan Village Mobile Park	Mobile Home Park	3,825,570	0.28%	50,714	0.40%
		117,515,260	**8.41%**	**$ 1,414,846**	**11.22%**
	Total Usage	**1,414,626,000**			
	Total Water Sales			**$ 12,610,422**	

Table 4

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (continued)

Last Ten Years (unaudited)

FISCAL YEAR 2017

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage		Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	65,842,000	4.81%	$	517,271	3.72%
Stonetown Ranches of Joshua	Mobile Home Park	23,592,480	1.73%		325,628	2.34%
Prairieland DC LaSalle Corrections	Corrections Facility	9,953,810	0.74%		68,897	0.49%
City of Joshua	Municipality	8,760,550	0.65%		75,930	0.55%
Monarch Utilities	Investor-owned Utility Provider	8,266,550	0.61%		114,379	0.82%
Joshua ISD	School ISD	7,276,860	0.54%		126,261	0.91%
Walnut Creek Mobile Home Comm	Mobile Home Park	6,042,240	0.45%		57,853	0.42%
Sabre Communications Corp	Commercial	4,971,360	0.37%		46,203	0.33%
Cypress Creek Joshua Station LP	Apartment Complex	4,461,380	0.34%		78,328	0.56%
Godley ISD	School ISD	3,609,420	0.27%		30,506	0.22%
		142,776,650	**10.51%**	**$**	**1,441,256**	**10.35%**
	Total Usage	**1,371,766,000**				
	Total Water Sales			**$**	**13,921,186**	

FISCAL YEAR 2018

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage		Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	110,748,000	6.68%	$	716,846	4.64%
City of Alvarado	Municipality	17,503,000	1.06%		393,559	2.55%
Monarch Utilities	Investor-Owned Utility Provider	17,336,640	1.05%		176,004	1.14%
Stonetown Ranches of Joshua	Mobile Home Park	15,532,190	0.94%		124,183	0.80%
Prairieland DC LaSalle Corrections	Corrections Facility	15,433,210	0.94%		106,105	0.69%
Bethany Special Utility District	Municipality	10,684,000	0.65%		205,747	1.33%
Cypress Creek Joshua Station LP	Apartment Complex	9,032,680	0.55%		67,441	0.44%
City of Joshua	Municipality	8,727,670	0.54%		71,300	0.46%
Joshua ISD	School ISD	7,654,360	0.47%		93,479	0.61%
Godley ISD	School ISD	6,530,180	0.40%		49,592	0.32%
		219,181,930	**13.28%**	**$**	**2,004,255**	**12.98%**
	Total Usage	**1,661,343,712**				
	Total Water Sales			**$**	**15,437,363**	

FISCAL YEAR 2019

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage		Water Revenue	% of Total Unaudited Water Revenue
City of Keene	Municipality	96,124,000	5.97%	$	648,395	4.22%
City of Alvarado	Municipality	44,194,000	2.75%		517,144	3.36%
Prairieland DC LaSalle Corrections	Corrections Facility	15,841,570	0.99%		108,608	0.71%
Stonetown Ranches of Joshua	Mobile Home Park	14,302,400	0.90%		116,551	0.76%
Cypress Creek Joshua Station LP	Apartment Complex	11,692,330	0.73%		84,021	0.55%
Monarch Utilities	Investor-Owned Utility Provider	9,500,190	0.60%		169,926	1.11%
Mariposa South Broadway LP	Apartment Complex	7,703,360	0.49%		69,566	0.45%
City of Joshua	Municipality	7,468,535	0.47%		63,377	0.41%
Joshua ISD	School ISD	6,907,859	0.44%		93,324	0.61%
Godley ISD	School ISD	6,143,460	0.39%		47,145	0.31%
		219,877,704	**13.73%**	**$**	**1,918,058**	**12.48%**
	Total Usage	**1,613,289,489**				
	Total Water Sales			**$**	**15,369,001**	

Table 4

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

TEN LARGEST WATER CUSTOMERS (BASED ON GALLONS CONSUMED) (continued)

Last Ten Years (unaudited)

FISCAL YEAR 2020

Customer	Type of Industry	Water Usage	% of Total Unaudited Water Usage	Water Revenue	% of Total Unaudited Water Revenue
City of Alvarado	Municipality	71,008,000	4.40%	$ 642,917	3.94%
City of Keene	Municipality	59,522,000	3.69%	479,234	2.94%
Stonetown Ranches of Joshua	Mobile Home Park	14,811,839	0.92%	119,394	0.73%
Cypress Creek Joshua Station LP	Apartment Complex	14,483,690	0.90%	101,495	0.62%
Prairieland DC LaSalle Corrections	Corrections Facility	9,700,980	0.60%	70,350	0.43%
Mariposa South Broadway LP	Apartment Complex	7,950,051	0.49%	71,122	0.44%
Stonetown Walnut Creek	Mobile Home Park	5,479,837	0.34%	37,940	0.23%
Godley ISD	School ISD	5,249,350	0.33%	41,570	0.25%
Joshua ISD	School ISD	4,661,099	0.29%	79,826	0.49%
Bethany Special Utility District	Municipality	4,205,000	0.26%	176,231	1.08%
		197,071,846	**12.22%**	**$ 1,820,079**	**11.15%**
	Total Usage	**1,737,420,000**			
	Total Water Sales			**$ 16,326,905**	

Source: District Billing System

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

Table 5

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

TOTAL INDEBTEDNESS PER CUSTOMER

Last Ten Fiscal Years

Fiscal Year Ended December 31,	**Bonds Payable**	**Note Payable**	**Capital Lease Payable**	**Total Indebtedness**	**Total [(1)] Customers**	**Debt Per Customer**	
2011	5,771,134	-	54,489	5,825,623	13,834	421	
2012	14,855,816	-	-	14,855,816	13,923	1,067	(1)
2013	20,712,803	-	-	20,712,803	14,105	1,468	(2)
2014	19,215,078	-	-	19,215,078	14,320	1,342	
2015	17,727,353	-	-	17,727,353	14,411	1,230	
2016	16,224,628	-	-	16,224,628	14,738	1,101	
2017	14,926,903	-	-	14,926,903	15,132	986	
2018	35,594,175	-	-	35,594,175	15,580	2,285	(3)
2019	33,331,450	-	-	33,331,450	16,069	2,074	
2020	31,268,725	-	-	31,268,725	16,851	1,856	

Sources:

District Billing System

District Annual Financial Audits

(1) Excluded wastewater customer count since they are already reflected in the water customer count.

(2) The District issued $19 million in bonds to fund the Trinity Basin Transmission Facilities Project. Now the District has more than doubled its supply capacity availability via purchase water agreements with Mansfield and Grand Prairie. Also, new revenue is derived from several wholesale contracts which goes to offset the new debt service and avoids the need to increase retail water rates.

(3) The District received proceeds of $22 million at 1.54%, from the TWDB's DWSRF (TX. Water Development Board's Drinking Water State Revolving Fund) program for the new AMI (Advanced Metering Infastructure) and 23 improvement projects. The AMI project is for smart meters that will give the customers the ability to see their current usage on demand and in turn help in water conservation. The improvement projects will help in areas of growth in the system, maintenance issues and improving the water distribution, with the completion scheduled for 2020.

Table 6

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

REVENUE BOND COVERAGE

Last Ten Fiscal Years

Fiscal Year Ended December 31,	**Total Revenues [1]**	**Total Expenses [2]**	**Net Revenues Available for Debt Service**	**Bond Debt Service Requirements [3]**	**Coverage**
2011	16,765,671	10,969,586	5,796,085	1,483,863	3.91
2012	20,965,345	10,872,414	10,092,931	946,577	10.66
2013	15,111,527	9,946,241	5,165,286	3,047,403	1.69
2014	15,200,238	12,433,891	2,766,347	1,972,630	1.40
2015	15,635,931	13,140,381	2,495,550	1,927,917	1.29
2016	15,321,178	11,144,305	4,176,873	1,908,339	2.19
2017	17,650,597	11,999,106	5,651,491	1,670,397	3.38
2018	19,601,339	11,700,779	7,900,560	2,076,354	3.81
2019	20,358,842	12,159,243	8,199,599	2,901,405	2.83
2020	21,650,192	12,763,634	8,886,558	2,626,871	3.38

(1) Includes interest income, system development fees, and $6M settlement for lost capacity at SWATS received in 2012

(2) Excludes depreciation and amortization

(3) Includes principal and interest

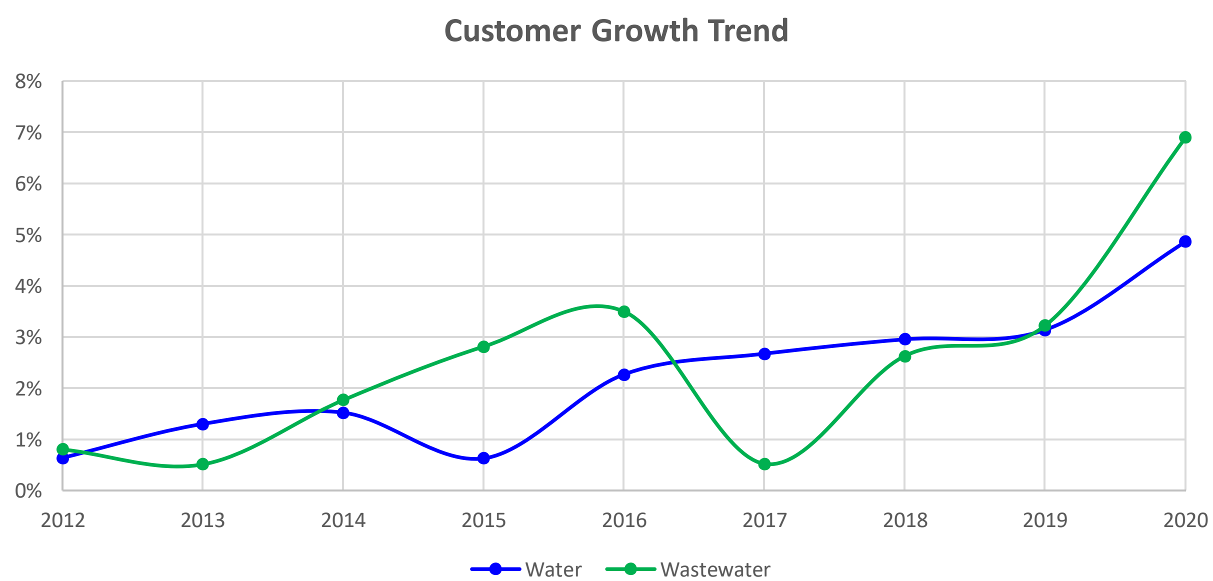
Table 7

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

NUMBER OF CUSTOMERS BY SERVICE

Last Ten Fiscal Years

Fiscal Year Ended December 31,	Water	Wastewater
2011	13,834	1,723
2012	13,923	1,737
2013	14,105	1,746
2014	14,320	1,777
2015	14,411	1,827
2016	14,738	1,891
2017	15,132	1,901
2018	15,580	1,951
2019	16,069	2,014
2020	16,851	2,153



Source: District Billing System

Table 8

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

DEMOGRAPHIC AND ECONOMIC STATISTICS

Last Ten Fiscal Years

Fiscal Year Ended December 31,	Estimated Population Johnson County	Personal Income Johnson County (in Thousands)	Per Capita Income Johnson County	Unemployment Rate Johnson County
2011	151,955	5,267,064	34,662	7.7%
2012	153,313	5,388,339	35,146	6.2%
2013	154,556	5,531,559	35,790	5.9%
2014	156,904	5,822,080	37,106	4.8%
2015	158,614	6,046,048	38,118	4.4%
2016	160,503	6,244,690	38,907	4.5%
2017	167,301	6,682,230	39,941	3.4%
2018	169,159	6,914,543	40,876	3.4%
2019	173,388	7,229,759	41,697	3.1%
2020	180,513	7,693,658	43,759	6.2%

Notes:

The District's service area is predominately in Johnson County, but also serves small areas in Tarrant, Hill and Ellis counties.

Source:

Johnson County, Texas - Comprehensive Annual Financial Reports

Table 9

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
HISTORICAL USAGE BY FUNCTION
December 31, 2020 (unaudited)

HISTORICAL WATER USAGE (mgd)				
Fiscal Year Ended December 31,	**Average Daily Usage**	**Peak Day Usage**	**Total Usage**	**Number of Water Customers**
2011	4.58	9.66	1670.7	13,834
2012	3.85	8.19	1404.8	13,923
2013	3.88	7.85	1414.6	14,105
2014	3.78	8.99	1380.0	14,320
2015	3.69	9.04	1348.0	14,411
2016	3.48	7.48	1270.3	14,738
2017	3.76	7.00	1371.8	15,132
2018	4.55	10.09	1661.3	15,580
2019	4.42	8.57	1613.3	16,069
2020	4.76	9.95	1737.4	16,851

Source:
District Billing System
Monthly Operations Report

Information provided to comply with continuing disclosure requirements of SEC Rule 15c2-12

HISTORICAL WASTEWATER TREATMENT				
Fiscal Year Ended December 31,	**Average Day (MGD)**	**Max Day (MGD)**	**Total Treated (MG)**	**Number of Sewer Customers**
2011	0.3	0.8	121.0	1,723
2012	0.4	1.1	146.6	1,737
2013	0.4	0.6	129.9	1,746
2014	0.3	0.9	125.2	1,777
2015	0.4	1.3	162.4	1,827
2016	0.4	0.9	145.9	1,891
2017	0.3	0.7	106.7	1,901
2018	0.4	1.0	159.9	1,951
2019	0.5	1.1	178.1	2,014
2020	0.5	1.2	171.4	2,153

Source:
District Billing System
Monthly Operations Report

Table 10

JOHNSON COUNTY SPECIAL UTILITY DISTRICT

FULL-TIME EMPLOYEES BY FUNCTION

December 31, 2020 (unaudited)

Fiscal Year Ended December 31,	**Administrative**	**Water**	**Wastewater**	**Total**
2011	13	15	4	32
2012	13	15	4	32
2013	13	15	3	31
2014	15	15	4	34
2015	16	18	4	38
2016	18	16	4	38
2017	19	17	4	40
2018	17	17	4	38
2019	20	17	4	41
2020	21	17	4	42

Source: District Payroll System

Table 11

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

	FISCAL YEAR									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Water										
Land	$ 448,715	$ 499,490	$ 526,732	$ 530,120	$ 571,557	$ 537,195	$ 673,827	$ 673,827	$ 673,827	$ 673,827
Water Wells and Distribution System	30,723,525	32,101,159	35,311,026	55,349,138	54,353,992	54,866,872	53,740,448	55,325,189	55,844,690	55,417,388
Equipment	219,956	176,315	133,539	149,665	124,118	266,772	206,263	129,591	143,759	225,567
Master plan	17,437	7,473	-	18,921	14,380	9,839	5,298	757	-	-
Total Water	31,409,633	32,784,437	35,971,297	56,047,844	55,064,047	55,680,678	54,625,836	56,129,364	56,662,276	56,316,781
Wastewater										
Land	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840	14,840
Buildings and Structures	31,917	30,075	28,234	26,393	24,741	22,710	20,522	5,926	21,714	20,528
Lift Stations and Distribution System	2,187,280	2,912,835	2,829,389	2,797,001	2,746,162	3,624,350	3,529,759	4,767,334	4,826,379	4,377,041
Wastewater Treatment Plant	1,008,263	931,685	2,199,769	2,130,051	2,022,174	1,929,339	1,816,729	1,665,286	1,552,509	1,411,962
Vehicles	151,808	126,853	101,899	96,980	86,369	38,980	29,549	20,118	25,482	22,378
Equipment	207,839	295,709	256,329	266,072	221,098	117,564	90,898	163,000	88,227	58,401
Master plan	20,970	11,650	2,330	9,447	7,348	5,249	3,149	875	-	-
Total Wastewater	3,622,917	4,323,647	5,432,790	5,340,784	5,122,732	5,753,032	5,505,446	6,637,378	6,529,151	5,905,150
General										
Land	-	-	-	152,329	152,329	186,691	186,691	186,691	186,691	186,691
Buildings and Structures	273,143	263,860	251,049	237,954	223,057	201,083	182,468	180,917	6,183,319	5,825,071
Vehicles	140,746	183,653	202,740	162,478	144,700	145,106	109,997	157,479	202,998	155,892
Office Furniture and Equipment	126,768	112,274	69,914	81,806	104,402	89,661	59,796	59,887	235,507	192,689
Total General	540,657	559,787	523,703	634,567	624,488	622,541	538,952	584,973	6,808,515	6,360,343
Total Capital Assets	$ 35,573,207	$ 37,667,871	$ 41,927,790	$ 62,023,195	$ 60,811,267	$ 62,056,251	$ 60,670,234	$ 63,351,715	$ 69,999,942	$ 68,582,274

Note: Balances presented are net of accumulated depreciation, amortization and construction in progress

Source: District Fixed Asset System

	FISCAL YEAR									
	2011	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Water										
Water storage capacity-Elevated (MG)	5	5	5	5	5	5	5	5	5	5
Water storage capacity-Ground (MG)	4	7	7	9	9	9	9	9	9	9
Miles of water mains	859	888	901	926	926	926	932	937	925	933
Number of active wells	20	20	20	21	21	21	21	21	21	21
Production (MG)	1,898	1,667	1,578	1,634	1,619	1,550	1,666	1,896	1,954	2,089
Billed and unbilled consumption (MG)	1,707	1,435	1,415	1,442	1,375	1,288	1,422	1,661	1,612	1,737
Water loss ratio	89.9%	86.1%	89.7%	88.2%	84.9%	83.1%	85.3%	87.6%	82.5%	83.2%
Available Supply Capacity (MG)	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8	24.8
Wastewater										
Number of treatment plants	1	1	1	1	1	1	1	1	1	1
Number of lift stations	8	8	8	8	8	8	8	7	7	7
Miles of sewer mains	42	43	45	45	45	45	45	48	48	49
Annual engineering maximum plant capacity (MG)	256	256	256	256	256	256	284	284	284	284
Amount treated annually (MG)	121	132	130	125	162	146	107	160	178	171
Unused capacity (MG)	135	123	126	131	94	110	177	124	106	113
Percent of capacity utilized	47.4%	51.8%	50.7%	48.8%	63.3%	57.0%	37.7%	56.3%	62.6%	60.3%

Sources:
District Financial Audits
TWDB Water Audit Reports
District Operational Reports

OVERALL COMPLIANCE AND INTERNAL CONTROL SECTION

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

To the Board of Directors and Management
Johnson County Special Utility District
Joshua, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Johnson County Special Utility District (the "District") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 14, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

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determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

George, Morgan & Sneed, P.C.

Weatherford, Texas
April 14, 2021

GEORGE | MORGAN | SNEED
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors and Management
Johnson County Special Utility District

Report on Compliance for Each Major Federal Program

We have audited the Johnson County Special Utility District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended December 31, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

George, Morgan & Sneed, P.C.
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Report on Internal Control over Compliance

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

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

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

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

George, Morgan & Sneed, P.C.

Weatherford, Texas
April 14, 2021

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	_____ Yes __X__ No
Significant deficiency identified that are not considered to be material weaknesses?	_____ Yes __X__ None Reported
Noncompliance material to financial statements noted	_____ Yes __X__ No

2. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	_____ Yes __X__ No
Significant deficiency(s) identified that are not considered to be material weaknesses?	_____ Yes __X__ None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	_____ Yes __X__ No

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	_____ Yes __X__ No

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

None.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Contact for Corrective Action Plan:

Peter Kampfer
General Manager

Financial Statement Findings

None.

Federal Award Findings and Questioned Costs

None.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Environmental Protection Agency				
Pass-through from Texas Water Development Board				
Capitalization Grants for Drinking Water State Revolving Funds	66.468	62794	-	7,411,745
Total U.S. Environmental Protection Agency			-	7,411,745
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ -	$ 7,411,745

The accompanying notes are an integral part of this schedule.

JOHNSON COUNTY SPECIAL UTILITY DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Reporting Entity

Johnson County Special Utility District (the District) is a governmental entity created by the 78th Texas Legislature in Senate Bill 5 on June 20, 2003, subject to a confirmation election which was held November 4, 2003. The District operates under Texas Water Code Chapter 65, as amended.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal program activity of the Johnson County Special Utility District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

Indirect Cost Rate

The District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform guidance.

Texas Water Development Board Loans

The District issued bonds that were purchased by the Texas Water Development Board with Drinking Water State Revolving Funds. The amounts of federal awards reported in the Schedule of Expenditures of Federal Awards are the amount of bond funds spent during the period.

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

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

Johnson County Special Utility District
Revenue Bonds, Series 2021 in the aggregate principal amount of $6,830,000

AS BOND COUNSEL for the Johnson County Special Utility District, the issuer (the "Issuer") of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, until maturity, at the rates and payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the resolution of the Issuer authorizing the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and certified proceedings of the Issuer and other pertinent instruments authorizing and relating to the issuance of the Bonds as we have deemed necessary to enable us to render the opinion contained herein, including one of the executed Bonds (Bond No. T-1).

BASED ON SAID EXAMINATION, it is our opinion that the Bonds have been authorized for issuance by the Order, and that the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding special obligations of the Issuer, and that the Bonds are secured by and payable from a pledge of the Pledged Revenues of the Issuer as provided in the Order.

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

THE ISSUER HAS ALSO RESERVED THE RIGHT to amend the Order as provided therein and subject to the restrictions therein stated.

THE REGISTERED OWNER of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation; and the Bonds are payable solely from sources described in the Order and are not payable from any other funds or resources of the Issuer.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the Order relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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 (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

Respectfully,

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APPENDIX D

Specimen Municipal Bond Debt Service Reserve Insurance Policy

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MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY (SA)

ISSUER: [NAME OF ISSUER]

Policy No: __________

MEMBER: [NAME OF MEMBER]

Effective Date: ____________

BONDS: [Bonds]

Risk Premium: $___________
Member Surplus Contribution: $___________
Total Insurance Payment: $___________

MAXIMUM POLICY LIMIT: $__________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above under the Security Documents, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

BAM will make payment as provided in this Policy to the Trustee or Paying Agent on the later of (i) the Business Day on which such principal and interest becomes Due for Payment and (ii) the first Business Day following the Business Day on which BAM shall have received a completed Notice of Nonpayment in a form reasonably satisfactory to it. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of this paragraph, and BAM shall promptly so advise the Trustee or Paying Agent who may submit an amended Notice of Nonpayment.

Payment by BAM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of BAM under this Policy. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, (a) BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond and (b) BAM shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Security Documents and Debt Service Reserve Agreement.

The amount available under this Policy for payment shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or Paying Agent under the terms of this Policy shall automatically be reduced by and to the extent of any payment under this Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (after taking into account the payment of interest and expenses) to BAM by or on behalf of the Issuer. Within three (3) Business Days of such reimbursement, BAM shall provide the Trustee or the Paying Agent with Notice of Reinstatement, in the form of Exhibit A attached hereto, and such reinstatement shall be effective as of the date BAM gives such notice.

Payment under this Policy shall not be available with respect to (a) any Nonpayment that occurs prior to the Effective Date or after the end of the Term of this Policy or (b) Bonds that are not outstanding under the Security Documents. In no event shall BAM incur duplicate liability for the same amounts owing with respect to the Bonds that are covered under this Policy and any other BAM issued insurance policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Business Day**" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as hereinafter defined) are authorized or required by law or executive order to remain closed. "**Debt Service Reserve Agreement**" means the Debt Service Reserve Agreement, dated as of the effective date hereof, in respect of this Policy, as the same may be amended or supplemented from time to time. "**Due for Payment**" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "**Nonpayment**" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "**Notice**" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy or other acceptable electronic delivery, from and signed by the Trustee or the Paying Agent, which notice shall be in a form and substance satisfactory to BAM and shall specify and include (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions, (e) the date such claimed amount becomes or became Due for Payment, (f) representations and agreements regarding the assignment and subrogation rights of BAM, and (g) such other provisions as BAM may reasonably require. A form of such Notice can be obtained from BAM upon request. "**Owner**" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds. "**Policy Limit**" means the lesser of (i) Maximum Policy Limit set forth above and (ii) the dollar amount of the debt service reserve fund (or the portion thereof) required to be maintained for the Bonds by the Security Documents from time to time (the "Reserve Account Requirement"). The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the Reserve Account Requirement applicable to the Bonds, as provided in the Security Documents. "**Security Documents**" means any resolution, ordinance, trust agreement, trust indenture, loan agreement and/or lease agreement or any similar document and any additional or supplemental document executed in connection with the Bonds. "**Term**" means the period from and including the Effective Date until the Termination Date. "**Termination Date**" means the earlier to occur of (i) the date on which the Bonds are no longer outstanding under the Security Documents and (ii) __________ [date].

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

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

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

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

BUILD AMERICA MUTUAL
ASSURANCE COMPANY

By: ________________________________
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
200 Liberty Street, 27th floor
New York, New York 10281
Telecopy: 212-235-1524 (attention: Claims)

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE][PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Municipal Bond Debt Service Reserve Insurance Policy, Policy No. ________ (the "Policy"), issued by Build America Mutual Assurance Company ("BAM"). The terms which are capitalized herein and not otherwise defined shall have the meanings specified in the Policy, or if not defined therein, in the Debt Service Reserve Agreement.

BAM hereby delivers notice that it is in receipt of payment from the [Issuer], or on its behalf, pursuant to the Debt Service Reserve Agreement and, as of the date hereof, the Policy Limit is $_________, subject to reduction as the Reserve Account Requirement for the Bonds is reduced in accordance with the terms set forth in the Security Documents.

BUILD AMERICA MUTUAL
ASSURANCE COMPANY

By: ________________________________
Name:
Title:

USCA Municipal Advisors, LLC

Financial Advisor to the District

Mixed Sources
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