OFFICIAL STATEMENT

NEW ISSUE Rating: S&P “AA+”
Book-Entry Only

In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2020 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Series 2020 Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2020 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2020 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).

$21,785,000

MALLORY VALLEY UTILITY DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

Waterworks System Revenue Bonds, Series 2020

Dated: Date of Delivery Due: September 1, as shown below

Mallory Valley Utility District of Williamson County, Tennessee (the "District") will issue its Waterworks System Revenue Bonds, Series 2020 (the “Series 2020 Bonds”) as fully registered bonds, without coupons, in denominations of $5,000 or any integral multiple thereof and will bear interest at the annual rates shown below. Interest on the Series 2020 Bonds will be payable semi-annually on March 1 and September 1, commencing September 1, 2020. Principal of and interest on the Series 2020 Bonds will be payable at the corporate trust office of U.S. Bank National Association, Nashville, Tennessee, as Paying Agent and Registration Agent, provided that interest may be paid by check or draft mailed by the Registration Agent to each registered owner as of the record date.

The Series 2020 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the System pursuant to the provisions of the Resolution (capitalized terms having the meanings ascribed herein), on parity with the District’s outstanding Waterworks Revenue Bond, Series 2008. The Series 2020 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of or interest on the Series 2020 Bonds. The Resolution does not grant to owners of the Series 2020 Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the System and the statutory mortgage lien on the System as described more fully herein. The District has no taxing power.

The Series 2020 Bonds are subject to optional redemption on September 1, 2030 and thereafter at a price of par, as set forth herein. The Series 2020 Bonds are payable on September 1 of each year as follows:

Maturity Date	Amount	Rate	Yield	Maturity Date	Amount	Rate	Yield
2021	$525,000	5.000%	0.940%	2030	$815,000	5.000%	1.810%
2022	555,000	5.000	1.070	2033	895,000	2.000	2.100
2023	580,000	5.000	1.160	2034	910,000	2.125	2.200
2024	610,000	5.000	1.200	2035	930,000	2.250	2.300
2025	640,000	5.000	1.300	2036	950,000	2.375	2.400
2026	675,000	5.000	1.400	2037	975,000	2.500	2.500
2027	705,000	5.000	1.500	2038	1,000,000	2.500	2.600
2028	740,000	5.000	1.600	2039	1,025,000	2.625	2.650
2029	780,000	5.000	1.720	2040	1,050,000	2.625	2.700

$1,735,000 2.000% Term Bond Due September 1, 2032, Yield 2.000%
$5,690,000 2.750% Term Bond Due September 1, 2045, Yield 2.750%

The Series 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. Certain legal matters will also be passed upon for the District by Bass, Berry & Sims PLC, as Counsel to the District. Stephens Inc. is serving as municipal advisor to the District. It is expected that the Series 2020 Bonds in book-entry form will be available for delivery through The Depository Trust Company on or about May 21, 2020.

May 5, 2020

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended (collectively, the "Official Statement") by the Mallory Valley Utility District of Williamson County, Tennessee (the "District"), is an Official Statement with respect to the Series 2020 Bonds described herein that is deemed final by the District as of the date hereof (or of any such supplement or amendment). It is subject to completion with certain information to be established at the time of the sale of the Series 2020 Bonds as permitted by Rule 15c2-12 of the Securities and Exchange Commission.

No dealer, broker, salesman or other person has been authorized by the District or by Stephens Inc. (the "Municipal Advisor") to give any information or make any representations other than those contained in this Official Statement and, if given or made, such information or representations with respect to the District or the Series 2020 Bonds must not be relied upon as having been authorized by the District or the Municipal Advisor. This Official Statement does not constitute an offer to sell, or solicitation of an offer to buy, any securities other than the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful.

This Official Statement should be considered in its entirety and no one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

The information and expressions of opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under it shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date as of which information is given in this Official Statement.

In making an investment decision investors must rely on their own examination of the District and the terms of the offering, including the merits and risks involved. No registration statement relating to the Series 2020 Bonds has been filed with the Securities and Exchange Commission or with any state securities agency. The Series 2020 Bonds have not been approved or disapproved by the Commission or any state securities agency, nor has the Commission or any state securities agency passed upon the accuracy or adequacy of this Official Statement. Any representation to the contrary is a criminal offense.

Mallory Valley Utility District of Williamson County, Tennessee
Waterworks System Revenue Bonds, Series 2020

Dated May 21, 2020

Maturity (September 1)	Amount	Rate	Yield	CUSIP No.*
2021	$525,000	5.000%	0.940%	561273BJ1
2022	555,000	5.000	1.070	561273BK8
2023	580,000	5.000	1.160	561273BL6
2024	610,000	5.000	1.200	561273BM4
2025	640,000	5.000	1.300	561273BN2
2026	675,000	5.000	1.400	561273BP7
2027	705,000	5.000	1.500	561273BQ5
2028	740,000	5.000	1.600	561273BR3
2029	780,000	5.000	1.720	561273BS1
2030	815,000	5.000	1.810	561273BT9
2032	1,735,000	2.000	2.000	561273BV4
2033	895,000	2.000	2.100	561273BW2
2034	910,000	2.125	2.200	561273BX0
2035	930,000	2.250	2.300	561273BY8
2036	950,000	2.375	2.400	561273BZ5
2037	975,000	2.500	2.500	561273CA9
2038	1,000,000	2.500	2.600	561273CB7
2039	1,025,000	2.625	2.650	561273CC5
2040	1,050,000	2.625	2.700	561273CD3
2045	5,690,000	2.750	2.750	561273CJ0

[*] These CUSIP numbers have been assigned by Standard & Poor’s CUSIP Service Bureau, a Division of The McGraw Hill Companies, Inc., and are included solely for the convenience of the Bondholders. Neither the Underwriter nor the District is responsible for the selection or use of these CUSIP numbers, nor is any representation made as to their correctness on the Series 2020 Bonds or as indicated herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions, including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Bonds.

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OFFICIALS

MALLORY VALLEY UTILITY DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

BOARD OF COMMISSIONERS

Ronald Coker, President
William Boger, Vice-President
Dan Coley, Secretary/Treasurer

ADMINISTRATION

Jenny Clarke, General Manager

BOND COUNSEL AND DISTRICT'S COUNSEL

Bass, Berry & Sims PLC
Nashville, Tennessee

AUDITOR

Yeary, Howell & Associates
Nashville, Tennessee

REGISTRATION AND PAYING AGENT AND ESCROW AGENT

U.S. Bank National Association
Nashville, Tennessee

MUNICIPAL ADVISOR

Stephens Inc.
Nashville, Tennessee

UNDERWRITER

Robert W. Baird & Co., Inc.
Red Bank, New Jersey

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Summary Statement

This Summary is expressly qualified by the entire Official Statement, which should be viewed in its entirety by potential investors.

ISSUER	Mallory Valley Utility District of Williamson County, Tennessee (the “District”).
ISSUE	$21,785,000 Waterworks System Revenue Bonds, Series 2020 (the “Series 2020 Bonds”).
PURPOSE	Refund the District’s outstanding Water Revenue Refunding Bonds, Series 2013, dated May 20, 2013, finance the costs of capital improvements to the System (the “Projects”), and pay costs incident to the issuance and sale of the Series 2020 Bonds.
DATED DATE	May 21, 2020.
INTEREST DUE	Each March 1 and September 1, commencing September 1, 2020.
PRINCIPAL DUE	September 1, 2021 through September 1, 2045.
SETTLEMENT DATE	May 21, 2020.
OPTIONAL REDEMPTION	The Series 2020 Bonds shall be subject to redemption at the option of the District on and after September 1, 2030 at the price of par.
SECURITY	The Series 2020 Bonds are payable solely from and secured by a lien upon and pledge of the Net Revenues of the System pursuant to the provisions of the Resolution (capitalized terms having the meanings ascribed herein), on parity with the District’s outstanding Waterworks Revenue Bond, Series 2008. The Series 2020 Bonds are not obligations of the State of Tennessee, or any of its political subdivisions, other than the District, nor is the State of Tennessee, or any of its political subdivisions, other than the District, liable for the payment of the principal of or interest on the Series 2020 Bonds. The Resolution does not grant to owners of the Series 2020 Bonds any mortgage on or security interest in any real or personal property of the District other than the lien on the Net Revenues of the System and the statutory mortgage lien on the System as described more fully herein. The District has no taxing power.
RATING	"AA+" by S&P Global Ratings ("S&P") based on documents and other information provided by the District. The rating reflects only the view of S&P and neither the District, the Municipal Advisor nor the Underwriter make any representations as to the appropriateness of such rating. There is no assurance that such rating will continue for any given period of time or that it will not be lowered or withdrawn. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market price of the Series 2020 Bonds. Any explanation of the significance of the rating may be obtained from S&P. See "Rating" herein.

TAX MATTERS................................	In the opinion of Bond Counsel, based on existing law and assuming compliance with certain tax covenants of the District, interest on the Series 2020 Bonds will be excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and interest on the Series 2020 Bonds is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code. For an explanation of certain tax consequences under federal law which may result from the ownership of the Series 2020 Bonds, see the discussion under the heading "Tax Matters" herein. Under existing law, the Series 2020 Bonds and the income therefrom will be exempt from all state, county and municipal taxation in the State of Tennessee, except Tennessee franchise and excise taxes. (See "Tax Matters" herein).
REGISTRATION AND PAYING AGENT AND ESCROW AGENT	U.S. Bank National Association, Nashville, Tennessee.
MUNICIPAL ADVISOR	Stephens Inc., Nashville, Tennessee.
UNDERWRITER	Robert W. Baird & Co., Inc., Red Bank, New Jersey

$21,785,000

Mallory Valley Utility District of Williamson County, Tennessee

Waterworks System Revenue Bonds, Series 2020

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by Mallory Valley Utility District of Williamson County, Tennessee (the "District") of $21,785,000 in aggregate principal amount of its Waterworks System Revenue Bonds, Series 2020 (the "Series 2020 Bonds"). Capitalized terms used but not defined herein shall have the meanings assigned to them in the Resolution (hereinafter defined). (See Appendix A - Summary of Certain Provisions of the Resolution.)

This introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein, if necessary. The offering of the Series 2020 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The District, the issuer of the Series 2020 Bonds, is a municipal corporation of the State of Tennessee created by the laws of the State of Tennessee, including the Utility District Law of 1937, codified as Section 7-82-101 et seq., Tennessee Code Annotated (the "Act"). The District owns and operates a waterworks distribution system (the "System"), serving portions of Williamson County, Tennessee. See Appendix C.

The Series 2020 Bonds are being issued in accordance with the Constitution of the State of Tennessee and laws of the State of Tennessee, including, but not limited to the District Act, and pursuant to a resolution of the Board of Commissioners (the "Governing Body") of the District adopted on October 26, 2007, as supplemented and amended on November 27, 2007, October 24, 2008 and March 27, 2020 (the "Resolution"). A summary of certain provisions of the resolution is attached hereto as Appendix A.

Audited financial statements for the District's fiscal year ended September 30, 2019 are attached hereto as Appendix B and certain statistical, demographic and other information regarding the District is attached hereto as Appendix C.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the District, the Series 2020 Bonds, and the security and sources of payment for the Series 2020 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions, statutes, the Resolution, and other documents are intended as summaries only and are qualified in their entirety by reference to such documents, and references herein to the Series 2020 Bonds are qualified in their entirety to the form thereof included in the Resolution. Copies of the Resolution and other documents and information are available, upon request, from Jenny Clarke, General Manager, Mallory Valley Utility District of Williamson County, Tennessee, 465 Duke Road, Franklin, Tennessee 37065; telephone (615) 628-0237.

PLAN OF FINANCING

The Series 2020 Bonds are being issued for the purpose of refunding the District's outstanding Water Revenue Refunding Bonds, Series 2013, dated May 20, 2013 (the "Series 2013 Bonds"), financing the costs of capital improvements to the System (the "Projects") and the paying the costs of issuing the Series 2020 Bonds.

Estimated Sources and Uses of Funds

The sources and uses of funds in connection with the issuance of the Series 2020 Bonds are estimated below.

Sources of Funds:	
Par Amount of Series 2020 Bonds	$21,785,000.00
Original Issue Premium	1,276,260.85
Debt Service Fund Contribution	290,000.00
Total Sources of Funds	$23,351,260.85
Uses of Funds:	
Deposit to Refunding Escrow	$3,860,667.56
Deposit to Construction Fund	19,212,807.97
Costs of Issuance(1)	277,785.32
Total Uses of Funds	$23,351,260.85

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(1) Includes legal and accounting fees, underwriter's fees, municipal advisory fees, rating agency fees, printing, and other costs of issuance.

Application of Bond Proceeds

Pursuant to a Refunding Escrow Agreement between the District and U.S. Bank National Association (the "Escrow Agent"), the portion of the proceeds of the Series 2020 Bonds used to refund the Series 2013 Bonds, together with funds of the District, will be used to purchase United States Treasury Obligations – State and Local Government Series (the "Escrow Investments"). The Escrow Investments purchased with the proceeds of the Series 2020 Bonds and District funds will be held in a separate fund established by the Escrow Agent with the interest earned and the principal amount of the Escrow Investments being sufficient to pay principal of and interest on the Series 2013 Bonds through a June 22, 2020 redemption date. Neither the principal of nor the interest on the Escrow Investments will be available for payment of the Series 2020 Bonds. The District will give the Escrow Agent irrevocable directions to redeem on the Series 2013 Bonds on June 22, 2020.

The balance of the proceeds of the Series 2020 Bonds will be deposited to a Project Fund held by the District and used to pay costs of issuance and costs of the Projects.

DESCRIPTION OF THE SERIES 2020 BONDS

General

The Series 2020 Bonds are dated as of the date of their delivery, and bear interest from such date at the rates per annum set forth on the cover page of this Official Statement (computed on the basis of a 360-day year of twelve 30-day months). Interest on the Series 2020 Bonds is payable on each March 1 and September 1, commencing September 1, 2020.

Payment of the principal of and interest on the Series 2020 Bonds will be made by the Registration Agent directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to DTC Participants and thereafter to Beneficial Owners of the Series 2020 Bonds. See “Book-Entry Only Bonds.”

When not in book-entry form, interest on the Series 2020 Bonds will be paid by check or draft on the Registration Agent, and will be mailed on the date due by first class mail to the registered owners of record as of the 15th day of the calendar month (the “Regular Record Date”) immediately preceding the applicable Interest Payment Date, at the address shown on the registration books of the District maintained by the Registration Agent. When not in book-entry form, the principal of and redemption premium (if any) on the Series 2020 Bonds will be paid upon the presentation and surrender of the Series 2020 Bonds at the principal corporate trust office of the Registration Agent.

Any interest on any Series 2020 Bond that is payable but is not punctually paid or duly provided for on an Interest Payment Date (the “Defaulted Interest”) will cease to be payable to the registered owner on the relevant Regular Record Date; and, in lieu thereof, such Defaulted Interest will be paid by the District to the persons in whose names the Series 2020 Bonds are registered at the close of business on a date (the “Special Record Date”) for the payment of such Defaulted Interest, which date will be fixed in the following manner: the District will notify the Registration Agent of the amount of Defaulted Interest proposed to be paid on each Series 2020 Bond and the date of the proposed payment. Thereupon, not less than ten days after the receipt by the Registration Agent of the notice of the proposed payment, the Registration Agent will fix a Special Record Date for the payment of such Defaulted Interest, which date will be not more than 15 nor less than 10 days prior to the date of the proposed payment to the registered owners. The Registration Agent will promptly notify the District of such Special Record Date, and in the manner and at the expense of the District, not less than ten days prior to such Special Record Date, will cause notice of the proposed payment of such Defaulted Interest and the Special Record Date to be mailed, first-class postage prepaid, to each registered owner at the address thereof as it appears in the registration records maintained by the Registration Agent as to the date of such notice.

Denominations, Registration, Transfers and Exchanges

The Series 2020 Bonds will be issued in fully registered form in the denomination of $5,000 each or integral multiples thereof. The Series 2020 Bonds will be registered as to principal and interest on the registration books kept by the Registration Agent. The registered owner thereof shall be treated as the absolute owner thereof for all purposes, including payment, and payment to the registered owner thereof shall satisfy all liability thereon to the extent of sums so paid.

When in book-entry form, Series 2020 Bonds held by DTC or Cede & Co., as its nominee, on behalf of the Beneficial Owners thereof, are transferable upon delivery to DTC or Cede & Co., as its nominee, of an assignment executed by the Beneficial Owner or the Beneficial Owner's duly authorized attorney. See “Book-Entry Only Bonds.”

When not in book-entry form, ownership of any Series 2020 Bond will be transferable upon surrender thereof to the Registration Agent, together with an assignment duly executed by the registered owner or his attorney, in such form as shall be satisfactory to the Registration Agent. Upon any such transfer of ownership, the Registration Agent will cause to be authenticated and delivered a new Series 2020 Bond or Series 2020 Bonds registered in the name of the transferee in the authorized denomination in the same aggregate principal amount and interest rate as the Series 2020 Bonds surrendered for such transfer. When not in book-entry form, the Series 2020 Bonds may be exchanged for a like principal amount of Series 2020 Bonds of the same interest rate of other authorized denominations. For every exchange or registration of transfer, the Registration Agent, may charge an amount sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration or transfer, but no other charge may be made to the owner for any exchange or registration of transfer of the Series 2020 Bonds.

Optional Redemption

The Series 2020 Bonds maturing on or after September 1, 2031 are subject to redemption prior to maturity at the option of the District on or after September 1, 2030, in whole or in part at any time, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date.

If less than all the Series 2020 Bonds shall be called for redemption, the maturities to be redeemed shall be selected by the Board of Commissioners of the District in its discretion. If less than all of the Series 2020 Bonds within a single maturity shall be called for redemption, the interests within the maturity to be redeemed shall be selected as follows:

(i) if the Series 2020 Bonds are being held under a Book-Entry System by DTC, or a successor Depository, the Series 2020 Bonds to be redeemed shall be determined by DTC, or such successor Depository, by lot or such other manner as DTC, or such successor Depository, shall determine; or

(ii) if the Series 2020 Bonds are not being held under a Book-Entry System by DTC, or a successor Depository, the Series 2020 Bonds within the maturity to be redeemed shall be selected by the Registration Agent by lot or such other random manner as the Registration Agent in its discretion shall determine.

Mandatory Sinking Fund Redemption

The Series 2020 Bonds maturing on September 1, 2032 and September 1, 2045 are subject to scheduled mandatory redemption prior to maturity in part (in the same manner as provided for optional redemption) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the redemption date, in the following principal amounts and on the dates set forth below (the September 1, 2032 and September 1, 2045 amounts to be paid rather than redeemed):

Maturity Date (September 1)	Date (September 1)	Principal Amount
2032	2031	$860,000
	2032	875,000
	2041	$1,075,000
	2042	1,105,000
2045	2043	1,140,000
	2044	1,170,000
	2045	1,200,000

At its option, to be exercised on or before the 45th day next preceding such scheduled mandatory redemption date, the District, may (a) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2020 Bonds of the same maturity subject to scheduled mandatory redemption which are delivered to the Paying Agent for cancellation and not theretofore applied as a credit against a scheduled mandatory redemption obligation or (b) receive a credit with respect to its scheduled mandatory redemption obligation for any Series 2020 Bonds of the same maturity which prior to said date have been redeemed (otherwise than through scheduled mandatory redemption) and canceled by the Paying Agent and not theretofore applied as a credit against said scheduled mandatory redemption obligation. Each Series 2020 Bond so delivered or previously redeemed shall be credited by the Registration Agent, at the principal amount thereof to the obligation of the District on such scheduled mandatory redemption date and the principal amount of the Series 2020 Bonds to be redeemed by operation of such scheduled mandatory redemption on such date shall be accordingly reduced.

Notice of Redemption

Notice of call for redemption, whether optional or mandatory, shall be given by the Registration Agent not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption by sending an appropriate notice to the registered owners of the Series 2020 Bonds to be redeemed by first-class mail, postage prepaid, at the addresses shown on the registration records of the Registration Agent as of the date of the notice; but neither failure to mail such notice nor any defect in any such notice so mailed shall affect the sufficiency of the proceedings for the redemption of any of the Series 2020 Bonds for which proper notice was given. An optional redemption notice may state that it is conditioned upon the deposit of moneys in an amount equal to the amount necessary to affect the redemption with the Registration Agent no later than the redemption date ("Conditional Redemption"). As long as DTC, or a successor Depository, is the registered owner of the Series 2020 Bonds, all redemption notices shall be mailed by the Registration Agent to DTC, or such successor Depository, as the registered owner of the Series 2020 Bonds, as and when above provided, and neither the District nor the Registration Agent shall be responsible for mailing notices of redemption to DTC Participants or Beneficial Owners. Failure of DTC, or any successor Depository, to provide notice to any DTC Participant will not affect the validity of such redemption. From and after any redemption date, all Series 2020 Bonds called for redemption shall cease to bear interest if funds are available at the office of the Registration Agent for the payment thereof and if notice has been duly provided as set forth in the Resolution. In the case of a Conditional Redemption, the failure of the District to make funds available in part or in whole on or before the redemption date shall not constitute an event of default, and the Registration Agent shall give immediate notice to the Depository or the affected Bondholders that the redemption did not occur and that the Bonds called for redemption and not so paid remain outstanding.

Book-Entry Only System

Except as otherwise provided in the Detailed Notice of Sale, the Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2020 Bond certificate will be issued for each maturity of the Series 2020 Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 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 securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. 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 and www.dtc.org.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Security ("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 Series 2020 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 Securities, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 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 Series 2020 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 Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2020 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 Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's 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 Series 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2020 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 Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or Issuer, 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 County or Agent, 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 Series 2020 Bonds at any time by giving reasonable notice to the District or Registration Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2020 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, Security 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 District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

THE DISTRICT AND THE REGISTRATION AGENT HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (III) THE DELIVERY OR TIMELINESS OF DELIVERY BY ANY PARTICIPANT OR ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE RESOLUTION TO BE GIVEN TO BONDHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

SECURITY AND SOURCES OF PAYMENT OF THE SERIES 2020 BONDS

Neither the full faith and credit nor the taxing power of the State of Tennessee or any political subdivision thereof, including the District, is pledged to the payment of the Series 2020 Bonds. The Series 2020 Bonds are limited obligations of the District and are payable solely from the Net Revenues (as described below and as defined in Appendix A hereto) of the System on parity and equality of lien with the District's outstanding Waterworks Revenue Bond, Series 2008 (the "Rural Development Bond") and any bonds hereafter issued on parity therewith. Except as described below (see- Statutory Mortgage Lien), the Series 2020 Bonds do not constitute a charge, lien or encumbrance upon any other property of the District.

Pledge of Net Revenues

Under the terms of the Resolution, the Series 2020 Bonds are secured by a pledge of and lien on the Net Revenues. Generally, Net Revenues means all revenues of the System, from whatever source, minus System operating expenses other than depreciation, amortization and interest expense. See Appendix A for a more detailed definition of Net Revenues. See Appendix C for information regarding the District, the District's service area and the System, and Appendix C for information regarding the District's debt service obligations.

Flow of Funds

Pursuant to the Resolution, the District has agreed to deposit all revenues derived from the operation of the System into the Revenue Fund and to apply such moneys as follows:

(1) First, to pay operating expenses
(2) Next, to pay debt service on the Rural Development Bond and to make deposits to the Bond Fund to provide for payment of the Series 2020 Bonds and any Parity Bonds
(3) Next, to fund debt service reserves, if any, for the Rural Development Bond, the Series 2020 Bonds and any Parity Bonds
(4) Last, to pay debt service on Subordinate Lien Bonds and any other legal purpose

See Appendix A for a more detailed description of the flow of funds.

Rate Covenant

Under the terms of the Resolution, prior to the commencement of each Fiscal Year, the Governing Body must estimate the revenues and expenditures for the upcoming Fiscal Year, based on rates then in effect, and, based on such estimate, adjust rates to the extent necessary to produce Net Revenues for the upcoming Fiscal Year (i) equal to not less than 1.2 times the debt service payable during the upcoming Fiscal Year on the Rural Development Bond, the Series 2020 Bonds and any Parity Bonds, (ii) sufficient, in addition, to provide for any required deposits during the upcoming Fiscal Year to any Reserve Fund and any other funds established by the District pursuant to the Resolution and the resolutions authorizing the Rural Development Bond, any Subordinate Lien Bonds or pursuant to sound and prudent operating practices as determined by the Governing Body, (iii) sufficient to pay debt service on any Subordinate Lien Bonds, and (iv) sufficient to pay any amounts payable during such Fiscal Year under any Financial Guaranty Agreement, with respect to any Reserve Fund Credit Facility or under any financial guaranty agreement entered into pursuant to the resolutions authorizing the Rural Development Bond, the Series 2020 Bonds, Parity Bonds or any Subordinate Lien Bonds.

Bond Fund and Reserve Fund

The District has established the Bond Fund. The money on deposit in the Bond Fund will be used to pay the principal of and interest on the Series 2020 Bonds and any Parity Bonds as the same become due. The Board of Commissioners has elected to not establish a Reserve Fund for the Series 2020 Bonds.

Parity Bonds

The District may, from time to time, issue Parity Bonds under the terms of the Resolution. Parity Bonds will have a lien on the Net Revenues of the System on a parity with the lien on the Net Revenues of the System securing the Series 2020 Bonds. See Appendix A for the conditions under which such Parity Bonds may be issued. The District may not issue bonds payable from or secured by a lien on the Net Revenues senior to that securing the payment of the Series 2020 Bonds.

Statutory Mortgage Lien

A statutory lien in the nature of a mortgage lien upon the System in favor of the Series 2020 Bonds is granted and created by the District Act, which mortgage lien is valid and binding upon the District, on parity with the statutory mortgage lien in favor of the Rural Development Bond. The System will remain subject to such statutory mortgage lien until payment in full of principal of and interest on the Series 2020 Bonds. See Appendix A.

Additional Borrowing Plans

Each year the District reviews capital improvement plans for maintaining or improving the system. At present, the District projects that it will have sufficient internal funds to support ongoing maintenance and improvements. The District has no current plans to incur additional indebtedness.

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LEGAL MATTERS

Pending Litigation

The District, like other similar bodies, is subject to a variety of suits and proceedings arising in the ordinary conduct of its affairs. The District, after reviewing the current status of all pending and threatened litigation with its counsel believes that, subject to the subsequent disclosure set forth in the third paragraph below, while the outcome of litigation cannot be predicted, the final settlement of all lawsuits which have been filed and of any actions or claims pending or threatened against the District or its officials in such capacity are adequately covered by insurance or sovereign immunity or will not have a material adverse effect upon the financial position or results of operations of the District.

There is no litigation now pending or, to the knowledge of the District, threatened which restrains or enjoins the issuance or delivery of the Series 2020 Bonds, the use of Net Revenues for the payment of the Series 2020 Bonds, or the use of the proceeds of the Series 2020 Bonds or which questions or contests the validity of the Series 2020 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization, or existence of the District, nor the title of the present members or other officials of the District to their respective offices, is being contested or questioned.

Notwithstanding the foregoing two paragraphs, the District is involved in a declaratory judgment action involving the respective boundaries and/or service areas of the District and Milcrofton Utility District ("Milcrofton"). Milcrofton has claimed that the District is providing water service within a portion Milcrofton's service area currently including approximately 95 commercial customers (approximately 5% of total commercial customers) and 441 residential customers (approximately 10.5% of total residential customers). None of these disputed customers are included in the top ten customer list included herewith as Appendix C. The District disputes that the area at issue is in the Milcrofton service area and that it does not have the right to provide water service in the utility service area historically claimed and served by the District. The District denies the claims of Milcrofton in the lawsuit and intends to vigorously defend this matter. The District has responded to this complaint and filed a counterclaim against Milcrofton seeking the court’s affirmation of the two districts’ historically-recognized boundaries.

Opinions of Bond Counsel

Legal matters incident to the authorization, validity, and issuance of the Series 2020 Bonds are subject to the approving opinion of Bass, Berry & Sims PLC, Nashville, Tennessee, Bond Counsel. The form of opinion of Bond Counsel is attached to this Official Statement as Appendix D. Copies of the opinion will be available at the time of the initial delivery of the Series 2020 Bonds. Certain legal matters will also be passed upon for the District by Bass, Berry & Sims PLC, as counsel to the District.

TAX MATTERS

Federal

General. Bass, Berry & Sims PLC, Nashville, Tennessee, is Bond Counsel for the Series 2020 Bonds. Their opinion under existing law, relying on certain statements by the District and assuming compliance by the District with certain covenants, is that interest on the Series 2020 Bonds:

- is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and

- is not treated as an item of tax preference in calculating the alternative minimum tax imposed on individuals under the Code.

The Code imposes requirements on the Series 2020 Bonds that the District must continue to meet after the Series 2020 Bonds are issued. These requirements generally involve the way that the Series 2020 Bond proceeds must be invested and ultimately used. If the District does not meet these requirements, it is possible that a bondholder may have to include interest on the Series 2020 Bonds in its federal gross income on a retroactive basis to the date of issue. The District has covenanted to do everything necessary to meet these requirements of the Code.

A bondholder who is a particular kind of taxpayer may also have additional tax consequences from owning the Series 2020 Bonds. This is possible if a bondholder is:

- an S corporation,
- a United States branch of a foreign corporation,
- a financial institution,
- a property and casualty or a life insurance company,
- an individual receiving Social Security or railroad retirement benefits,
- an individual claiming the earned income credit or
- a borrower of money to purchase or carry the Series 2020 Bonds.

If a bondholder is in any of these categories, it should consult its tax advisor.

Bond Counsel is not responsible for updating its opinion in the future. It is possible that future events or changes in applicable law could change the tax treatment of the interest on the Series 2020 Bonds or affect the market price of the Series 2020 Bonds. See also “Changes in Federal and State Tax Law” below in this heading.

Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel on the federal income tax treatment of interest on the Series 2020 Bonds, or under State, local or foreign tax law.

Bond Premium. If a bondholder purchases a Series 2020 Bond for a price that is more than the principal amount, generally the excess is “bond premium” on that Series 2020 Bond. The tax accounting treatment of bond premium is complex. It is amortized over time and as it is amortized a bondholder’s tax basis in that Series 2020 Bond will be reduced. The holder of a Series 2020 Bond that is callable before its stated maturity date may be required to amortize the premium over a shorter period, resulting in a lower yield on such Series 2020 Bonds. A bondholder in certain circumstances may realize a taxable gain upon the sale of a Series 2020 Bond with bond premium, even though the Series 2020 Bond is sold for an amount less than or equal to the owner’s original cost. If a bondholder owns any Series 2020 Bonds with bond premium, it should consult its tax advisor regarding the tax accounting treatment of bond premium.

Original Issue Discount. A Series 2020 Bond will have “original issue discount” if the price paid by the original purchaser of such Series 2020 Bond is less than the principal amount of such Series 2020 Bond. Bond Counsel’s opinion is that any original issue discount on these Series 2020 Bonds as it accrues is excluded from a bondholder’s federal gross income under the Internal Revenue Code. The tax accounting treatment of original issue discount is complex. It accrues on an actuarial basis and as it accrues a bondholder’s tax basis in these Series 2020 Bonds will be increased. If a bondholder owns one of these Series 2020 Bonds, it should consult its tax advisor regarding the tax treatment of original issue discount.

Information Reporting and Backup Withholding. Information reporting requirements apply to interest on tax-exempt obligations, including the Series 2020 Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with a Form W-9, “Request for Taxpayer Identification Number and Certification,” or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to “backup withholding,” which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a “payor” generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a Series 2020 Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur.

In any event, backup withholding does not affect the excludability of the interest on the Series 2020 Bonds from gross income for Federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's Federal income tax once the required information is furnished to the Internal Revenue Service.

State Taxes

Under existing law, the Series 2020 Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on interest on the Series 2020 Bonds during the period the Series 2020 Bonds are held or beneficially owned by any organization or entity, or other than a sole proprietorship or general partnership doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Series 2020 Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee.

Changes in Federal and State Tax Law

From time to time, there are Presidential proposals, proposals of various federal and Congressional committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Series 2020 Bonds or otherwise prevent holders of the Series 2020 Bonds from realizing the full benefit of the tax exemption of interest on the Series 2020 Bonds. It cannot be predicted whether, or in what form, these proposals might be enacted or if enacted, whether they would apply to Series 2020 Bonds prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Series 2020 Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2020 Bonds would be impacted. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2020 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Prospective purchasers of the Series 2020 Bonds should consult their own tax advisors regarding the foregoing matters.

CONTINUING DISCLOSURE

The District will at the time the Series 2020 Bonds are delivered execute a Continuing Disclosure Agreement under which it will covenant for the benefit of holders and beneficial owners of the Series 2020 Bonds to provide certain financial information and operating data relating to the District and the System by not later than twelve months after the end of each fiscal year commencing with the fiscal year ending September 30, 2020 (the "Annual Report"), and to provide notice of the occurrence of certain enumerated events. All continuing disclosure filings will be made with the Municipal Securities Rulemaking Board ("MSRB") at www.emma.msrb.org and any State Information Depository that may hereafter be established ("SID"). If the District is unable to provide the Annual Report to the MSRB and the SID, if any, by the date set forth above for the filing of the Annual Report, notice of such failure shall be sent to the MSRB and the SID, if any, on or before such date. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in the form of Continuing Disclosure Agreement attached hereto as Appendix E. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b), as it may be amended from time to time (the "Rule").

The District is not aware of any failure within the last five years to comply in any material respect with any previous undertakings with regard to the Rule.

RATING

S&P Global Ratings (the "Rating Agency") has assigned the Series 2020 Bonds a rating of "AA+". An explanation of the significance of such rating may be obtained from the Rating Agency. This rating is not a recommendation to buy, sell or hold the Series 2020 Bonds. Generally, rating agencies base their ratings on information and materials furnished to the agencies and on investigations, studies and assumptions by the agencies. There is no assurance that this rating will be maintained for any given period of time or that this rating will not be revised downward or withdrawn entirely by the Rating Agency if, in such agency's judgment, circumstances so warrant. Any such downward revision or withdrawal of this rating may have an adverse effect on the market price of the Series 2020 Bonds. Neither the District nor the Underwriter has undertaken any responsibility to oppose any revision or withdrawal of the rating.

MUNICIPAL ADVISOR

Stephens Inc. is serving as Municipal Advisor to the District in connection with the issuance of the Bonds. Stephens Inc., in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and 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 or state income tax status of the Bonds or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The information set forth herein has been obtained from the District and other sources believed to be reliable, but has not been independently verified by Municipal Advisor.

The Municipal Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

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

UNDERWRITING

Robert W. Baird & Co., Inc., Red Bank, New Jersey, acting for and on behalf of itself and such other securities dealers as it may designate, will purchase the Series 2020 Bonds for an aggregate purchase price of $22,876,529.28, which is par, plus net original issue premium of $1,276,260.85, less underwriter’s discount of $184,731.57.

The Underwriter may offer and sell the Series 2020 Bonds to certain dealers (including dealer banks and dealers depositing the Series 2020 Bonds into investment trusts) and others at prices different from the public offering prices stated on the cover page of this Official Statement. Such initial public offering prices may be changed from time to time by the Underwriter.

INDEPENDENT AUDITORS

The financial statements of the District as of September 30, 2019 and for the year then ended, attached hereto as Appendix B, have been audited by Yeary, Howell & Associates, Nashville, Tennessee, independent auditors, as stated in their report thereon and are included in reliance upon the authority of such firm as independent auditors.

MISCELLANEOUS

Use of the words “shall” or “will” in this Official Statement in summaries of documents to describe future events or continuing obligations is not intended as a representation that such event or obligation will occur but only that the document contemplates or requires such event to occur or obligation to be fulfilled.

Any statements made in this Official Statement involving estimates or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or matters of opinion will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the owners of the Series 2020 Bonds.

AUTHORIZATION OF AND CERTIFICATION CONCERNING OFFICIAL STATEMENT

The Official Statement has been authorized by the Board of Commissioners of the District. Concurrently with the delivery of the Series 2020 Bonds, the undersigned will furnish an Agreement to the effect that nothing has come to the undersigned's attention which would lead the undersigned to believe that this Official Statement contained, as of the date of delivery of the Series 2020 Bonds, any untrue statement of a material fact or omitted to state a material fact which should be included herein for the purposes for which this Official Statement is intended to be used or which is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

/s/ Ronald Coker
Ronald Coker, President

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APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

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SUMMARY OF RESOLUTION

The following summarizes certain terms and provisions of the resolution adopted by the Board of Commissioners of the District on October 26, 2007, as supplemented and amended on November 27, 2007, October 24, 2008 and March 27, 2020 which authorized the issuance and sale of the Series 2020 Bonds (the "Resolution"). This summary is not a complete explanation of the terms and conditions of the Resolution. Reference is made to the Resolution for a complete statement of the terms, provisions and conditions thereof.

Definitions. The following terms shall have the following meanings in the Resolution unless the text expressly or by necessary implication requires otherwise:

"Acquired System" shall mean any water procurement, treatment, storage or distribution system acquired by the District pursuant to the Act and/or any sewer treatment and/or transmission facilities hereafter constructed, acquired or otherwise established by the District pursuant to the Act;

"Act" shall mean Tennessee Code Annotated Sections 7-82-101 et seq., as amended from time to time;

"Balloon Indebtedness" shall mean any bonds, notes or other indebtedness of the District, other than Short-Term Indebtedness, 25% or more of the initial principal amount of which matures (or must be redeemed at the option of the holder) during any twelve month period, if such 25% or more is not to be amortized to below 25% by mandatory redemption prior to the beginning of such twelve month period;

"Bond Fund" shall mean the Bond and Interest Sinking Fund described below under the heading "Application of Revenues";

"Bonds" means the Rural Development Bond, the Series 2020 Bonds and any Parity Bonds;

"Capital Appreciation Bonds" shall mean bonds which bear interest at a stated interest rate of 0.0% per annum, have a value on any applicable date equal to the Compound Accreted Value thereof on that date, and are payable only at maturity or earlier redemption;

"Compound Accreted Value" shall mean the value at any applicable date of any Capital Appreciation Bonds computed as the original principal amount thereof for each maturity date plus an amount equal to interest on said principal amount (computed on the basis of a 360-day year of twelve 30-day months) compounded semiannually on such dates as shall be established by the resolution authorizing Capital Appreciation Bonds, from the dated date to said applicable date at an interest rate which will produce at maturity the Maturity Amount for such maturity date;

"Credit Facility" means any municipal bond insurance policy, letter of credit, surety bond, line of credit, guarantee, or other agreement under which any person other than the District provides additional security for any Bonds and guarantees timely payment of or purchase price equal to the principal of and interest on all or a portion of any Bond and shall include any Reserve Fund Credit Facility;

"Current Expenses" means expenses incurred by the District in the operation of the System, determined in accordance with generally accepted accounting principles, including the reasonable and necessary costs of operating, maintaining, repairing and insuring the System, the cost of producing potable water, salaries and wages, cost of material and supplies, and insurance premiums, but shall exclude depreciation, amortization and interest on any bonds, notes or other obligations of the District;

"Debt Service Requirement" means the total principal, Maturity Amounts and interest coming due, whether at maturity or upon mandatory redemption (less any amount of interest that is capitalized and payable with the proceeds of debt on deposit with the District or any paying agent for the Bonds or other obligations of the District), for any period of 12 consecutive calendar months for which such a determination is made, provided:

(1) The Debt Service Requirement with respect to Variable Rate Indebtedness shall be determined as if the variable rate in effect at all times during future periods equaled, at the option of the District, either (1) the

average of the actual variable rate which was in effect (weighted according to the length of the period during which each such variable rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date, as certified by a Financial Adviser;

(2) The Debt Service Requirement with respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the District on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the District under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the District on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (i.e., which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") shall be computed by assuming that the variables comprising the calculation (e.g., indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period); and

(3) For the purpose of calculating the Debt Service Requirement on Balloon Indebtedness and Short-Term Indebtedness, at the option of the District, (i) the actual principal and interest on such Balloon Indebtedness and Short Term Indebtedness shall be included in the Debt Service Requirement, subject to the other assumptions contained herein, or (ii) such Balloon Indebtedness and Short Term Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which shall be the interest rate certified by a Financial Adviser to be the interest rate at which the District could reasonably expect to borrow the same amount by issuing bonds with the same priority of lien as such Balloon Indebtedness and Short Term Indebtedness and with a 20-year term); provided, however, that if the maturity of such Balloon Indebtedness is in excess of 20 years from the date of issuance, then such Balloon Indebtedness shall be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Balloon Indebtedness to maturity and at the interest rate applicable to such Balloon Indebtedness; provided further that this paragraph shall not be applicable for purposes of determining the District's Debt Service Requirement for purposes of Section 9(e) of the Resolution unless the District has a written commitment from a bank, underwriting firm or other financial institution with a Rating in one of two highest categories of at least one Rating Agency (ignoring any gradations within a Rating Category) to refinance at least 90% of the principal amount of such Balloon Indebtedness or Short-Term Indebtedness coming due in the relevant Fiscal Year;

"Defeasance Obligations" shall mean direct obligations of, or obligations, the principal of and interest on which are guaranteed by, the United States of America, which bonds or other obligations shall not be subject to redemption prior to their maturity other than at the option of the registered owner thereof;

"District" means the Mallory Valley Utility District of Williamson County, Tennessee;

"Financial Adviser" means an investment banking or financial advisory firm, commercial bank, or any other person who or which is retained by the District for the purpose of passing on questions relating to the availability and terms of specified types of debt obligations or the financial condition or operation of the System and is actively engaged in and, in the good faith opinion of the District, has a favorable reputation for skill and experience in providing financial advisory services of the type with respect to which the Financial Adviser has been retained.

"Financial Guaranty Agreement" shall mean any Financial Guaranty Agreement authorized herein to be executed in connection with a Reserve Fund Credit Facility;

"Fiscal Year" means the twelve-month period commencing October 1 of each year and ending September 30 of the following year;

"Governing Body" means the Board of Commissioners of the District;

"Gross Earnings" means all revenues, rentals, earnings and income of the District from whatever source, determined in accordance with generally accepted accounting principles, including all revenues derived from the operation of the System; proceeds from the sale of property; proceeds of insurance and condemnation awards and compensation for damages, to the extent not applied to the payment of the cost of repairs, replacements and improvements; and all amounts realized from the investment of funds of the System, including money in any accounts and funds created by the Resolution and resolutions authorizing any Parity Bonds or subordinate lien bonds (excluding any investment earnings from construction or improvement funds created for the deposit of bond proceeds pending use, to the extent such income is applied to the purposes for which the bonds were issued, and funds created to defease any outstanding obligations of the District); provided, however, at the election of the Governing Body, the term "Gross Earnings" as used herein shall not include any revenues, rentals, earnings or other income received by the District from the operation of an Acquired System, and any bonds or other obligations issued in connection with such Acquired System shall not be payable from or secured by Net Revenues or be deemed to be Parity Bonds;

"Hedge Agreement" means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts, or calls, to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate, or other financial risk; and (v) any other type of contract or arrangement that the District determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty;

"Hedged Obligations" means any Bonds for which the District shall have entered into a Hedge Agreement;

"Hedge Payments" means amounts payable by the District pursuant to any Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments;

"Hedge Period" means the period during which a Hedge Agreement is in effect;

"Hedge Receipts" means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments;

"Loan Agreement" shall mean any agreement or contract entered into by the District whereby a third party agrees to advance funds to the District and the District agrees to repay those funds with interest;

"Maturity Amount" shall mean the Compound Accreted Value on the stated maturity date of a Capital Appreciation Bond;

"Maximum Annual Debt Service Requirement" means the maximum annual Debt Service Requirement for any Fiscal Year of the District;

"Net Revenues" shall mean Gross Earnings, excluding any profits or losses on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, less Current Expenses;

"Parity Bonds" means bonds, notes, Loan Agreements, and other debt obligations, including Balloon Indebtedness, Short-Term Indebtedness and Variable Rate Indebtedness, issued or entered into by the District on a parity with the Rural Development Bond and the Series 2020 Bonds in accordance with the provisions set forth under the heading “Prohibition of Prior Lien; Parity Bonds”, including any bonds or other obligations secured by a pledge of and/or lien on an Acquired System and the revenues derived from the operation of such Acquired System (provided such pledge and lien are subject only to normal and customary expenses of operating, maintaining, repairing and insuring any such System), so long as the Acquired System is not being operated separately from the System as is permitted herein or the revenues from such Acquired System are not excluded from Gross Earnings;

"President" means the duly elected and acting President of the Governing Body, or any other member of the Governing Body acting in the capacity of President when the elected and acting President is unavailable or incapable of acting;

"Rating" means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses, and numerical gradations;

"Rating Agencies" or "Rating Agency" means Fitch, Moody's, and Standard & Poor's or any successors thereto and any other nationally recognized credit rating agency;

"Reserve Fund" shall mean the Debt Service Reserve Fund described below under the heading “Application of Revenues”, with an account therein for each series of bonds which has a Reserve Fund Requirement; provided an account therein may be utilized for more than one series of bonds if all such series of bonds are specified in the resolution authorizing such bonds to share a pledge of such account and have a combined Reserve Fund Requirement. Nothing herein shall prohibit the District from issuing one or more series of bonds without a Reserve Fund Requirement and no deposit to the Reserve Fund and no Reserve Fund Credit Facility shall be required in connection therewith;

"Reserve Fund Credit Facility" means a municipal bond insurance policy, surety bond, letter of credit, line of credit, guarantee or other agreement provided by a Reserve Fund Credit Facility Issuer which provides for payment of amounts equal to all or any portion of the Reserve Fund Requirement in the event of an insufficiency of moneys in the Bond Fund to pay when due principal of and interest on all or a portion of the Bonds;

"Reserve Fund Credit Facility Issuer" means the issuer of a Reserve Fund Credit Facility rated, at the time at which such Reserve Fund Credit Facility is purchased, in the second-highest rating category (without regard to gradations within such category) by each Rating Agency that rates such Reserve Fund Credit Facility Issuer and which also rates any Bonds secured by such Reserve Fund Credit Facility;

"Reserve Fund Requirement" means an amount determined from time to time by the District as a reasonable reserve, if any, for the payment of principal of and interest on a series of bonds pursuant to the resolution authorizing such bonds.

"Revenue Fund" shall mean the Revenue Fund described below under the heading “Application of Revenues”;

“Rural Development Bond” means the District’s Waterworks Revenue Bond, Series 2008;

"Series 2020 Bonds" means the District’s Waterworks System Revenue Bonds, Series 2020;

"Short-Term Indebtedness" means bonds, notes, Loan Agreements or other debt obligations, including Variable Rate Indebtedness, maturing five years or less from their date of issuance, issued by the District as Parity Bonds;

"State" means the State of Tennessee;

"System" means the complete water procurement, treatment, storage and distribution system of the District, and any sewer treatment and/or transmission system hereafter acquired, constructed or otherwise established, together with and including all properties of every nature hereafter owned by the District, including all improvements and extensions made by the District while the Bonds remain outstanding, and including all real and personal property of every nature comprising part of or used or useful in connection with the foregoing, and including all appurtenances, contracts, leases, franchises, and other intangibles; provided, however, at the election of the Governing Body, an Acquired System may be included within the System as defined herein and become a part thereof or, at the election of the Governing Body, not become a part of the System but be operated as a separate and independent system by the Governing Body with the continuing right, upon the election of the Governing Body, to incorporate such separately Acquired System within the System;

"Termination Payments" means an amount payable by or to the District upon termination of a Hedge Agreement; and

"Variable Rate Indebtedness" means any Parity Bonds, the interest rate on which is subject to periodic adjustment, at intervals, at such times and in such manner as shall be determined by resolution authorizing such Parity Bonds; provided that if the interest rate shall have been fixed for the remainder of the term thereof, it shall no longer be Variable Rate Indebtedness.

Source of Payment. The Bonds shall be payable solely from and secured by a pledge of the Net Revenues. The punctual payment of principal of and premium, if any, and interest on the Bonds shall be secured equally and ratably by the Net Revenues without priority by reason of series, number or time of sale or delivery. The Bonds do not constitute a debt of the State of Tennessee, or any political subdivision thereof, or municipal corporation therein, other than the District, and no holder of the Bonds shall have recourse to the taxing power of any such entities.

Application of Revenues. As long as any of the Bonds shall be outstanding and unpaid either as to principal or as to interest, or until the discharge and satisfaction of all the Bonds, the Gross Earnings of the System shall be deposited as collected by the District in the "Revenue Fund", administered and controlled by the District. The funds so deposited in the Revenue Fund created under the Resolution shall be used only as follows:

(a) The money in the Revenue Fund shall be used first from month to month for the payment of Current Expenses.

(b) The money thereafter remaining in the Revenue Fund shall next be used to make deposits into a separate and special fund, to be known as the "Bond and Interest Sinking Fund" (the "Bond Fund") to be kept separate and apart from all other funds of the District and used to pay principal of and interest on the Bonds as the same become due, either by maturity or mandatory redemption. Such deposits shall be made monthly until the Bonds are paid in full or discharged and satisfied pursuant to terms of the Resolution. Each monthly deposit as to interest for such Bonds shall be an equal to not less than one-sixth (1/6th) of the interest coming due on such Bonds on the next interest payment date net of any interest earnings on such amounts. Each monthly deposit as to principal for such Bonds shall be an amount equal to not less than one-twelfth (1/12th) of the principal amount or Maturity Amount, as the case may be, coming due on such Bonds, whether by maturity or mandatory redemption, on the next principal payment date net of any interest earnings on such amounts. Each deposit as to interest may take into account expected Hedge Payments related to such interest payments. No further deposit shall be required as to any Bonds when the Bond Fund balance is equal to or greater than the amount needed to pay interest on the next interest payment date, the total of the principal amounts payable, either by maturity or mandatory redemption, during the applicable twelve-month period, and any related Hedge Payments. Notwithstanding the foregoing, deposits for payment of interest and principal on Variable Rate Indebtedness shall be made as set forth in the resolution authorizing such Variable Rate Indebtedness, and if interest is not paid semi-annually and/or principal is not paid annually with respect to any Bonds (e.g. the Rural Development Bond), the deposits may be adjusted by the District as provided in the resolution authorizing the issuance of such Bonds. Money in the Bond Fund shall be used and is hereby expressly pledged for the purpose of paying principal of and interest on the Bonds and making any Hedge Payments.

(d) The next available money in the Revenue Fund shall be paid to any Reserve Fund Credit Facility Issuer or Issuers (pro rata, if more than one) to the extent needed to reimburse the Reserve Fund Credit Facility Issuer for amounts advanced by the Reserve Fund Credit Facility Issuer or Issuers under the Reserve Fund Credit Facility, including any amounts payable under any Financial Guaranty Agreement, together with reasonable related expenses incurred by the Reserve Fund Credit Facility Issuer and interest as provided in the Financial Guaranty Agreement.

(e) To the extent any series of bonds has a Reserve Fund Requirement and such Reserve Fund Requirement is not fully satisfied by a Reserve Fund Credit Facility or Facilities or funds of the District, or a combination thereof, the next available money in the Revenue Fund shall be used to make deposits into the applicable subaccount of the Reserve Fund. No deposit shall be required to be made to the Reserve Fund unless the amount in the Reserve Fund, together with the Reserve Fund Credit Facility or Facilities, if any, becomes less than the applicable Reserve Fund Requirement. In the event deposits to the Reserve Fund shall be required pursuant to the preceding sentence, said deposits shall be payable monthly as hereafter provided and each deposit shall be in a minimum amount equal to 1/24th of the difference between the Reserve Fund Requirement and the amount in each subaccount of said Fund, together with the Reserve Fund Credit Facility or Facilities, if any, immediately following the occurrence of such deficiency, so that any deficiency in any subaccount of said Fund shall be replenished over a period of not greater than 24 consecutive months; provided, any monthly payments in excess of said minimum payments shall be a credit against the next ensuing payment or payments. Any deposits required to be made hereunder shall be made monthly at the same time as deposits are made to the Bond Fund, commencing the first month in which the amount in the Fund, together with the Reserve Fund Credit Facility or Facilities, if any, is less than the Reserve Fund Requirement. Money in the Reserve Fund shall be used solely for the purpose of paying principal of or interest on the bonds for the payment of which funds are not available in the Bond Fund. Funds in excess of the Reserve Fund Requirement may be released to be used by the District for legally permissible purposes. If in any month the amounts on deposit in the Revenue Fund, after application of such amounts pursuant to subsection (a) – (c) above, are insufficient to fully fund all accounts of the Reserve Fund as described in this subsection (e), then such available amounts shall be applied pro rata among accounts of the Reserve Fund pro rata in proportion to the respective amounts required to be deposited to such accounts in such month.

At the option of the District, the District may satisfy the Reserve Fund Requirement applicable to a series of bonds, or a portion thereof, by providing for the benefit of owners of such series of bonds a Reserve Fund Credit Facility or Facilities, at any time, in an amount not greater than the Reserve Fund Requirement applicable to such series of bonds and release an equal amount of funds on deposit in the corresponding subaccount of the Reserve Fund to be used by the District for legally permissible purposes. At any time during the term hereof, the District shall have the right and option to substitute a new Reserve Fund Credit Facility or Facilities for any Reserve Fund Credit Facility or Facilities previously delivered, upon notice to the Registration Agent and the Reserve Fund Credit Facility Issuer or Issuers and delivery of a Reserve Fund Credit Facility or Facilities in substitution therefor. In the event of the issuance of Parity Bonds pursuant to the restrictive provisions hereof with a Reserve Fund Requirement or the substitution of a Reserve Fund Credit Facility or Facilities for less than the full amount of the Reserve Fund Requirement, the District shall satisfy the applicable Reserve Fund Requirement by depositing funds to the Reserve Fund or obtaining a Reserve Fund Credit Facility or Facilities, or any combination thereof, in an aggregate amount equal to the applicable Reserve Fund Requirement for the series of bonds taking into account any funds then held therein or the amount of any Reserve Fund Credit Facility or Facilities then in effect.

In the event of the necessity of a withdrawal of funds from the Reserve Fund during a time when the Reserve Fund Requirement is being satisfied by a Reserve Fund Credit Facility or Facilities and funds of the District, the funds shall be disbursed completely before any demand is made on the Reserve Fund Credit Facility. In the event all or a portion of the Reserve Fund Requirement for a series of bonds is satisfied by more than one Reserve Fund Credit Facility, any demand for payment shall be pro rata between or among the Reserve Fund Credit Facilities. If a disbursement is made by demand on a Reserve Fund Credit Facility, the District shall reimburse the Reserve Fund Credit Facility Issuer for all amounts advanced under the Reserve Fund Credit Facility (pro rata, if more than one Reserve Fund Credit Facility), including all amounts payable under any Financial Guaranty Agreement or Agreements, and then replenish the Reserve Fund as provided herein.

In the event the Reserve Fund Requirement, or any part thereof, shall be satisfied with a Reserve Fund Credit Facility or Facilities, notwithstanding the terms of Section 15 hereof, the terms, covenants, liability and liens provided or created herein or in any resolution supplemental hereto shall remain in full force and effect and said terms, covenants, liability and liens shall not terminate until all amounts payable under any Financial Guaranty Agreement have been paid in full and all obligations thereunder performed in full. If the District shall fail to pay when due all amounts payable under any Financial Guaranty Agreement, the Reserve Fund Credit Facility Issuer shall be entitled to exercise any and all remedies available at law or under this Resolution consistent with the terms of the Financial Guaranty Agreement.

It shall be the responsibility of the Registration Agent to maintain adequate records, verified with the Reserve Fund Credit Facility Issuer or Issuers, as to the amount available to be drawn at any given time under the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility or Facilities and as to the amounts paid and owing to the Reserve Fund Credit Facility Issuer or Issuers under the terms of any Financial Guaranty Agreement and to provide notice to the Reserve Fund Credit Facility Issuer at least two days before any payment is due. The Reserve Fund Credit Facility Issuer shall receive notice of the resignation or removal of the Registration Agent and the appointment of a successor thereto.

Notwithstanding anything herein to the contrary, (i) the District may issue Parity Bonds without a Reserve Fund Requirement, as shall be specified in the bond resolution authorizing such Parity Bonds; and (ii) the Reserve Fund Requirement for the Rural Development Bond shall equal the least of: (a) 10% of the stated principal amount of the Rural Development Bond; (b) the Maximum Annual Debt Service Requirement on the Rural Development Bond during the term thereof; or (c) 125% of the average annual principal and interest requirement on the Rural Development Bond during the term thereof, and there shall remain an account within the Reserve Fund established for the benefit of the Rural Development Bond, and no holder of any Bonds other than the holder of the Rural Development Bond, shall have any rights thereto or claim thereon.

(f) Termination Payments received in connection with a Hedge Agreement shall be deposited to the Revenue Fund, and Termination Payments required of the District in connection with a Hedge Agreement shall be paid as a subordinate lien obligation, as described in (g) below.

(g) The next available money in the Revenue Fund shall be used for the purpose of the payment of principal of and interest on (including reasonable reserves therefor) any bonds or other obligations payable from revenues of the System, but junior and subordinate to the Bonds, and may thereafter be used by the District for any legally permissible purpose, as the Governing Body shall determine.

(h) Money on deposit in the Funds described in this Section may be invested by the District in such investments as shall be permitted by applicable law, as determined by an authorized representative of the District, all such investments to mature not later than the date on which the money so invested shall be required for the purpose for which the respective Fund was created. All income derived from such investments shall be regarded as revenues of the System and shall be deposited in the Revenue Fund. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective Fund was created; provided, however, that in no event shall moneys in the Reserve Fund be invested in instruments that mature more than two years from the date the money is so invested. The District is authorized to enter into contracts with third parties for the investment of funds in any of the Funds described herein.

(i) The Revenue Fund, the Bond Fund, and the Reserve Fund (except to the extent funded with a Reserve Fund Credit Facility or Facilities) shall be held and maintained by the District and, when not invested, kept on deposit with a bank or financial institution regulated by and the deposits of which are insured by the Federal Deposit Insurance Corporation or similar federal agency. All moneys in such Funds so deposited shall at all times be secured to the extent and in the manner required by applicable State law.

Charges for Services Supplied by the System. While the Bonds remain outstanding and unpaid, the District covenants and agrees that it will permit no free service to be furnished to any consumer or user whatsoever; that the charges for all services supplied through the medium of the System to all consumers and users shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining, operating, repairing and insuring the System, a proper and necessary allowance for the depreciation thereof, and the amounts necessary for the payment of principal of and interest on all obligations payable from revenues of the System; and that there shall be charged against all users of the services of the System such rates and amounts as shall be fully adequate to comply with the covenants of the Resolution.

The District covenants that the System will be operated on a fully metered basis and that the District will bill customers of the System on a monthly basis and, to the extent permitted by applicable law or regulation, will discontinue service to any customer whose bill remains unpaid 60 days following the mailing of such bill, until such bill, service charges and penalties shall have been paid in full.

Covenants Regarding the Operation of the System. The District hereby covenants and agrees with the owners of the Bonds so long as any of the Bonds shall remain outstanding:

(a) The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost and conduct all activities associated therewith or incident thereto.

(b) The District shall maintain insurance on the properties of the System of a kind and in an amount which would normally be carried by private companies engaged in a similar type and size of business, provided, the District shall not be required to insure beyond the limits of immunity provided by Sections 29-20-101 et seq., Tennessee Code Annotated, or other applicable law. The proceeds of any such insurance, except public liability insurance, shall be used to replace the part or parts of the System damaged or destroyed, or, if not so used, shall be placed in the Revenue Fund.

(c) The District will cause to be kept proper books and accounts adapted to the System, will cause the books and accounts to be audited at the end of each Fiscal Year by a recognized independent certified public accountant or a firm of such accountant or accountants and, upon written request, will make available to any registered owner of the Bonds the balance sheet and the profit and loss statement of the District as certified by such accountant or accountants. Each such audit, in addition to whatever matters may be thought proper by the accountant or accountants to be included therein, shall include the following:

(1) A statement in detail of the revenues and expenditures of the System and the excess of revenues over expenditures for the Fiscal Year;

(2) A statement showing beginning and ending balances of each Fund described herein;

(3) A balance sheet as of the end of the Fiscal Year;

(4) The accountant's comments regarding the manner in which the District has carried out the requirements of the Resolution and the accountant's recommendations with respect to any change or improvement in the operation of the System;

(5) A list of insurance policies in force at the end of the Fiscal Year, setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy;

(6) The number and classifications of customer service connections to the System as of the end of the Fiscal Year;

(7) The disposition of any Bond proceeds during the Fiscal Year;

(8) A statement as to all breaches or defaults hereunder by the District of which the accountant or accountants have knowledge or, in the alternative, a statement that they have no knowledge of any such breach or default.

All expenses incurred in the making of the audits required by this subsection shall be regarded and paid as Current Expenses. The District further agrees to cause copies of such audits to be furnished to the registered owner of any of the Bonds, at the written request thereof, within 180 days after the close of each Fiscal Year. The registered owner of any of the Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the District relating thereto. If the District fails to provide the audits and reports required by this subsection, the registered owner or owners of twenty-five percent (25%) in principal amount of the Bonds may cause such audits and reports to be prepared at the expense of the District.

(d) The District will faithfully and punctually perform all duties with reference to the System required by the constitution and laws of the State, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will apply the revenues of the System to the purposes and Funds specified in the Resolution.

(e) The District shall continuously own, control, operate, and maintain the System in an efficient and economical manner and on a revenue producing basis and shall at all times prescribe, fix, maintain, and collect rates, fees, and other charges for the services and facilities furnished by the System fully sufficient at all times:

(1) for 100% of the Current Expenses and for the accumulation in the Revenue Fund of a reasonable reserve therefor, in an amount, if any, as shall be determined from time to time by the District; and

(2) such that Net Revenues in each Fiscal Year:

(A) will equal at least 120% of the Debt Service Requirement on all Bonds, and 100% of the Debt Service Requirement on all other bonds or other obligations then outstanding for such Fiscal Year;

(B) will enable the District to make all required payments, if any, into the Reserve Fund and on any Credit Facility or Hedge Agreement;

(C) will enable the District to accumulate an amount, which, in the judgment of the District, is adequate to meet the costs of major renewals, replacements, repairs, additions, betterments, and improvements to the System, necessary to keep the same in good operating condition or as is required by any governmental agency having jurisdiction over the System;

(D) will remedy all deficiencies in required payments into any of the funds and accounts mentioned in the Resolution from prior Fiscal Years; and

(E) will permit the District to comply with the terms of any agreement that the Authority has entered into to purchase or sell water;

(f) The District will not sell, lease, mortgage, or in any manner dispose of the System, or any part thereof, including any and all extensions and additions that may be made thereto, or any facility necessary for the operation thereof; provided, however, the use of any of the System facilities may at any time be permanently abandoned or any of the System facilities sold at fair market value, provided that:

(1) The District is in full compliance with all covenants and undertakings in connection with all bonds, notes and other obligations then outstanding and payable from the revenues of the System and any required reserve funds for such bonds, notes and other obligations have been fully established and contributions thereto are current;

(2) Any sale proceeds will be applied either (A) to redemption of Bonds in accordance with the provisions governing repayment of Bonds in advance of maturity, or (B) to the purchase of Bonds at the market price thereof so long as such price does not exceed the amount at which the Bonds could be redeemed on such date or the next optional redemption date as set forth herein or in the resolutions authorizing the Parity Bonds, or (C) to the construction or acquisition of facilities in replacement of the facilities so disposed of or other facilities constituting capital improvements to the System, or (D) the deposit to a replacement fund to be used to make capital improvements to the System;

(3) The abandonment, sale or disposition is for the purpose of disposing of facilities which are no longer necessary or no longer useful to the operation of the System and the operation of the System or revenue producing capacity of the System is not materially impaired by such abandonment, sale or disposition or any facilities acquired in replacement thereof are of equivalent or greater value; and

(4) The District shall have received an opinion of nationally recognized bond counsel to the effect that such sale, lease, mortgage or other disposition will not jeopardize the exclusion from federal income taxation of interest on any Bonds then outstanding intended to be excludable from gross income for federal income tax purposes.

Nothing herein is intended to prohibit the lease purchase of equipment or facilities of the System hereafter to be put in service or to prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

(g) Prior to the beginning of each Fiscal Year, the Governing Body shall prepare, or cause to be prepared, and adopted an annual budget of estimated revenues, Current Expenses, and capital expenditures for the System for the ensuing Fiscal Year in compliance with the rate covenant set forth in subsection (e) above, and will undertake to operate the System within such budget to the best of its ability. Copies of such budgets and amendments thereto will be made available to any registered owner of a Bond upon written request. The District covenants that Current Expenses and capital expenditures incurred in any Fiscal Year will not exceed the reasonable and necessary amounts therefor and that the District will not expend any amounts or incur any obligations therefor in excess of the amounts provided for Current Expenses and capital expenditures in the budget except upon resolution of the Governing Body.

(h) All officers or employees of the District or persons other than banks or other financial institutions having custody of funds of the District shall be under fidelity bond at all times in reasonable and customary amounts.

(i) The District will not construct, finance or grant a franchise for the development or operation of facilities that compete for service with the services to be provided by the System or consent to the provision of any such services in the area currently served by the District by any other public or private entity and will take all steps necessary and proper, including appropriate legal action to prevent any such entity from providing such service; provided, nothing herein contained shall prohibit the transfer or exchange of service areas to provide for more efficient operation of the System so long as the District is in full compliance with the covenants set forth herein immediately following such transfer or exchange.

(j) For the purpose of assuring the efficient, impartial and non-political operation of the System for the benefit of the District and the owners of the Bonds from time to time outstanding, the complete and independent control and operation of the System shall continue to be vested in the Governing Body, subject, however, to the obligation and duty on the part of the Governing Body to carry out and perform faithfully all of the covenants and agreements contained herein. It is agreed with the owners from time to time of the Bonds and made a part of the contract rights which will vest in such owners at the time of delivery of the Bonds that the System will be so operated by the Governing Body.

(k) The District shall not enter into a Hedge Agreement with any entity, other than an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed or insured or collateralized by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated at least as high as the second highest Rating category of at least two Rating Agencies (ignoring any gradations within a Rating category). For purposes of this section, a potential hedge provider's qualification with the requirements of the preceding sentence shall be determined only at the time the District enters into a Hedge Agreement with such entity and will not be redetermined with respect to that Hedge Agreement.

Remedies of Bond Owners. Any registered owner of any of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, in any court of competent jurisdiction enforce and compel performance of all duties imposed upon the District by the provisions of the Resolution, including the making and collecting of sufficient rates, the proper application of and accounting for revenues of the System, and the performance of all duties imposed by the terms of the Resolution.

If any default be made in the payment of principal of, premium, if any, or interest on the Bonds, then upon the filing of suit by any registered owner of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System in behalf of the District with power to charge and collect rates sufficient to provide for the payment of all bonds and obligations outstanding against the System and for the payment of Current Expenses, and to apply the income and revenues thereof in conformity with the provisions of the Resolution.

Statutory Mortgage Lien. For the further protection of the registered owners of the Bonds, a statutory lien in the nature of a mortgage lien upon the System is granted and created by the Act, which said statutory mortgage lien is hereby recognized as valid and binding upon the District and to be a lien upon the System, and the System shall remain subject to such statutory mortgage lien until the payment in full of the principal and interest on the Bonds.

Prohibition of Prior Lien; Parity Bonds. The District will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues of the System having priority over the Bonds. Additional bonds, notes, Loan Agreements or obligations may hereafter be issued on a parity with the Bonds under the following conditions but not otherwise:

(a) Any portion (including any maturities or portions thereof whether or not in chronological order and any amounts subject to mandatory redemption) or all of a series of the Bonds may be refunded at maturity, upon redemption in accordance with their terms, or upon payment, prepayment or redemption with the consent of the owners of such Bonds, and the refunding bonds so issued shall constitute Parity Bonds secured on a parity with the Bonds thereafter outstanding, if all of the following conditions are satisfied:

> (1) the District shall have obtained a report from a Financial Adviser demonstrating that the refunding is expected to reduce the total debt service payments on the Bonds, including payments on related Credit Facilities and Hedge Agreements; and
>
> (2) the requirements of subsections (b)(2) and (4) below are met with respect to such refunding.

(b) Parity Bonds (including refunding Parity Bonds which do not meet the requirements of (a)) may also be issued on a parity with outstanding Bonds, and the Parity Bonds so issued shall be secured on a parity with such outstanding Bonds, if all of the following conditions are satisfied:

> (1) There shall have been procured and filed with the District a report by a Financial Adviser or a certificate by the general manager of the District, or his designee, to the effect that the historical Net Revenues for either (i) a period of 12 consecutive months of the most recent 18 consecutive months prior to the issuance of the proposed Parity Bonds or (ii) the most recent audited Fiscal Year, were equal to at least 120% of maximum Annual Debt Service Requirement on all Bonds which will be outstanding immediately after the issuance of the proposed Parity Bonds, in the then current and each succeeding Fiscal Year, provided, however, (x) the report or certificate may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and

charges for the services and facilities furnished by the System, imposed prior to the date of delivery of the proposed Parity Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used; (y) if the District has a contract to purchase or otherwise acquire an Acquired System that will become part of the System, the historical Net Revenues may be adjusted to include the anticipated Net Revenues from the Acquired System; and (z) if the District has entered into a contract to furnish services of the System that is not fully reflected in the historical Net Revenues of the System, such historical Net Revenues may be adjusted to include the anticipated Net Revenues from such contract.

(2) The District shall have received, at or before issuance of the Parity Bonds, a report from a Financial Adviser or a certificate of the general manager of the District, or his designee, to the effect that (x) the payments required to be made into the Bond Fund have been made and the balance in the Bond Fund is not less than the balance required hereby as of the date of issuance of the proposed Parity Bonds; and (y) the Reserve Fund is funded to the Reserve Fund Requirement and will be funded to the Reserve Fund Requirement immediately following the issuance of the proposed Parity Bonds.

(3) The resolution authorizing the proposed Parity Bonds must require the proceeds of such proposed Parity Bonds to be used to make capital improvements to or capital acquisitions for the System, to fund interest on the proposed Parity Bonds, to refund other obligations issued for such purposes (whether or not such refunding Parity Bonds satisfy the requirements of (a)), for any other legal purpose under applicable law as evidenced by an opinion of Bond Counsel, and/or to pay expenses incidental thereto and to the issuance of the proposed Parity Bonds.

(4) The Secretary of the Governing Body shall have certified, by written certificate dated as of the date of issuance of the Parity Bonds, that the District is in compliance with all requirements of the Resolution.

(c) All the provisions and covenants of the Resolution relating to negotiability and registration of Bonds, creation and investment of funds and the application of revenues, the operation of the System and charges for services of the System, the remedies of owners of the Bonds, the issuance of additional bonds, modification of the Resolution, the defeasance of Bonds, and such other provisions of the Resolution as are appropriate may be incorporated by reference into supplemental resolutions authorizing additional bonds, and said provisions, when so incorporated, shall be equally applicable to the additional bonds issued pursuant to the terms of this Section in all respects and with like force and effect as though said provisions were recited in full in said supplemental resolutions and shall continue to be applicable so long as any such bonds remain outstanding.

Discharge and Satisfaction of Bonds. If the District shall pay and discharge the indebtedness evidenced by all or any portion of the Bonds in any one or more of the following ways:

(a) By paying or causing to be paid, by deposit of sufficient funds as and when required with the Registration Agent, the principal of and interest on such Bonds as and when the same become due and payable;

(b) By depositing or causing to be deposited with any trust company or financial institution whose deposits are insured by the Federal Deposit Insurance Corporation or similar federal agency and which has trust powers ("an Agent"; which Agent may be the Registration Agent) in trust or escrow, on or before the date of maturity or redemption, sufficient money or Defeasance Obligations, the principal of and interest on which, when due and payable, will provide sufficient moneys to pay or redeem such Bonds and to pay premium, if any, and interest thereon when due until the maturity or redemption date (provided, if such Bonds are to be redeemed prior to maturity thereof, proper notice of such redemption shall have been given or adequate provision shall have been made for the giving of such notice);

(c) By delivering such Bonds to the Registration Agent, for cancellation by it;

and if the District shall also pay or cause to be paid all other sums payable hereunder by the District with respect to such Bonds, or make adequate provision therefor, and by resolution of the Governing Body instruct any such Escrow Agent to pay amounts when and as required to the Registration Agent for the payment of principal of and interest and redemption premiums, if any, on such Bonds when due, then and in that case the indebtedness evidenced by such

Bonds shall be discharged and satisfied and all covenants, agreements and obligations of the District to the holders of such Bonds shall be fully discharged and satisfied and shall thereupon cease, terminate and become void.

If the District shall pay and discharge the indebtedness evidenced by any of the Bonds in the manner provided in either clause (a) or clause (b) above, then the registered owners thereof shall thereafter be entitled only to payment out of the money or Defeasance Obligations deposited as aforesaid.

Except as otherwise provided in this Section, neither Defeasance Obligations nor moneys deposited with the Registration Agent pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal and interest on said Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Registration Agent, (A) to the extent such cash will not be required at any time for such purpose, shall be paid over to the District as received by the Registration Agent and (B) to the extent such cash will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the District, as received by the Registration Agent.

Modification of Resolution.

(a) The Resolution may be amended without the consent of or notice to the registered owners of the Bonds for the purpose of curing any ambiguity or formal defect or omission herein; provided such amendment shall not adversely affect the registered owners, without taking into account any bond insurance policy.

(b) In addition to the amendments to the Resolution without the consent of registered owners as referred to in subsection (a) above, the registered owners of a majority in aggregate principal amount of the Bonds at any time outstanding (not including in any case any Bonds which may then be held or owned by or for the account of the District but including such refunding bonds as may have been issued for the purpose of refunding any of such Bonds if such refunding bonds shall not then be owned by the District) shall have the right from time to time to consent to and approve the adoption by the Governing Body of a resolution or resolutions modifying any of the terms or provisions contained in the Resolution; provided, however, that the Resolution may not be so modified or amended in such manner, without the consent of 100% of the registered owners of the Bonds, as to:

(1) Make any change in the maturities or redemption dates of the Bonds;

(2) Make any change in the rates of interest borne by the Bonds;

(3) Reduce the amount of the principal payments or redemption premiums payable on the Bonds;

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

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

(6) Reduce the percentage of the principal amount of the Bonds the consent of the registered owners of which is required to effect a further modification.

Whenever the District shall propose to amend or modify the Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be mailed by first-class mail, postage prepaid, to the owner of each Bond then outstanding. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory resolution is on file in the office of the District for public inspection.

Whenever at any time within one year from the date of mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the registered owners of at least a majority in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the District may adopt such amendatory resolution and such resolution shall become effective and binding upon the owners of all Bonds.

If the registered owners of at least a majority in aggregate principal amount of the Bonds outstanding as in this section defined, at the time of the adoption of such amendatory resolution, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no registered owner of any Bonds, whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory resolution or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the District from taking any action pursuant to the provisions thereof.

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

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount (number(s)) of the Bonds owned by any person executing such instrument and the date of the ownership of the same shall be proved by reference to the Bond registration records maintained by the Registration Agent, which records shall constitute conclusive proof of the ownership thereof.

Resolution a Contract. The provisions of the Resolution shall constitute a contract between the District and the registered owners of the Bonds, and no change, variation or alteration of any kind in the provisions of the Resolution shall be made in any manner, except as provided in the Resolution, until such time as the Bonds shall have been paid in full or discharged pursuant to the Resolution.

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Financial Statements

For the Year Ended September 30, 2019
(With Independent Auditors' Report Thereon)

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

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MALLORY VALLEY
UTILITY DISTRICT

Dated December 30, 2019

LETTER OF TRANSMITTAL

The annual Financial Report for the year ended September 30, 2019 (this FYE is stated as 2019 for the purposes of this letter) for the Mallory Valley Utility District of Williamson County, Tennessee is hereby submitted as required by state statutes. As required, the District obtained an independent audit of its financial statements.

The District staff prepares a financial budget for review and final approval by the Board of Commissioners. Prior to the beginning of each fiscal year, all utility districts must adopt a budget and file it with the Office of State and Local Finance in accordance with TCA § 4-3-305(b). In addition, the District routinely reviews budgets to actual results, and utilizes a 5-year budget model in combination with other various tools to ensure the financial effectiveness of District funds.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management Discussion and Analysis (MD&A). This letter of transmittal is intended to supplement the MD&A and should be read in conjunction with it.

Profile of Mallory Valley Utility District

Mallory Valley is located in Williamson County, with a current customer population of 21,530.

Mallory Valley Utility District of Williamson County is a public water distribution utility and was founded in 1966 by Charlie Shipley, James Pewitt and John Curley. At a time when well water was the only option available to residents living outside of the city limits, Shipley, Pewitt and Curley began talking about forming a water utility district with the residents who lived on Franklin Road and Berry's Chapel Road, most of whom were experiencing a scarcity of water. Mallory Valley Utility District began with seventy-five customers.

Today, Mallory Valley Utility District has 6,049 residential and commercial water service metered connections with water purchased from Harpeth Valley Utilities District. The District is served by 17 employees and a 3 member Board of Commissioners. Members of the Board of Commissioners are appointed by the Williamson County Mayor. The Board of Commissioners and the employees of Mallory Valley Utility District are committed to providing high standards of quality water service to the customers they serve.

Our goal is to treat all people---our employees, our customers, and the people in the communities we serve---with respect, dignity and understanding. Service to our customers is our primary objective. All aspects of the Utility District are directed toward attaining this primary objective.

An overview of Operating Revenues, Gallons Sold (Metered Sales) and Operating Expenses

Total operating revenues were $14,015,249 in 2019. Revenues related to water sales in 2019 were $13,444,827. This was an increase of $1,800,638 when compared to 2018. Three factors drove this increase in water sales:

(1) An increase in water usage by both residential and commercial customers. Irrigation in the spring and summer months, especially in the commercial customer category, was a significant factor in the increased water usage for 2019.

The tables below illustrate the water usage patterns of residential and commercial customers in 2019 compared to 2018, 2017, and 2016:

	Residential and Commercial Use by Category			
	2015-2016 FY	2016-2017 FY	2017-2018 FY	2018-2019 FY
Total Res	313.14	336.74	308.64	321.04
Total Com	998.30	991.84	995.68	1020.92
TL Res Dom	290.99	308.84	283.09	290.59
TL Res Irr	22.15	27.90	25.07	30.45
TL Com Dom	691.22	688.37	701.78	701.60
TL Com Irr	298.30	295.46	286.96	312.09
TL Fire	8.78	8.01	7.02	7.24
AVG Summer RES	34.15	36.59	34.38	36.08
AVG Winter RES	18.04	19.53	17.06	17.42
AVG Summer COM	112.11	106.73	108.00	113.81
AVG Winter COM	54.27	58.58	57.95	56.35

(2) The District has two wholesale water customers: Nolensville College Grove Utility District and Milcrofton Utility District. Water sales to Milcrofton decreased to near contractual minimum usage in 2019, which was a significant decrease in usage and revenues compared to 2018. However, the District increased contractual water demand to Nolensville College Grove Utility District, which was the result of a newly signed agreement and water rate to provide such water beginning in 2019.

(3) In addition, the District enacted a water rate adjustment at the beginning of this 2019 fiscal year. This water rate adjustment was necessary for the District to recover current and future costs to deliver water. And, it should be noted that this rate adjustment was planned in anticipation of a bond issue to fund an approximate $18 million dollar capital project. This capital project is required to install a 24" transmission line (and related betterment projects) which will provide the necessary infrastructure the District needs in order to meet its customer's water usage demands in the coming years. The District's current rate structure is provided on page 26 of the audit report. Water rates and Capital planning are discussed in more detail later in this letter.

The table below shows operating revenues over the last five fiscal years:

2015	2016	2017	2018	2019
$ 11,377,890	$ 11,565,993	$ 11,990,238	$ 12,342,967	$ 14,015,249

Total operating expenses were $11,642,493 in 2019. Purchased water costs, including electricity, are a significant factor in annual operating expenses for the District. Harpeth Valley Utility District supplies 100% of the District's water supply. Overall, operating expenses in 2019 decreased by 243,265 as compared to 2018. The District staff works diligently to maintain or reduce expenses where possible, and was able to do so in some areas this fiscal year including: telephone, internet, computer services, and insurance policies. In addition, depreciation and impairment costs decreased by a collective $315,630 compared to 2018. This was due to the 2018 capital asset (impairment) loss on the District's PVC line that was replaced along North Berry's Chapel and Holly Tree Gap. No assets were replaced and an associated loss realized as an impairment for 2019.

A breakdown of expenses by category for 2019 is included below:

Water Purchased to Total Expenses	61%
Depreciation to Total Expenses	11%
Salaries to Total Expenses	10%
Benefits to Total Expenses	4%
Commissioner Expenses to Total Expenses	1%
Operating Maintenance Expenses to Total Expenses	7%
General Office & Professional Expenses to Total Expenses	5%

The table below shows operating expenses over the last five fiscal years:

2015	2016	2017	2018	2019
$ 9,765,202	$ 10,749,581	$ 11,076,732	$ 11,885,758	$ 11,642,493

An overview of Operating Income and the Operating Ratio

The District's Operating Income totaled $2,372,756 in 2019 and continued to have an impact on net position this fiscal year.

The table below shows operating income over the last five fiscal years:

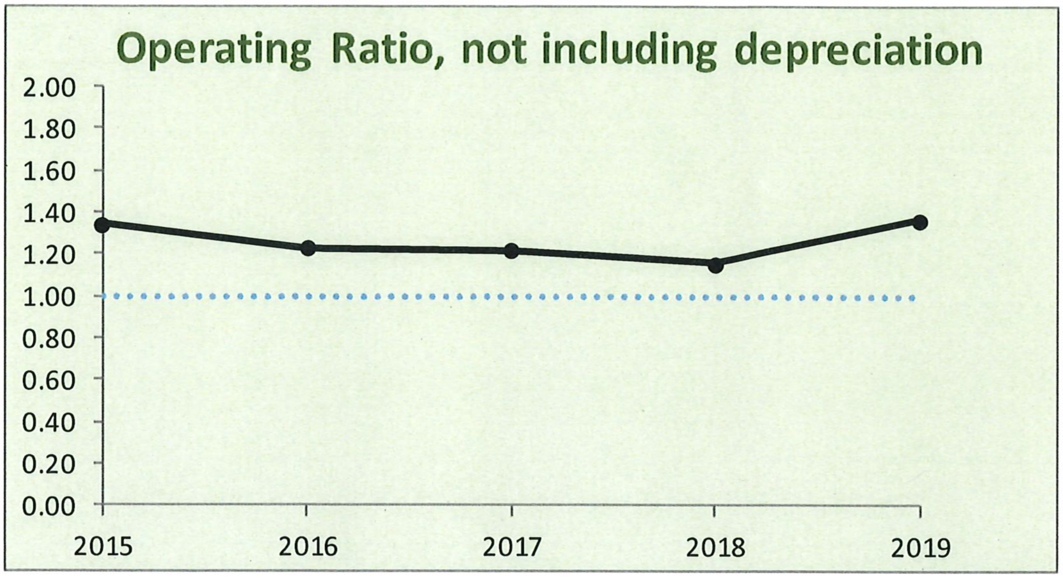
2015	2016	2017	2018	2019
$ 1,612,688	$ 705,851	$ 913,506	$ 457,209	$ 2,372,756

Increases in operating revenue in 2019 (as explained in the section above titled *An overview of Operating Revenues, Gallons Sold (Metered Sales) and Operating Expenses)* was the primary reason for the increased Operating Income realized in 2019.

The operating ratio (not including depreciation) measures the District's ability to pay for operating expenses from revenue generated. The operating ratio should be greater than or equal to a benchmark standard of 1.0. The operating ratio is calculated as follows:

$$\frac{\text{Total Operating Revenues}}{\text{Total Operating Expenses - Depreciation}}$$

The District's operating ratio was 1.37 in 2019 and the last five years of ratios are illustrated below:



An overview of Cash, Investments and Capital Planning

Interest rates increased in 2019 compared to 2018 which resulted in an unrealized increase to the value of current investments. The District plans to hold all investments until maturity. Investment income in 2019 totaled $316,517, which was an increase of $28,777 compared to 2018.

The table below shows unrestricted cash and investment totals over the last five fiscal years:

2015	2016	2017	2018	2019
$ 17,059,915	$ 18,713,987	$ 19,835,130	$ 21,344,269	$ 21,827,682

Cash and investments assist the District in managing its 20-year capital improvements plan, which includes various PVC replacement projects and additional infrastructure required to serve the long term needs and water usage demands of its customers. In addition, the District began construction work on a new capital improvement project. This new capital project will meet the needs of projected water usage and contractual obligations to wholesale customers. This project will cost approximately $18 million and includes several phases: a 24" transmission line, two 12" water lines, an 8" water line, several large meter replacements and other maintenance for the distribution system infrastructure.

The District's current capital plan includes $41,201,794 in approved and planned capital improvements over the next 20 years. This plan is reviewed at least annually.

A summary of the District's 20 year Capital Plan is provided below:

Capital Plan 2019-2039

$25,534,489	Infrastructure additions and upgrades
$7,668,875	Relocations and/or addition of redundant feeds for existing water lines
$7,998,430	PVC replacement projects
$41,201,794	**Total expected cost**

An overview of Total Net Position

At 2019 fiscal year end, the District's Total Net Position was $68,823,177,

The table below shows Changes in Net Position over the last five fiscal years:

2015	2016	2017	2018	2019
$ 2,235,212	$ 1,949,876	$ 3,285,116	$ 3,487,003	$ 5,157,897

Water rates and water rate adjustments

The District reviews water rates, operating revenue and operating expenses at least annually. As a part of this review, historical and projected revenues, expenses, operational quality and efficiency are analyzed. In addition, the District uses many ratios as benchmarks for financial planning, as well as other financial tools such as the 20- year capital plan and the 5-year budget model.

Revenue generated from water sales is used to ensure daily operations and maintenance of the system are effective, capital planning is sufficient and long term debt obligations are met.

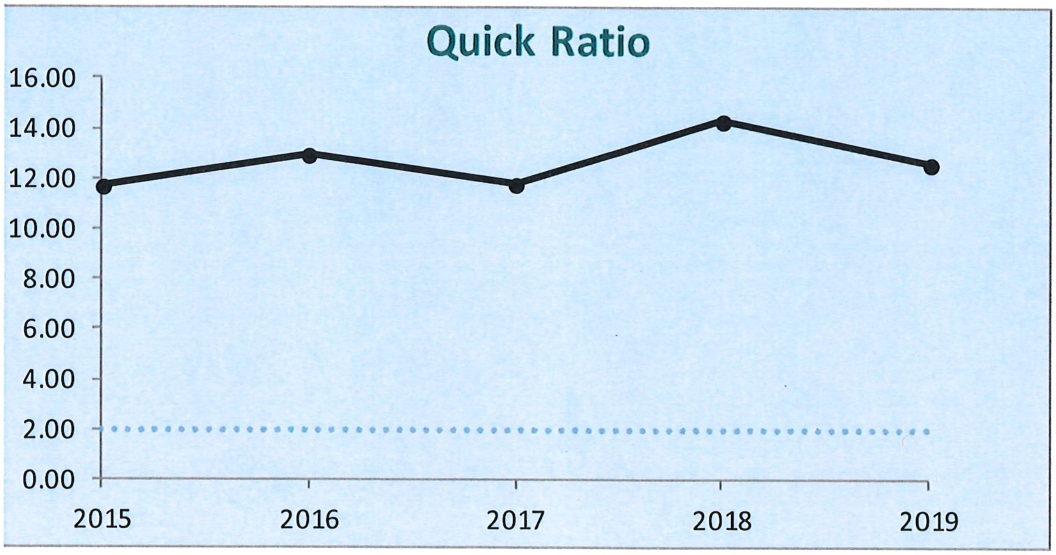
The District has implemented four rate adjustments since 2010, the most recent rate adjustment was approved and became effective in the 2019 fiscal year.

The District's schedule of water rates for residential and commercial customers can be found on page 26 of this report.

Additional Ratios

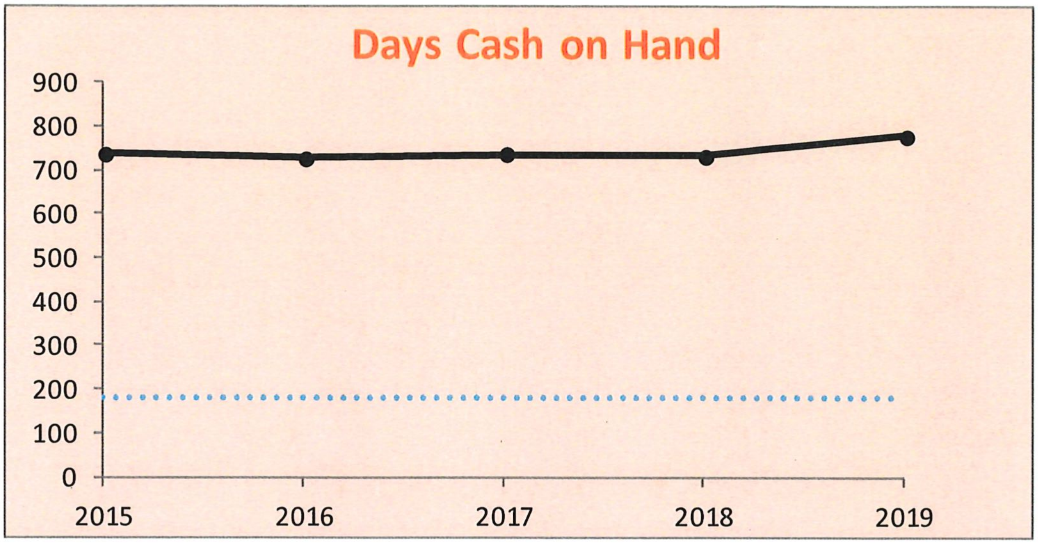
The quick ratio measures short term liquidity, which is the District's ability to pay its short-term financial obligations (current liabilities) with unrestricted liquid assets (including cash). The minimum benchmark standard for the quick ratio is a value greater than or equal to 2.0. The District's quick ratio was 12.6 in 2019.

The last five years of ratios are illustrated below:



The cash on hand ratio measures the District's ability to weather a significant temporary reduction in revenue, while continuing to pay for daily operation and maintenance costs. The minimum benchmark standard for the cash on hand ratio is a value greater than or equal to 180 days. The District's cash on hand ratio was 777 days in 2019 and the last five years of ratios are illustrated below:

How many days could you continue to operate the utility with the cash levels available?



The District's outstanding principal on long-term debt at September 30, 2019 was $7,801,357.

During the 2013 fiscal year the District partially advance refunded the 2007 Water Revenue Bonds in order to reduce the interest cost over the life of the bond. There was another bond issue of $3,600,000 in 2008 for other capital improvements to meet the long term needs of present and future customers and to supply water to other utility districts.

The debt service coverage ratio measures the District's ability to pay debt obligations with operating revenue, after paying operating and maintenance costs (excluding depreciation).

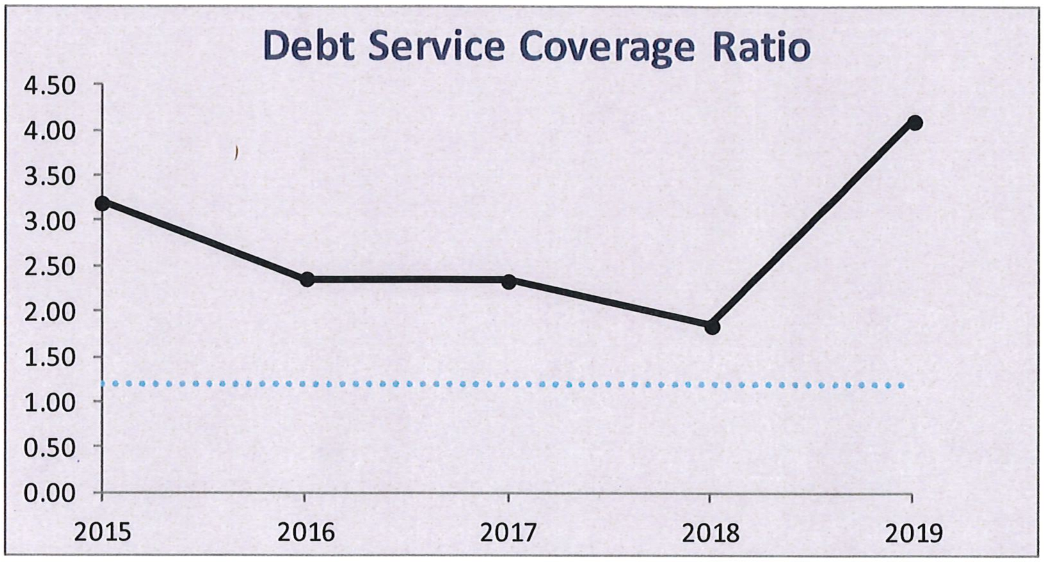
The ratio, for the purposes of this report, is calculated as follows:

$$\frac{\text{Total Operating Revenues} - (\text{Total Operating Expenses} - \text{Depreciation})}{(\text{Debt Principal Payments} + \text{Debt Interest Payments})}$$

The District's debt service coverage ratio was 4.11 in 2019. This ratio (as shown in the chart below) has fluctuated over the last 5 years. From 2015 to 2018, the District invested significant dollars to increase staff and increase maintenance programs to ensure efficient and effective operations throughout the District. In 2019, a rate adjustment was enacted. This water rate adjustment was necessary for the District to recover current and future costs to deliver water and maintain a quality system for its customers. And, as previously noted, this rate adjustment was planned in anticipation of a bond issue to fund an approximate $18 million dollar capital project.

The District requires a minimum benchmark standard for the debt service coverage ratio of 2.0 for bond purposes.

The last five years of ratios are illustrated below:



An overview of Water Losses and Non-Revenue Water

The District recognizes the importance of managing a water loss audit program, and dedicates a significant amount of time and resources to the management and reduction of non-revenue water and water losses. The District utilizes several maintenance and office related programs and protocols, such as: meter testing of large users and flagged meters, systematic valve maintenance, systematic hydrant maintenance, and a high level of meter reading success rate due to the District's AMR meter reading system and billing analysis protocols.

In 2019, the District invested in its first "leak survey" program with an outside company. Over the course of the survey, 128 miles of distribution system potable water lines were comprehensively surveyed for leakage. In total 2,335 individual fittings were sounded, 71 acoustic loggers were deployed to discover a total of 12 distribution leaks along with 5 suspected customer side leaks.

The leakage rate of the leaks discovered was estimated at 42.75 gallons per minute. Therefore, the District recovered approximately 61,560 gallons per day, or 1,872,450 gallons per month, or 22,469,400 gallons per year in water losses.

The District's Non-Revenue Water Reporting Worksheet is included in this audit report on pages 27 and 28.

The last six years of report findings are summarized below:

Annual AWWA Reporting Worksheet for Water Losses and NonRevenue Water

	2014	2015	2016	2017	2018	2019
Total Water Purchased/Imported	2452.14	2293.83	2465.83	2646.53	2742.70	2670.33
Total Water Exported to Wholesale	882.61	817.08	928.14	1083.15	1224.83	1112.28
Total Water Billed to Res and Com	1304.57	1257.91	1310.74	1328.95	1288.58	1342.26
Total NonRevenue Water (MG)	264.96	218.85	219.31	208.77	211.14	196.48
Total Water Losses (MG)	244.54	215.22	199.47	204.91	207.76	188.22
Water Audit Validity Score	96	94	96	95	94	89
Variable Production Cost	$2,650.00	$2,677.24	$2,670.00	$2,727.27	$2,716.26	$2,783.04
NonRevenue Water % of Water Purchased	16.90%	14.80%	14.30%	13.60%	14.10%	12.80%
NonRevenue Water % of Operating Expenses	7.50%	6.20%	5.80%	5.80%	5.40%	5.50%
Infrastructure Leak Indicator	3.11	3.52	2.39	3.03	3.19	3.00

The preparation of this report and the results contained herein could not have been achieved without the dedicated service of the entire District staff and Board of Commissioners.

Sincerely,

Jenny Clarke, General Manager
Mallory Valley Utility District

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GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

Independent Auditor's Report

The Board of Commissioners
Mallory Valley Utility District of Williamson County, Tennessee
Franklin, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activity and the aggregate remaining fund information (Pension Trust Fund) of Mallory Valley Utility District of Williamson County, Tennessee (the District), as of and for the year ended September 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activity and the aggregate remaining fund information (Pension Trust Fund) of the District, as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States America.

The Board of Commissioners
Mallory Valley Utility District of Williamson County, Tennessee
Franklin, Tennessee

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pages xi-xvi and required supplementary information on page 20, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Emphasis of Matter – Reporting Entity
As discussed in Note 1 to the financial statements, the Pension Trust Fund is presented as a Fiduciary Fund of the District. Our opinion is not modified with respect to the matter.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information in the accompanying schedules on pages 21-28 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information, except for those financial schedules marked "unaudited", has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole. The information marked as "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Mallory Valley Utility District's internal control over financial reporting and compliance.

Yeary Howell & Associates

December 6, 2019

THE MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

MANAGEMENT DISCUSSION AND ANALYSIS

This Management Discussion and Analysis provides an overview of the District's Basic Financial Statements for the District's fiscal year ending September 30, 2019 and provides management's analysis and discussion of the District's financial condition and performance. Please read it in conjunction with the District's financial statements which follow this section. References to 2019 means for the year ended September 30, 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements include: a statement of net position; a statement of revenues, expenses and changes in net position; a statement of cash flows; and notes to the financial statements. The statement of net position presents the financial position of the District as of September 30, 2019. The statement of revenues, expenses, and changes in net position summarizes the result of operations over the course of the District's 2019 fiscal year. The statement of cash flows provides relevant information about cash receipts and cash disbursements and changes in cash and cash equivalents resulting from operational, financing and investing activities. The notes to the financial statements provide useful information pertaining to the District's significant accounting policies, significant account balances and activities, and certain obligations and commitments. The District's financial statements are presented using the accrual basis of accounting and the flow of economic resources management focus. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Additionally the District reports The Fiduciary Pension Trust Fund which is used to account for resources held by the Mallory Valley Utility District Defined Benefit Plan that provides retirement benefits for eligible employees of the District under the terms of a formal trust agreement. These financial statements can be found on pages 5 and 6 of the report.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The District's net position increased by $5,157,897 in 2019 compared to $3,487,003 in 2018.

Total operating revenues were $14,015,249 in 2019 compared to $12,342,967 in 2018, an increase of $1,672,282 compared to 2018.

Operating revenues are primarily driven by metered water sales. Revenues related to water sales in 2019 were $13,444,827 and were $11,644,189 and in 2018, which was an increase of $1,800,638 comparatively. Three factors drove this increase in water sales: (1) An increase in water usage by both residential and commercial customers. Notable water usage patterns such as irrigation significantly impact water sales in the spring and summer months. (2) An increase in water demand to one of the District's whole sale customers, Nolensville College Grove Utility District, which was the result of a newly signed contractual agreement and water rate to provide such water. This contractual obligation is referenced on page 19 of the report. (3) In addition, the District enacted a water rate adjustment at the beginning of this fiscal year. This water rate adjustment was necessary for the District to recover current and future costs to deliver water. And, it should be noted that this rate adjustment was planned in anticipation of a bond issue to fund an approximate $18 million dollar capital project. This capital project is required to install a 24" transmission line (and related betterment projects) which will provide the necessary infrastructure the District needs in order to meet its customer's water usage demands in the coming years.

Total operating expenses were $11,642,493 in 2019 and $11,885,758 in 2018, a decrease of $243,265 comparatively.

Expenses related to water distribution increased by $84,273 in 2019 compared to 2018. Purchased water costs, including electricity, are a significant factor in annual operating expenses. The District staff works diligently to maintain or reduce expenses where possible, and was able to do so in some areas this fiscal year including: telephone, internet, computer services, and insurance policies. In addition, depreciation and impairment costs decreased by a collective $315,630 compared to 2018. This was due to the 2018 capital asset (impairment) loss on the District's PVC line that was replaced along North Berry's Chapel and Holly Tree Gap. No assets were replaced and an associated loss realized as an impairment for 2019.

The District's Operating Income totaled $2,372,756 and continued to have an impact on net position this fiscal year.

Non-operating revenue primarily includes interest income and gains from investments. Non-operating expenses primarily includes interest paid on debt and any losses from investments. The District invests cash in various instruments, including Treasury Bonds, Certificates of Deposit, and savings accounts. Interest rates increased in 2019 compared to 2018 which resulted in an unrealized increase to the value of current investments. The District plans to hold all investments until maturity. Investment income in 2019 totaled $316,517, which was an increase of $28,777 compared to 2018. Interest expenses and fiscal fees totaled $309,065 in 2019.

Total capital contributions were $2,563,365 in 2019 $3,144,446 in 2018, a decrease of $581,081 compared to 2018. Capital contributions consist of water lines dedicated to the District by residential and commercial developers, tap fees and access fees. Tap fees and other contributions were $897,135 in 2019, which was a decrease of $1,256,604 compared to 2018. Donated infrastructure from completed developments were $1,666,230 in 2019, which increased compared to 2018. Overall, capital contributions decreased by a total of $581,081 in 2019 as compared to 2018 because of the decrease in tap and access fees.

Overall, the District's change in net position increased by $1,670,894 when comparing 2019 to 2018.

Cash and investments assist the District in managing its 20-year capital improvements plan, which includes various PVC replacement projects and additional infrastructure required to serve the long term needs and water usage demands of its customers. The District's current capital plan includes $41,201,794 in approved and planned capital improvements over the next 20 years.

Separate Financial Statements and notes related to the Defined Benefit Pension Plan are included in the District's audit report.

CONDENSED FINANCIAL INFORMATION AND FINANCIAL ANALYSIS

The following condensed financial statements provide key financial data and indicators of management, monitoring and planning.

CONDENSED STATEMENTS OF NET POSITION at SEPTEMBER 30, 2019

	2019	2018	INCREASE (DECREASE)
CURRENT ASSETS	$ 24,551,578	23,667,811	883,767
NON CURRENT ASSETS	53,137,908	49,348,253	3,789,655
DEFERRED OUTFLOWS OF RESOURCES	823,302	908,252	-84,950
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	78,512,788	73,924,316	4,588,472
CURRENT LIABILITIES	1,977,450	1,682,615	294,835
NON CURRENT LIABILITIES	7,177,409	7,846,713	-669,304
TOTAL LIABILITIES	9,154,859	9,529,328	-374,469
DEFERRED PENSION INVESTMENT EARNINGS DIFFERENCE	534,752	729,808	-195,056
TOTAL LIABILITIES AND DEFERRED INFLOW OF RESOURCES	9,689,611	10,259,136	-569,525
NET INVESTMENT IN CAPITAL ASSETS	42,329,094	37,636,527	4,692,567
RESTRICTED ASSETS	3,104,593	3,537,508	-432,915
UNRESTRICTED ASSETS	23,389,490	22,491,245	898,245
TOTAL NET POSITION	$ 68,823,177	63,665,280	5,157,897

CONDENSED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION at SEPTEMBER 30, 2019

	2019	2018	INCREASE (DECREASE)
OPERATING REVENUES			
WATER SALES	$ 13,444,827	11,644,189	1,800,638
OTHER OPERATING REVENUE	570,422	698,778	-128,356
TOTAL OPERATING REVENUE	14,015,249	12,342,967	1,672,282
OPERATING EXPENSES			
WATER DISTRIBUTION	8,376,727	8,292,454	84,273
GENERAL AND ADMINISTRATIVE	1,957,048	1,968,956	-11,907
DEPRECIATION/IMPAIRMENT LOSS	1,308,718	1,624,348	-315,630
TOTAL OPERATING EXPENSES	11,642,493	11,885,758	-243,265
OPERATING INCOME	2,372,756	457,209	1,915,547
NON-OPERATING REVENUE (EXPENSE)			
INVESTMENT INCOME	316,517	287,740	28,777
BOND ISSUE COSTS	0	0	0
RENT INCOME	18,837	16,560	2,277
GAIN (LOSS) ON DISPOSAL OF ASSETS	0	0	0
UNREALIZED GAIN (LOSS) ON INVESTMENTS	195,487	-123,483	318,970
INTEREST EXPENSE AND FISCAL FEES	-309,065	-295,469	-13,596
	221,776	-114,652	336,428
INCOME BEFORE CONTRIBUTIONS	2,594,532	342,557	2,251,975
CAPITAL CONTRIBUTIONS			
TAP FEES AND OTHER CONTRIBUTIONS	897,135	2,153,739	-1,256,604
UTILITY PLANT DONATED BY DEVELOPERS	1,666,230	990,707	675,523
TOTAL CAPITAL CONTRIBUTIONS	2,563,365	3,144,446	-581,081
CHANGE IN NET POSITION	$ 5,157,897	3,487,003	1,670,894

CASH FLOWS

The District realized a net increase in cash totaling $1,371,465 in 2019. This increase was due to water sales/cash receipts, cash received from new development fees, and investment activity.

The following is a summary of the District's cash flows:

		2019	2018	INCREASE (DECREASE)
Cash flows provided (used) by operating activities	$	3,464,970	1,913,250	1,551,720
Cash flows from non-capital financing activities		-16,931	17,889	-34,820
Cash flows provided (used) by capital and related financing activities		-3,808,650	-452,203	-3,356,447
Cash flows provided (used) by investing activities		1,732,076	587,360	1,144,716
Net increase (decrease) in cash	$	1,371,465	2,066,296	-694,831

CAPITAL ASSETS

The District's investment in capital assets as of September 30, 2019 was $49,946,337 net of accumulated depreciation. This was an increase of $4,234,287 compared to 2018. Depreciation expense of $1,308,718 was recorded for the year.

Capital assets consist of land, construction in process, buildings, utility plant and transmission system, and equipment. The District accepted and capitalized a total of ten developments in 2019, both residential and commercial. Consequently, utility plant assets increased by $1,718,405. The District also purchased new computer software and related equipment, which resulted in an increase of $73,878 in equipment assets. As a component to the District's 24" transmission line capital project and in order to meet its customer's water usage demands in the coming years, the District contributed $3,000,000 in Water Rights to its water supplier, Harpeth Valley Utility District.

The following is a summary of investment in capital assets:

	2019	2018	INCREASE (DECREASE)
Non-depreciable assets:			
Land and easements	2,349,419	2,349,419	0
Construction in process	1,376,446	550,724	825,722
Depreciable assets:			
Utility plant and transmission lines	54,070,427	52,352,022	1,718,405
Water Rights	3,000,000	0	3,000,000
Buildings	4,228,308	4,228,308	0
Equipment	1,663,517	1,589,639	73,878
	66,688,117	61,070,112	5,618,005
Less accumulated depreciation	-16,741,780	-15,358,062	-1,383,718
Capital assets- net of accumulated depreciation	49,946,337	45,712,050	4,234,287

DEBT ACTIVITY

The District's outstanding principal on long-term debt at September 30, 2019 was $7,801,357.

During the 2013 fiscal year the District partially advance refunded the 2007 Water Revenue Bonds in order to reduce the interest cost over the life of the bond. There was another bond issue of $3,600,000 in 2008 for other capital improvements to meet the long term needs of present and future customers and to supply water to other utility districts. The District paid $611,502 in outstanding long term debt in 2019 and amortized $45,283 in bond premiums.

CHANGE IN DEBT

Waterworks revenue bonds are obligations payable solely from the revenues of the utility district and are secured by liens on the water system.

The following is a summary of changes in long term debt:

	2019	2018	INCREASE (DECREASE)
2008 Water Revenue Bonds	3,132,597	3,189,099	-56,502
2013 Water Revenue Bonds	4,405,000	4,960,000	-555,000
Bond Premiums	263,760	309,043	-45,283
	$ 7,801,357	8,458,142	-656,785

CONTACTING THE DISTRICT

If you have questions about this report, or desire additional information, contact the District's General Manager, Jenny Clarke, at:

Mallory Valley Utility District
PO Box 936
Franklin, TN 37065
615-628-0237

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Statement of Net Position

September 30, 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current assets:		
Cash and cash equivalents	$	10,436,992
Investments		11,390,690
Accounts receivable - net of allowance for doubtful accounts of $22,541		2,245,996
Inventory of supplies		353,745
Prepaid expenses		46,525
Interest receivable		38,284
Other receivable		39,346
Total Current Assets		24,551,578
Noncurrent assets:		
Restricted assets		
Cash and cash equivalents - debt service		534,117
Cash- employee benefits		86,978
Investments- debt service		194,832
Investments- repairs, extensions and replacements		550,000
Depreciable and amortizable capital assets, net of accumulated depreciation and amortization		46,220,472
Non-depreciable capital assets		3,725,865
Net pension asset		1,825,644
Total Noncurrent Assets		53,137,908
Total Assets		77,689,486
Deferred outflows of resources:		
Deferred amount on refunding		326,626
Deferred pension changes in assumption		236,531
Deferred pension experience difference		260,145
Total Deferred Outflows of Resources		823,302
Total Assets and Deferred Outflows of Resources	$	78,512,788

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION

Current liabilities:		
Bonds payable - current portion	$	623,948
Accounts payable		1,067,901
Accrued interest		66,292
Accrued liabilities		42,747
Contracts payable		142,512
Customer deposits and performance bonds		34,050
Total Current Liabilities		1,977,450
Noncurrent liabilities:		
Bonds payable, net of current portion		7,177,409
Total Liabilities		9,154,859
Deferred inflows of resources:		
Deferred pension changes in assumption		218,344
Deferred pension experience differences		229,597
Deferred pension projected and actual earnings differences		86,811
Total Deferred Inflows of Resources		534,752
Net position:		
Net investment in capital assets		42,329,094
Restricted for debt service		728,949
Restricted for repairs, extensions and replacement		550,000
Restricted for employee pensions		1,825,644
Unrestricted		23,389,490
Total Net Position	$	68,823,177

See accompanying notes to financial statements.

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Statements of Revenues, Expenses and Changes in Net Position

For the Year Ended September 30, 2019

Operating revenues:	
Water sales	$ 13,444,827
Connection fees	32,425
Penalties	44,824
Fire protection and hydrant fees	208,367
Administrative fees	105,562
Installation and tap charges	48,479
Other revenues	130,765
Total Operating Revenues	14,015,249
Operating expenses:	
Salaries and wages	1,177,649
Payroll taxes and employee benefits	544,813
Water purchases	7,093,509
Operating supplies	147,173
Repairs and maintenance	310,442
Utilities	346,247
Telephone	30,109
Office supplies and expense	144,997
Postage	27,815
Legal and professional	251,494
Insurance	69,364
Truck and equipment expense	70,081
Retirement expense – defined benefit plan (benefit)	(21,193)
Deferred compensation plan	42,048
Depreciation and amortization	1,383,718
Loss on disposal of capital assets	877
Other	23,350
Total Operating Expenses	11,642,493
Operating Income (Loss)	2,372,756
Non-operating revenues (expense)	
Interest income	316,517
Unrealized gain (loss) on investments	195,487
Rent income	18,837
Interest expense	(309,065)
Total Nonoperating Revenues (Expenses)	221,776
Income (Loss) Before Capital Contributions	2,594,532
Capital contributions:	
Tap access fees and fire hydrant fees	897,135
Utility plant donated by developers	1,666,230
Total Capital Contributions	2,563,365
Change in Net Position	5,157,897
Net position, beginning of year	63,665,280
Net position, end of year	$ 68,823,177

See accompanying notes to financial statements.

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Statement of Cash Flows

For the Year Ended September 30, 2019

Cash flows provided (used) by operating activities:		
Receipts from customers and users	$	13,644,710
Payments to suppliers		(9,002,448)
Payments to employees		(1,177,292)
Net cash provided by operating activities		3,464,970
Cash flows from non-capital financing activities:		
Customer deposits and bonds returned		(16,931)
Cash flows from capital and related financing activities:		
Purchase of capital assets		(810,140)
Purchase of water rights		(3,000,000)
Rent received		18,837
Principal payment on long-term debt		(611,502)
Interest paid		(302,980)
Cash received as capital contributions		897,135
Net cash provided (used) by capital and related financing activities		(3,808,650)
Cash flows from investing activities:		
Purchase of investments		(4,069,520)
Proceeds from maturity of investments		5,459,550
Interest received		342,046
Net cash provided (used) by investing activities		1,732,076
Net increase (decrease) in cash		1,371,465
Cash and cash equivalents, beginning of year		9,686,622
Cash and cash equivalents, end of year	$	11,058,087

Reconciliation of Operating Income (Loss) To Net Cash Provided (Used) By Operating Activities

Operating income (loss)	$	2,372,756
Adjustments to reconcile income to net cash by operating activities:		1,383,718
Depreciation and amortization		877
Loss on disposal of capital assets		
Change in pension related assets, deferred outflows and deferred inflows:		
Change in deferred outflows-pension		28,957
Change in deferred inflows-pension		(194,956)
(Increase) decrease in net pension asset		144,806
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable		(370,539)
(Increase) decrease in prepaid expenses		(46,525)
(Increase) decrease in inventory		(15,484)
Increase (decrease) in accounts payable		172,929
Increase (decrease) in accrued liabilities		(11,569)
Net cash provided by operating activities	$	3,464,970

Continued on next page.

Statement of Cash Flows, Continued

For the Year Ended September 30, 2019

Supplemental Schedule of Non-Cash Investing and Capital and Related Financing Activities

Contributed water lines	$ 1,666,230
Capital assets acquired with contract payable	142,512
Amortization of bond premiums	45,283
Amortization of deferred amounts on refunding	(55,993)
Fair value investment change	195,487
Amortization of investment premiums/discounts	6,665

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Statement of Fiduciary Net Position

Pension Trust Fund

September 30, 2019

Assets		
Investments at fair value:		
Mutual funds:		
Fixed income	$	1,570,388
Domestic equities		3,018,668
International equities		248,684
Total assets	$	4,837,740
Liabilities		
Net Position		
Held in trust for pension benefits		
Total net position held in trust for pension benefits	$	4,837,740

See accompanying notes to financial statements.

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Statement of Changes in Fiduciary Net Position

Pension Trust Fund

For the Year ended September 30, 2019

Additions	
Contributions – employer	$ -
Investment earnings (net of investment expense)	177,837
Total additions	177,837
Deductions	
Benefits paid	225,492
Total deductions	225,492
Change in net position	(47,655)
Net position held in trust for pension benefits, October 1, 2018	4,885,395
Net position held in trust for pension benefits, September 30, 2019	$4,837,740

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Mallory Valley Utility District of Williamson County, Tennessee (District) was incorporated on April 23, 1966 under the laws of the State of Tennessee and reports revenues and expenses on the accrual basis. The utility district operates under a board of commissioners form of government and provides and maintains a water system providing water of a quality that meets current primary drinking water regulations.

The District, for financial purposes includes all funds relevant to the operations of the Mallory Valley Utility District of Williamson County Tennessee.

Reporting Entity

The Mallory Valley Utility District of Williamson County, Tennessee, is the basic level of government which has oversight responsibility and control over all activities related to the supply of water, that meets current primary drinking water regulations, in a designated portion of Williamson County, Tennessee. The District is not included in other governmental "reporting entities" since the District has decision making authority, the ability to set revenue generating rates and primary accountability for fiscal matters.

Based upon the criteria set forth in GASB pronouncements, there are no component units to be included in the District's financial statements.

Basis of Presentation

The District maintains its financial records and prepares its financial statements on the accrual basis of accounting. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the related liability is incurred. The District does not have a legally binding budget.

The District is accounted for as an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Additionally, the District reports The Fiduciary Pension Trust Fund which is used to account for resources held by the Mallory Valley Utility District Defined Benefit Plan that provides retirement benefits for eligible employees of the District under the terms of a formal trust agreement. The fiduciary fund is excluded from the government-wide financial statements.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied. The proprietary fund and the fiduciary fund utilize an economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets, deferred outflows of resources, liabilities and deferred inflows of resources (whether current or noncurrent) associated with their activities are reported. Proprietary and fiduciary fund equity is classified as net position. Proprietary and fiduciary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District are charges to customers for sales and service. Operating expenses of the District include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Most costs of connecting new customers to the system are capitalized and the related tap fees and other access charges are reported as capital contributions. The fiduciary fund is excluded from government-wide financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Cash and Cash Equivalents
The Mallory Valley Utility District proprietary fund is authorized to invest in U.S. Treasury Bills, certificates of deposit, municipal bonds and Federal Home Loan Mortgage Bonds. District policy, as required by state statutes, dictates that collateral meet certain requirements, such as, be deposited in an institution which participates in the State Collateral Pool or be deposited in an escrow account in another institution for the benefit of the Mallory Valley Utility District and must be a minimum of 105% of the value of the deposits placed in the institutions less the amount protected by federal deposit insurance. The investment policy of the fiduciary pension fund is dictated by its trustees as explained in Note 5.

Cash and cash equivalents consist of cash, savings accounts, and short-term certificates of deposit with an original maturity of three months or less including funds restricted for debt service and capital repairs, replacements and extensions. The District's cash management policy also utilizes an insured cash sweep account. Excess funds are deposited into this account which are swept into accounts in individual banks in amounts below the FDIC coverage limits.

Receivables
Accounts receivable are uncollateralized customer obligations due under normal terms and are shown net of an allowance for uncollectible accounts. Bad debts are expensed by the District using the allowance method. Revenues are reported net of discounts and allowances. The allowance for doubtful accounts at September 30, 2019 was $22,541. Other receivables relate to amounts due from the state of Tennessee for easements acquired.

Inventory
Inventory, consisting primarily of supply and repair parts, is valued, at the lower of cost (FIFO) or market using the consumption method.

Financial Instruments
Unless otherwise indicated, the fair values of all reported assets and liabilities which represent financial instruments approximate the carrying values of such amounts.

Prepaid Expenses
Prepaid expenses consist of payments to vendors which reflect costs which are applicable to a future accounting period. These consist primarily of prepaid insurance.

Capital Assets
Capital assets which include the utility plant and equipment of the District is recorded at historical cost and is defined by the District as assets with an estimated useful life in excess of one year. Gifts or contributions of capital assets, including intangible assets, are recorded at acquisition value when received. Depreciation is computed over the estimated lives of the assets utilizing the straight-line method. The estimated lives are as follows:

Category	Estimated Life
Land	N/A
Building and improvements	40-50 Years
Infrastructure	20-50 Years
Distribution system	20-50 Years
Vehicles & equipment	3-10 Years

The guidelines for capitalizing the capital assets are as follows:

Buildings	$10,000 or more
Land improvements	5,000 or more
Water lines and infrastructure	500 or more and is not a replacement part
Equipment, vehicles, electronics	500 or more and is not a replacement part

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Capital Assets, Continued

Construction in progress represents capital projects that were not completed as of year end. Once the project(s) are completed and placed in service, the District will reclassify the project to the appropriate net capital asset classification and begin depreciating the item over its estimated useful life.

Expenditures for maintenance and repairs are expensed when incurred. Expenditures for renewals or betterments are capitalized. When property is retired or sold, the cost and the related accumulated depreciation are removed from the accounts, and the resulting gain or loss is included in operations. During the year, there was a loss on the write-off of work in process.

No interest was capitalized during the year and interest incurred was $298,389 not including amortization of loss on refunding and bond premiums.

Restricted Assets

Bond covenants of the various bond issues require the establishment of bond interest sinking funds to provide for the timely retirement of bond principal and interest as well as restricted accounts for unspent bond proceeds. Also net pension assets related to the employee defined benefit plan have been restricted. At September 30, 2019, sufficient funds were available to meet the funding requirements. When both restricted and unrestricted resources are available for use, policy is to use restricted resources first.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Mallory Valley Utility District Defined Benefit Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

The District provides ten vacation days after one year of service and up to a maximum of 15 days after 7 years of service. A carryover of unused leave is allowed. The District does not allow for the accumulation of sick leave to be paid upon termination.

Bond Issuance Costs, Premiums and Discount

Bond issuance costs are reported as current period cost in the year of issuance. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method and are reported as a component of the long term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District currently has items which qualify for reporting in this category. Deferred charges on refunding are reported in the statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources, Continued
Deferred outflows are also reported related to difference in pension expected and actual experience, and pension changes in assumption which will be amortized over future years. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports items in this category related to the difference in pension investment actual and projected earnings, pension experience differences, and changes in assumptions, which will be amortized over future years.

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

Equity Classification
Equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the District's practice to use restricted resources first and then unrestricted resources as they are needed.

Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

2. DEPOSITS AND INVESTMENTS

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The District's deposits were either secured by Federal Deposit Insurance Corporation insurance (FDIC) or deposited in an institution which participates in the State Collateral Pool. At September 30, 2019 there were no deposits exposed to custodial credit risk.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy for investment custodial credit risk. At year end, none of the District's investments were subject to custodial credit risk due to all investments being held by an agent in the District's name.

2. DEPOSITS AND INVESTMENTS (Continued)

Investments
At September 30, 2019, the District had the following investments:

Types of Investments:	Fair Value/ Carrying Amount	Fair Value/ Hierarchy*	Weighted Average Days to Maturity	Average Credit Quality/ Ratings
Certificates of Deposit- Account Registry	$ 1,000,000	N/A	653	N/A
Certificates of Deposit	976,550	N/A	780	N/A
Fixed Rate Certificates of Deposit	7,162,752	Level 2	176	N/A
US Treasuries	2,996,220	Level 1	60	AA
	$12,135,522			

Interest Rate Risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: The District's general investment policy is to apply the prudent-person rule: investments are made as a prudent person should be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and in general, avoid speculative investments. The District has one investment in an organization that represent 5% or more of total investments:

US Treasury Securities	$2,996,220

Investments- Pension Trust Fund
At September 30, 2019, the Pension Trust Fund had the following investments:

Types of Investments:	Fair Value/ Carrying Amount	Fair Value/ Hierarchy*	Weighted Average Days to Maturity	Average Credit Quality/ Ratings
Mutual Funds:				
Fixed Income	$ 1,570,388	Level 1	N/A	N/A
Domestic Equities	3,018,668	Level 1	N/A	N/A
International Equities	248,684	Level 1	N/A	N/A
	$ 4,837,740			

*Level 1 hierarchy investments are based on quoted prices of securities at year end. Level 2 hierarchy relates to fair values using a matrix pricing techniques based on relationships to benchmark quoted prices.

3. CAPITAL ASSETS

A summary of changes in capital assets follows:

	September 30, 2018	Additions	Reclass/ Retirements	September 30, 2019
Depreciable capital assets:				
Utility plant and transmission system service	$ 52,352,022	-	1,718,405	54,070,427
Buildings	4,228,308	-	-	4,228,308
Equipment	1,589,639	73,878	-	1,663,517
Water rights	-	3,000,000	-	3,000,000
Total depreciable assets	58,169,969	3,073,878	1,718,405	62,962,252
Less accumulated depreciation and amortization:				
Utility plant	13,006,519	1,083,993	-	14,090,512
Buildings	1,136,358	105,707	-	1,242,065
Equipment	1,215,185	119,018	-	1,334,203
Water rights	-	75,000	-	75,000
	15,358,062	1,383,718	-	16,741,780
Net depreciable capital assets	42,811,907			46,220,472
Non-depreciable capital assets:				
Land and easements	2,349,419	-	-	2,349,419
Construction in progress	550,724	2,545,004	(1,719,282)	1,376,446
Total non-depreciable assets	2,900,143	2,545,004	(1,719,282)	3,725,865
Total capital assets	$ 45,712,050			49,996,337

Depreciation and amortization expense for 2019 was $1,383,718. The District received $1,666,230 in donated water lines during the year.

4. BONDS PAYABLE AND COMPENSATED ABSENCES

Waterworks revenue bonds are obligations payable solely from revenues of the Utility District and are secured by a statutory mortgage lien on the Utility District's water system.

Summary of changes in long term debt for the year ended September 30, 2019:

Bonds		September 30, 2018	Additions	Deletions	September 30, 2019	Current Portion
2008 Water Revenue Bonds	$	3,189,099	-	(56,502)	3,132,597	58,948
2013 Water Refunding Bonds		4,960,000	-	(555,000)	4,405,000	565,000
	$	8,149,099	-	(611,502)	7,537,597	623,948
Bond premiums		309,043	-	(45,283)	263,760	
		8,458,142			7,801,357	
Compensated absences	$	19,078*	1,386	-	20,464	20,464

*Included in accrued liabilities.

4. BONDS PAYABLE AND COMPENSATED ABSENCES (Continued)

Long-term debt is as follows:

Water Revenue Bonds, Series 2008 (original amount $3,600,000), payable in monthly payments of $16,209 through 2047 at an interest rate of 5%.	$ 3,132,597
Waterworks Refunding Bonds, due in annual payments through 2026 at an interest rate ranging from 2% to 3%.	4,405,000
Total debt	7,537,597
Bond premiums	263,760
Less current portion of long term debt	$ 7,801,357

The annual debt service requirements to maturity for long term debt obligations are as follows:

Year	Series 2013 Bond		Series 2008 Bond		Total Annual Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 565,000	153,450	58,948	135,884	623,948	289,334
2021	580,000	139,100	61,579	133,253	641,579	272,353
2022	600,000	118,400	64,327	130,504	664,327	248,904
2023	625,000	93,900	67,199	127,633	692,199	221,533
2024	650,000	68,400	70,198	124,633	720,198	193,033
2025-2029	1,385,000	55,900	400,889	573,269	1,785,889	629,169
2030-2034	-	-	498,717	475,442	498,717	475,442
2035-2039	-	-	620,416	353,744	620,416	353,744
2040-2044	-	-	771,813	202,346	771,813	202,346
2045-2047	-	-	518,511	33,849	518,511	33,849
	$ 4,405,000	629,150	3,132,597	2,290,557	7,537,597	2,919,707

The bonds are payable solely from the revenues derived from the operation of the Utility District. The bonds are collateralized by the pledge of the revenues and by a statutory mortgage lien on the waterworks system and related properties.

The Revenue Bond Agreements also provide for the establishment and maintenance of various bond reserve accounts. The agreements also provide for net revenues to be 120% of debt service requirement. District management believes the required bond reserve accounts are properly funded at September 30, 2019 and net revenue requirements have been met.

5. EMPLOYEE PENSION PLAN

Defined Benefit Pension Plan

In December 2003, Mallory Valley Utility District Defined Benefit Pension Plan (the Plan) was established as a single-employer defined benefit plan administered by the Board of Trustees of the Plan. The Board of Trustees has three members which consist of the three Board of Commissioners of the District who are appointed by the County Mayor. The Plan provides retirement and death benefits to plan members and beneficiaries. The plan complies with the requirements of Section 401 of the Internal Revenue Code and the Board of Trustees has the authority to establish and amend the Plan. The plan year is October 1 to September 30.

Employees enter the plan on October 1 coincident with or next following age 18 and three consecutive full calendar months of service in which they work at least 250 hours. The normal retirement date shall mean the first of the month following the member's age 65 or, if later, the fifth anniversary of participation. For any participant hired before December 1, 2008, the normal retirement date is the earlier of the date described in the prior sentence and the December 1 closest to the member's age 65 or, if later, the fifth anniversary of participation. Any participant may upon retirement at his or her normal retirement date receive as an annual pension, payable in monthly installments beginning upon the first day of the month following retirement and on the first day of each month thereafter during his lifetime but in no event for less than ten (10) years. The amount is three percent (3.0%) of Average Earnings multiplied by years of credited service. Credited years of service are any plan year with at least 1,000 hours worked. Average earnings are the highest five consecutive years of pay during participant's career. The death benefit will be the actuarial equivalent on the member's accrued benefit earned at date of death. Vesting begins with two years of service at 20% to six years or more of service at 100%.

For members hired after September 1, 2018:

1. Benefit multiplier reduced from 3% to 2%;
2. Members may retire as early as 60 with 30 years of service with no reduction to the accrued benefit;
3. Members may retire at age 55 and 10 years of service with a ½% reduction per month (5% per Year) for each month the Early Retirement Date precedes the Normal Retirement Date (1st of the Month on or following age 65);
4. Annual cost of living increase after retirement of 1.5% per year to be provided on October 1 following retirement with the first increase to be prorated for months retired less than 12 (1st increase to be 1.5% times months retired divided by 12)
5. Lump sum option eliminated, member may elect as much as 20% of their retirement benefit as a lump sum (0%, 5%, 10%, 15% or 20%).
6. Compensation to include base hourly and salary pay, overtime pay, annual loyalty pay, and annual lump sum increases in lieu of base salary increases when maximum pay grade is achieved and to exclude performance bonus pay, milestone bonus pay and certification bonus pay;
7. Vesting to 100% after 10 years/ 0% before 10 years (current vesting is 20% at 2 years, 40% at 3 years and so forth until 100% after 6 years.)

Members hired before September 1, 2018 will have a one-time opportunity to participate under the new plan provisions (for all service) if they desire to do so. Such election will be irrevocable.

There are currently 17 active participants with no retirees or participants receiving benefits and five former employees who had terminated employment due future vested benefits from the Plan. Benefit changes from the prior year are explained above.

5. EMPLOYEE PENSION PLAN, Continued

As of September 30, 2019, the following employees were covered by the benefit terms:

Inactive employees and beneficiaries currently receiving benefits	-
Inactive employees and beneficiaries entitled to but not yet receiving benefits	5
Active employees	17
Total participants and beneficiaries	22

Funding Policy

The Plan is a non-contributory plan for the employees. The Trustees recommend funding contributions to the District Board, which are based on actuarial calculations. The amounts contributed to the Plan will not be less than the Actuarial Determined Contribution (ADC) under the Funding Policy as adopted by the District. The actuarially determined contribution for fiscal year 2019 was $0 and the District made no contribution. The current year contribution as a percentage of covered payroll was 0%.

Net Pension Liability of the District

The components of the net pension liability of the District as of September 30, 2019 were as follows:

Total pension liability	$ 3,012,096
Plan fiduciary net position	(4,837,740)
District net pension liability (asset)	$ (1,825,644)
Plan fiduciary net position as a percentage of the total pension liability	160.61%

Summary of Actuarial Assumptions and Methods:

The actuarial assumptions used in the September 30, 2019 actuarial valuation were based on results of an actuarial experience study performed for the period October 1, 2018 through September 30, 2019.

Mortality Rates	1994 Group Annuity Reserving (94 GAR) Unisex table projected to 2002
Withdrawal Rates	2% per year between 21 and 64
Disability Rates	None
Retirement Rates	100% of participants are assumed to retire at age 65
Discount Rate/ Rate of Investment Return	6.5%
Salary Increases	3.5% per year
Expenses	None
Marriage Assumptions	100% of both males and females are assumed to be married with husbands three years older than wives

5. EMPLOYEE PENSION PLAN, Continued

Summary of Actuarial Assumptions and Methods, Continued

Cost of Living Adjustment	0.0%
Valuation Method	Entry Age Normal
Amortization Method	Level dollar amortization of unfunded liabilities
Amortization Period	The amortization period is 20 years
Asset valuation method	Equal to Market Value of Assets
Description of Actuarial Funding Method	The employer contribution and plan liabilities are determined under the Entry Age Normal Funding Method, with the contribution calculated in two pieces. The first piece is the "normal cost" which is determined for each active member and for each benefit which may become payable under the Plan, as if the current plan had been in effect without amendment since the first covered employee came to work, and would continue without amendment until the last current employee retired, and all actuarial assumptions were exactly realized. The second piece of the total employer contribution is an amount which is intended to amortize the unfunded liability. In the long run, the cost of a plan will depend on the benefits actually paid. Actuarial assumptions and/or funding methods may affect the incidence of the cost (and, thereby, the interest available to pay part of the future benefits), but do not in and of themselves affect the actual value of the benefits. Nevertheless, it is appropriate and desirable to have a long-term approach to the funding of a retirement system which insures that funds will be available when needed, and that the cost of the Plan will be spread equitably among generations of water users and plan participants.

There were no changes in assumptions and methods from prior year.

Investment Policy

It is the policy of Mallory Valley Utility District to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Investment policies may be changed by a majority vote of the trustees. The following is the current asset allocation policy as of September 30, 2019:

Asset Class	2019 Allocation
Domestic Equity	65%
International Equity	5%
Fixed Income	30%
	100%

For the year ended September 30, 2019, the annual money-weighted rate of return based on cash flows on pension plan investments, net of pension plan investment expense, was 3.73%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

There were no receivables, allocated insurance contracts, reserves or deferred retirement option programs at September 30, 2019.

Discount Rate

The discount rate used to measure the total pension liability was 6.5 percent. Based on this assumption and other assumptions as described above, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

5. EMPLOYEE PENSION PLAN, Continued

Changes in Net Pension Liability

		Increase (Decrease)		
		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at 9/30/18	$	2,914,945	4,885,395	(1,970,450)
Changes for the year:				
Service cost		162,082	-	162,082
Interest		193,289	-	193,289
Differences between expected and actual experience		(32,728)	-	(32,728)
Changes in assumption		-	-	-
Contributions – employer		-	-	-
Contributions- employees		-	-	-
Net investment income		-	177,837	(177,837)
Benefits paid		(225,492)	(225,492)	-
Administrative expense		-	-	-
Other changes		-	-	-
Net changes		97,151	(47,655)	144,806
Balance at 9/30/19	$	3,012,096	4,837,740	(1,825,644)

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the District, calculated using the discount rate of 6.5 percent, as well as what the District's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.5 percent) or 1-percentage-point higher (7.5 percent) than the current rate:

		1% Decrease	Current Discount Rate	1% Increase
District's net Pension liability (Asset)	$	(1,496,432)	(1,825,644)	(2,117,065)

Pension Expense (Benefit) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For fiscal year ending September 30, 2019 the District recognized pension expense (benefit) of ($21,193). At September 30, 2019 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Service cost	$	162,082
Interest		193,289
Benefit changes		-
Contributions/members		-
Expected investment return		(310,222)
Recognition of deferred inflows/outflows of resources		
Recognition of economic/demographic gains or losses		1,986
Recognition of investment gain or losses		(69,398)
Recognition of assumption changes or inputs		1,070
Plan administrative expenses		-
	$	(21,193)

5. EMPLOYEE PENSION PLAN, Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 260,145	229,597
Change in assumptions	236,531	218,344
Net difference between projected and actual earnings on pension plan investments	-	86,811
Contribution subsequent to measurement date	-	-
	$ 496,676	534,752

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in the Actuarially Determined Contribution as follows:

Year ending 9/30	
2020	(66,342)
2021	(45,680)
2022	7,899
2023	29,533
2024	3,056
Thereafter	33,455

Contributions Subsequent to Year End

There were no contributions between the measurement date and disclosure date required to be reported as a deferred outflow of resources.

Payables to the Pension Plan

As of September 30, 2019 the District had no outstanding payables to the pension plan.

Deferred Compensation Plan (Defined Contribution Pension Plan)

The District offers its employees a defined benefit and salary reduction plan (Mallory Valley Deferred Compensation Plan) created in accordance with Internal Revenue Service Code Section 457 and 401A. The plan, which is available to all District employees after one year of employment, permits employees to defer a portion of their salary until future years. The Plan may be amended or terminated at any time by the District, however no termination or amendment shall affect the rights of a participant's credited benefits or rights to receipt of benefits. Participation in the plan is optional, participant vesting begins after one year and is 100% after five years. Forfeitures of accrued benefits reduce the District matching requirements. There were no forfeitures in 2019. The District matches the employee contribution at 75% up to a maximum of 6% of employee salary. For the year ended September 30, 2019, the District contributed $42,048 (3.7% of covered payroll) and the employees contributed $62,174 (5.5% of covered payroll). The covered payroll was $1,133,267 and total payroll was $1,182,424. For the year ended September 30, 2018 the District contributed $40,647 and employees contributed $49,612. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The District has no fiduciary responsibility under the provisions of the plan. The plan provides that all assets and all income attributable to those assets, are solely the property of the respective employees. The Plan is administered by VOYA Retirement, Insurance and Annuity Company.

6. COMMITMENTS

The District has a contract with Harpeth Valley Utility District for the purchase of water. The contract provides for a minimum of 80% of the twelve month rolling average or 70% of prior year projections, whichever is greater, to be purchased per month. The rate per 1,000 gallons is $2.55 and the contract is through October 2058. During 2019, the District paid $7,093,509 relating to this contract.

The District also has two contracts for the sale of water to other local utility districts. The terms are as follows:

	Minimum Monthly Gallons	2019 Amount	Percentage of Water Sales	Contract Expiration
Milcrofton	25,200,000	$1,092,611	8.13	2048
Nolensville/College Grove	76,000,000	3,449,696	25.66	2058

At September 30, 2019 the District had contracts in process for utility line improvements of approximately $1,630,000 that were approximately 9% complete.

7. RISK MANAGEMENT

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District purchases commercial insurance for claims and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

8. RENTAL AGREEMENT

On April 8, 2008, the District entered into a contract to lease a tower site to a wireless provider which began November 1, 2007. The term of the lease is 5 years with four automatic renewal terms of five years each. The annual rent for each of the renewal terms will be 115 percent of the annual rent for the final year of the renewal term. Total lease income for the year was $1,837. Future minimum lease payments to be received are as follows:

2020	19,044

9. LITIGATION

At September 30, 2019, the District is in litigation regarding a service area with another utility district. The District denies this claim and intends to vigorously defend the matter.

10. SUBSEQUENT EVENTS

The District intends to issue approximately $17,000,000 in bonds during the next fiscal year. The purpose of the bonds is to fund the construction of a 24 inch transmission line that will increase future water distribution and sales.

REQUIRED SUPPLEMENTARY INFORMATION

Mallory Valley Utility District's Defined Benefit Plan

Fiscal Year Ending September 30,

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

		2015*	2016**	2017	2018	2019
Total pension liability						
Service cost	$	114,408	214,050	228,888	168,418	162,082
Interest on the Total Pension Liability		115,135	147,297	146,362	185,918	193,289
Changes in benefit terms		-	-	-	-	-
Differences between actual & expected experience		50,830	269,487	(124,234)	(102,942)	(32,728)
Change of assumptions		-	292,187	-	(244,032)	-
Benefit payments, including refunds of employee contributions		-	(104,136)	-	(41,794)	(225,492)
Net change in total pension liability		280,373	818,885	251,016	(34,432)	97,151
Total pension liablity- beginning		1,599,103	1,879,476	2,698,361	2,949,377	2,914,945
Total pension liablity- ending (a)	$	1,879,476	2,698,361	2,949,377	2,914,945	3,012,096
Plan fiduciary net postion						
Contributions - employer	$	35,528	88,483	111,410	9,019	-
Contributions - employee		-	-	-		-
Net investment income		296,906	327,661	506,480	379,507	177,837
Benefit payments, including refunds of employee contributions		-	(104,136)	-	(41,794)	(225,492)
Administrative expense		(17,608)	-	-	-	-
Net change in plan fiduciary net position		314,826	312,008	617,890	346,732	(47,655)
Plan fiduciary net position- beginning		3,394,146	3,608,765	3,920,773	4,538,663	4,885,395
Plan fiduciary net position- ending (b)	$	3,708,972	3,920,773	4,538,663	4,885,395	4,837,740
Net Pension Liability (asset) ending (a) - (b)	$	(1,829,496)	(1,222,412)	(1,589,286)	(1,970,450)	(1,825,644)
Plan fiduciary net position as a percentage of total pension liability		197.3%	145.3%	153.9%	167.6%	160.6%
Covered employee payroll	$	751,482	1,310,022	1,210,151	1,136,062	1,209,370
Net pension liability (asset) as a percentage of covered employee payroll		(243.45)%	(93.31)%	(131.33)%	(173.45)%	(150.96)%
Annual rate of return net of investment expense*		7.2%	6.0%	6.0%	6.5%	6.5%

Schedule of Contributions

		2015*	2016**	2017	2018	2019
Actuarially determined contribution	$	44,052	-	111,410	9,019	-
Contributions in relation to the actuarially determined contribution		35,528	88,483	111,410	9,019	-
Contribution deficiency (excess)		8,524	(88,483)	-	-	-
Covered-employee payroll	$	751,482	1,310,022	1,210,151	1,136,062	1,209,370
Contributions as a percentage of covered		4.7%	6.8%	9.2%	0.8%	0.0%

Schedule of Investment Returns

	2015*	2016**	2017	2018	2019
Annual money-weighted rate of return, net of investment expense	8.29%	9.29%	12.92%	8.37%	3.73%

Notes to Schedules

* The values listed under 2015 were provided by the prior actuary and were based on the period December 1, 2013 to December 1, 2014. The values for future years, starting in 2016, are based on the fiscal year ending on September 30.

** The results shown at the 12/1/16 valuation date were based on incorrect compensation information for the 12/1/2015 to 11/30/2016 plan year. This has been corrected in results for later years.

The employer funded the plan for the plan year beginning 10/1/2017 based on revised funding assumptions disclosed in the funding report issued 9/24/2018.

This is a 10 year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Actuarial valuation was based on results of actuarial experience study for period October 1, 2018 through September 30, 2019.

Actuarial assumptions and methods (no changes from prior year):

Actuarial cost method - entry age normal	Salary increases- 3.5 per year
Amortization method- level dollar	Investment Rate of Return- 6.5%
Amortization period- 20 years	Retirement age - age 65
Asset valuation- market value of assets	Mortality - 1994 GAR Unisex table
Cost of living adjustment- 0%	

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Schedule of Debt Principal and Interest Requirements

September 30, 2019

Year	Series 2013 Bond		Series 2008 Bond		Total	
Ended	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 565,000	153,450	58,948	135,884	623,948	289,334
2021	580,000	139,100	61,579	133,253	641,579	272,353
2022	600,000	118,400	64,327	130,504	664,327	248,904
2023	625,000	93,900	67,199	127,633	692,199	221,533
2024	650,000	68,400	70,198	124,633	720,198	193,033
2025	680,000	41,800	73,332	121,500	753,332	163,300
2026	705,000	14,100	76,606	118,226	781,606	132,326
2027	-	-	80,025	114,806	80,025	114,806
2028	-	-	83,597	111,234	83,597	111,234
2029	-	-	87,329	107,503	87,329	107,503
2030	-	-	91,227	103,605	91,227	103,605
2031	-	-	95,300	99,532	95,300	99,532
2032	-	-	99,553	95,278	99,553	95,278
2033	-	-	103,997	90,835	103,997	90,835
2034	-	-	108,640	86,192	108,640	86,192
2035	-	-	113,489	81,343	113,489	81,343
2036	-	-	118,555	76,277	118,555	76,277
2037	-	-	123,847	70,985	123,847	70,985
2038	-	-	129,375	65,457	129,375	65,457
2039	-	-	135,150	59,682	135,150	59,682
2040	-	-	141,183	53,649	141,183	53,649
2041	-	-	147,485	47,347	147,485	47,347
2042	-	-	154,069	40,763	154,069	40,763
2043	-	-	160,946	33,886	160,946	33,886
2044	-	-	168,130	26,701	168,130	26,701
2045	-	-	175,636	19,197	175,636	19,197
2046	-	-	183,476	11,356	183,476	11,356
2047	-	-	159,399	3,296	159,399	3,296
	$ 4,405,000	629,150	3,132,597	2,290,557	7,537,597	2,919,707

Mallory Valley Utility District
Schedule Of Changes In Long-Term Debt By Individual Issue
September 30, 2019

Description Of Indebtedness	Original Amount Of Issue	Interest Rate	Date Of Issue	Last Maturity Date	Outstanding 10-1-18	Issued During Period	Paid And/Or Matured During Period	Refunded During Period	Outstanding 9-30-19
Business-Type Activities									
BONDS PAYABLE									
Payable Through Water Fund									
Water Revenue Bonds, Series 2008	$ 3,600,000	5 %	10/2009	1-1-47	$ 3,189,099		56,502		3,132,597
2013 Waterworks Refunding Bonds	6,840,000	2.0 to 3.0	5/2013	1-1-26	4,960,000		555,000		4,405,000
Total Bonds Payable					$ 8,149,099	-	611,502	-	7,537,597

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Schedule of Cash and Cash Equivalents

September 30, 2019

Institution / Type	Rate		Amount
Pinnacle Bank	.025%-.03%	$	4,539,460
Landmark Bank	.75%		5,984,387
Regions Bank	.025%		534,117
Petty Cash and Cash on Hand	N/A		123
		$	11,058,087

MALLORY VALLEY UTILITY DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

Schedule of Principal Officials of the District

September 30, 2019

Board of Commissioners:

Commissioner	Office	Term Expires
Ronald Coker	President	April 15, 2021
William Boger	Vice-President	February 7, 2021
Dan Coley	Secretary/Treasurer	August 17, 2022

The General Manager of Mallory Valley Utility District is Jenny Clarke.

MALLORY VALLEY UTILITY DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

Schedule of Insurance in Force - Unaudited

September 30, 2019

Property Covered Insurance	**Type of Coverage**	**Co-Insurance**	
Buildings, contents, water plant and system	Fire and extended coverage	Coinsurance 90%	$11,655,000
General Liability	Public liability	Aggregate	2,000,000
	Employee benefits E&O	Occurrence	1,000,000
Umbrella	Excess liability	Aggregate	2,000,000
		Occurrence	2,000,000
Automobile	Liability physical damage	Each accident	1,000,000
	Uninsured motorist		
Workers' compensation	Statutory	Each accident	1,000,000
		Each employee	1,000,000
		Policy limit	1,000,000
Public officials	Employee dishonesty	Per loss	500,000
Employee Practices	Workplace offenses	Each claim	1,000,000
		Aggregate	2,000,000
Directors and Officers Liability	Management professional	Each claim	1,000,000
		Aggregate	2,000,000
Fiduciary Liability	Management of funds	Claims aggregate	1,000,000

MALLORY VALLEY UTILITY DISTRICT
OF WILLIAMSON COUNTY, TENNESSEE

Schedule of Water Rates in Force (Unaudited)

September 30, 2019

Water Rates

The number of meter water customers at September 30, 2019 was 4,632. The current water rates charged to the customers, as of September 30, 2019, are:

Residential customers:
$10.40 minimum bill, includes first 2,000 gallons
From 2,000 up to 20,000 gallons at $5.20 per 1,000 gallons
From 20,000 to 100,000 gallons at $6.20 per 1,000 gallons
Over 100,000 gallons at $7.20 per 1,000 gallons

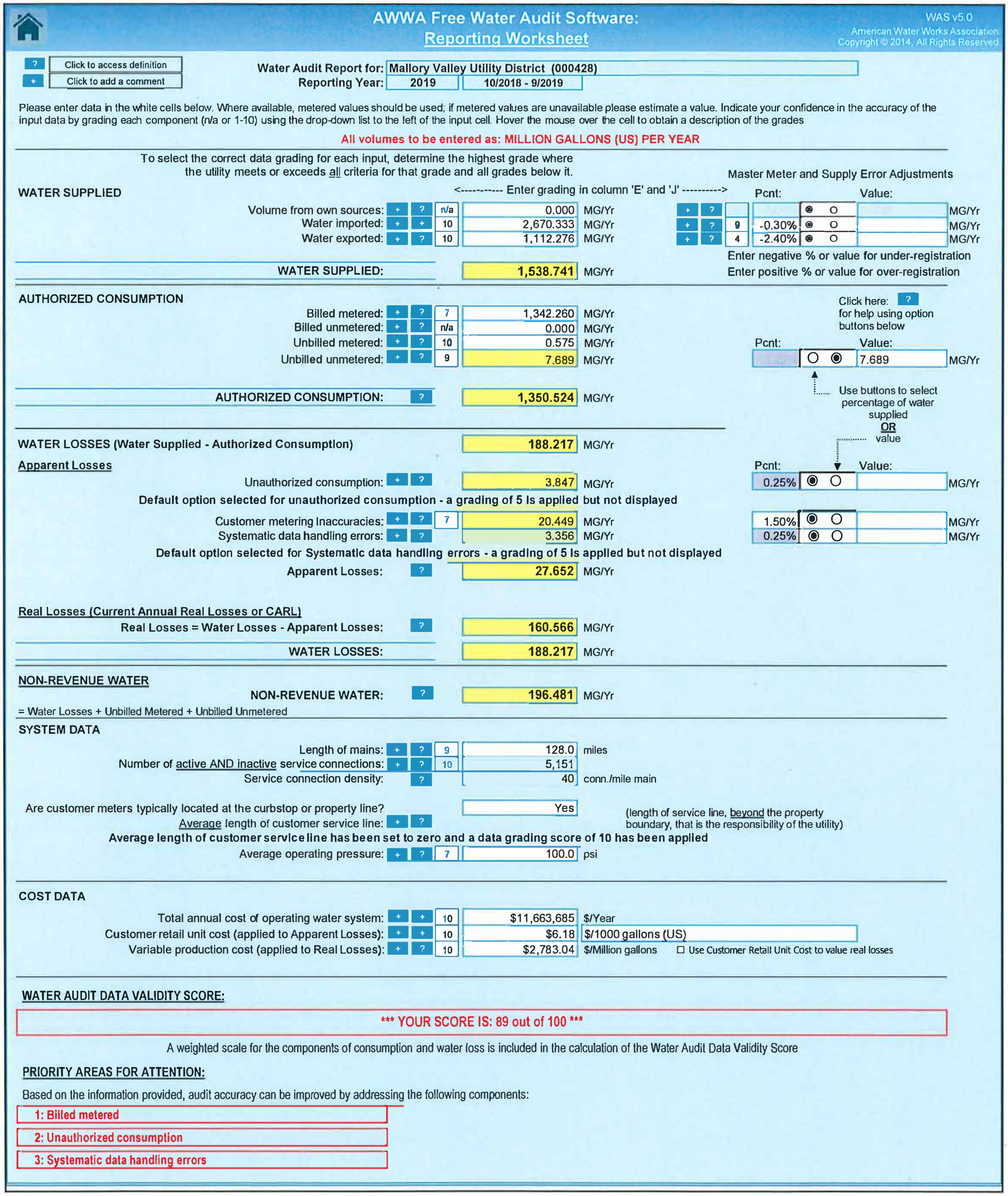
Commercial customers:
1 inch meter:
$13.00 minimum bill includes first 2,500 gallons
From 2,500 to 20,000 gallons at $5.20 per 1,000 gallons
From 20,000 to 100,000 gallons at $6.20 per 1,000 gallons
Over 100,000 gallons at $7.05 per 1,000 gallons

1 ½ inch meter:
$31.70 minimum bill, includes first 6,000 gallons
From 6,000 to 20,000 gallons at $5.20 per 1,000 gallons
From 20,000 to 100,000 gallons at $6.20 per 1,000 gallons
Over 100,000 gallons at $7.05 per 1,000 gallons

2 inch or greater meter:
$52.00 minimum bill, includes first 10,000 gallons
From 10,000 to 20,000 gallons at $5.20 per 1,000 gallons
From 20,000 to 100,000 gallons at $6.20 per 1,000 gallons
Over 100,000 gallons at $7.05 per 1,000 gallons

Wholesale to Milcrofton:
0-20,000 gallons, $2.71 per 1,000 gallons
From 20,000 to 100,000 gallons at $2.59 per 1,000 gallons
Over 100,000 gallons at $3.01 per 1,000 gallons

Wholesale to Nolensville- College Grove:
$3.78 per 1,000 gallons



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0
American Water Works Association

Water Audit Report for: Mallory Valley Utility District (000428)
Reporting Year: 2019 10/2018 - 9/2019

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: MILLION GALLONS (US) PER YEAR

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

<----------- Enter grading in column 'E' and 'J' ---------->

WATER SUPPLIED

	Grade	Value	Unit
Volume from own sources:	n/a	0.000	MG/Yr
Water imported:	10	2,670.333	MG/Yr
Water exported:	10	1,112.276	MG/Yr
WATER SUPPLIED:		1,538.741	MG/Yr

Master Meter and Supply Error Adjustments

	Grade	Pcnt:		Value:	
Volume from own sources			● ○		MG/Yr
Water imported	9	-0.30%	● ○		MG/Yr
Water exported	4	-2.40%	● ○		MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

AUTHORIZED CONSUMPTION

	Grade	Value	Unit
Billed metered:	7	1,342.260	MG/Yr
Billed unmetered:	n/a	0.000	MG/Yr
Unbilled metered:	10	0.575	MG/Yr
Unbilled unmetered:	9	7.689	MG/Yr
AUTHORIZED CONSUMPTION:		1,350.524	MG/Yr

Click here: for help using option buttons below

Pcnt:		Value:	
	○ ●	7.689	MG/Yr

Use buttons to select percentage of water supplied OR value

WATER LOSSES (Water Supplied - Authorized Consumption) 188.217 MG/Yr

Apparent Losses

	Grade	Value	Unit	Pcnt:		Value:	
Unauthorized consumption:		3.847	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

	Grade	Value	Unit	Pcnt:		Value:	
Customer metering inaccuracies:	7	20.449	MG/Yr	1.50%	● ○		MG/Yr
Systematic data handling errors:		3.356	MG/Yr	0.25%	● ○		MG/Yr

Default option selected for Systematic data handling errors - a grading of 5 is applied but not displayed

Apparent Losses: 27.652 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: 160.566 MG/Yr

WATER LOSSES: 188.217 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 196.481 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

	Grade	Value	Unit
Length of mains:	9	128.0	miles
Number of active AND inactive service connections:	10	5,151	
Service connection density:		40	conn./mile main

Are customer meters typically located at the curbstop or property line? Yes

Average length of customer service line: (length of service line, beyond the property boundary, that is the responsibility of the utility)

Average length of customer service line has been set to zero and a data grading score of 10 has been applied

Average operating pressure: 7 100.0 psi

COST DATA

	Grade	Value	Unit
Total annual cost of operating water system:	10	$11,663,685	$/Year
Customer retail unit cost (applied to Apparent Losses):	10	$6.18	$/1000 gallons (US)
Variable production cost (applied to Real Losses):	10	$2,783.04	$/Million gallons

☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

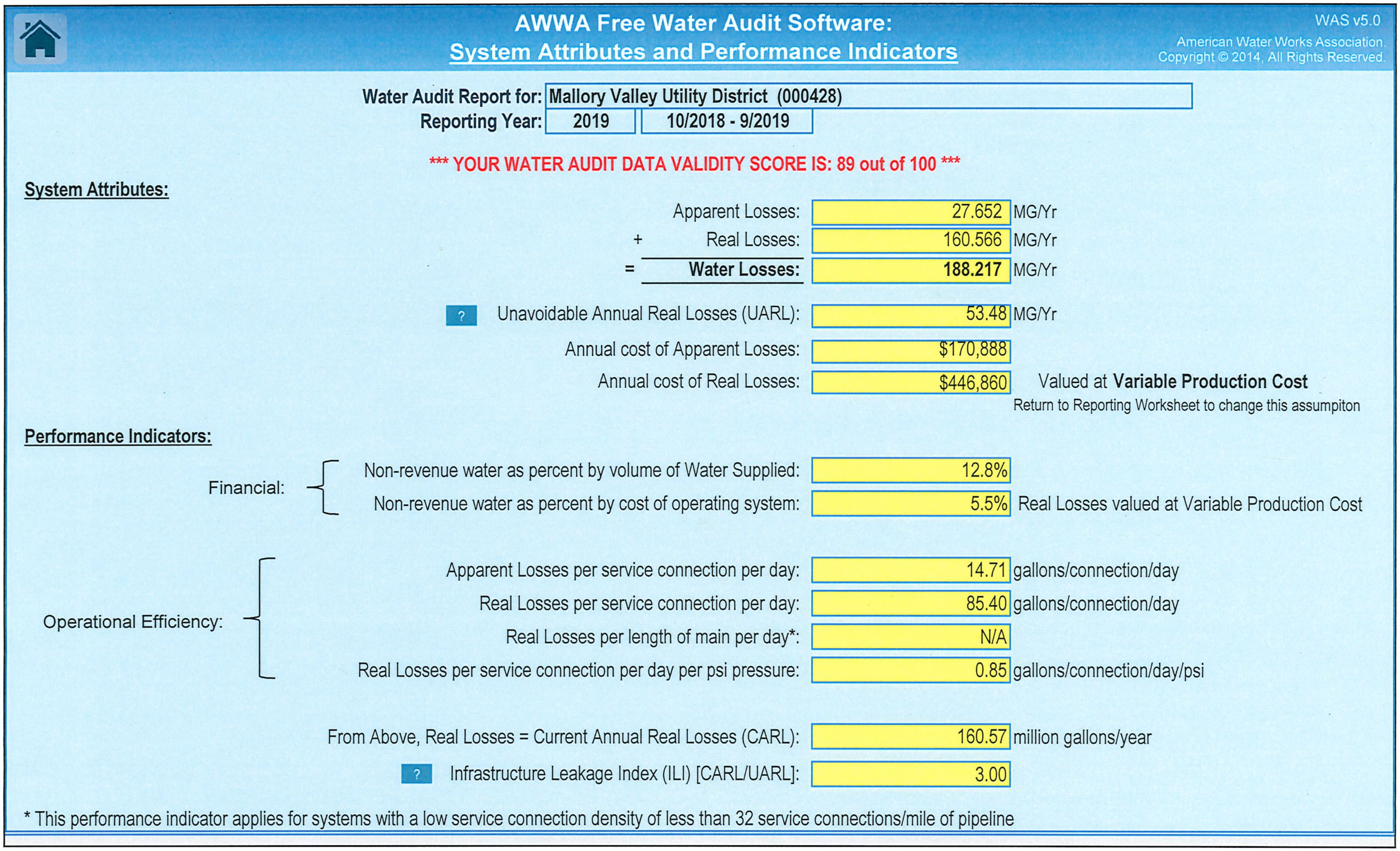
*** YOUR SCORE IS: 89 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

1: Billed metered
2: Unauthorized consumption
3: Systematic data handling errors



AWWA Free Water Audit Software:

System Attributes and Performance Indicators

WAS v5.0

American Water Works Association.
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Water Audit Report for: Mallory Valley Utility District (000428)

Reporting Year: 2019 10/2018 - 9/2019

***** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 89 out of 100 *****

System Attributes:

Apparent Losses:	27.652	MG/Yr
+ Real Losses:	160.566	MG/Yr
= **Water Losses:**	**188.217**	MG/Yr
? Unavoidable Annual Real Losses (UARL):	53.48	MG/Yr
Annual cost of Apparent Losses:	$170,888	
Annual cost of Real Losses:	$446,860	Valued at **Variable Production Cost** Return to Reporting Worksheet to change this assumpiton

Performance Indicators:

Financial:

Non-revenue water as percent by volume of Water Supplied:	12.8%	
Non-revenue water as percent by cost of operating system:	5.5%	Real Losses valued at Variable Production Cost

Operational Efficiency:

Apparent Losses per service connection per day:	14.71	gallons/connection/day
Real Losses per service connection per day:	85.40	gallons/connection/day
Real Losses per length of main per day*:	N/A	
Real Losses per service connection per day per psi pressure:	0.85	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL):	160.57	million gallons/year
? Infrastructure Leakage Index (ILI) [CARL/UARL]:	3.00	

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

OTHER REPORTS

YEARY, HOWELL & ASSOCIATES
Certified Public Accountants
501 EAST IRIS DRIVE
NASHVILLE, TN 37204-3109

HUBERT E. (BUDDY) YEARY
GREGORY V. HOWELL

(615) 385-1008
FAX (615) 385-1208

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*

Board of Commissioners
Mallory Valley Utility District of Williamson County, Tennessee
Franklin, Tennessee

We have audited the accompanying financial statements of the business-type activity and the aggregate remaining fund information (Pension Trust Fund) of the Mallory Valley Utility District of Williamson County, Tennessee (the District), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 6, 2019.

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 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 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.

Yeary Howell & Associates
December 6, 2019

MALLORY VALLEY UTILITY DISTRICT

Schedule of Disposition of Prior Year Findings and Questioned Costs

September 30, 2019

Financial Statement Findings

Finding Number	Finding Title	Finding Status
None.		

Federal Awards Findings and Questioned Costs

There were no prior year findings in the Schedule of Expenditure of Federal Awards.

MALLORY VALLEY UTILITY DISTRICT

Schedule of Findings and Questioned Costs

September 30, 2019

Current Year Findings

None.

APPENDIX C

FINANCIAL, DEMOGRAPHIC AND OTHER INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

General Information

The Mallory Valley Utility District (MVUD) was incorporated on April 23, 1966 as a municipal corporation pursuant to provisions of Section 7-82- 101 et seq., Tennessee Code Annotated (the "District Act"). The District Act provides that, as long as the District continues to furnish any of the services which it is authorized to furnish, it shall continue to be the sole public corporation having the power to furnish such services within the boundaries of the District, and no other person, firm or corporation shall furnish or attempt to furnish any of such services in the District, unless and until it shall have been established that the public convenience and necessity require other or additional services.

The Mallory Valley Utility District has a service area of approximately 20 square miles within Williamson County, Tennessee with an estimated customer population of over 25,000, over 4,600 direct customers and over 8,900 distinct residential and commercial water service metered connections. This customer base also includes two wholesale purchasers, Nolensville College Grove Utility District (NCGUD) and Milcrofton Utility District (MUD).

Powers

Subject to the following paragraph, the District Act and the Order of Incorporation provide that the District is empowered, among other things, to conduct, operate and maintain a system or systems for the furnishing of water. To carry out such purposes, the District has the power and authority to acquire, construct, reconstruct, improve, better, extend, consolidate, maintain and operate a water system or systems within or without the District, and to purchase from, furnish, deliver and sell to any municipality, the State, any public institution and the public, generally, any of its services. The District has the power of eminent domain and has the power to issue its negotiable bonds for the purpose of constructing, acquiring, reconstructing, improving, bettering or extending any of its facilities, system or systems and to pledge to the payment of such negotiable bonds all or any part of the revenues derived from the operation of such facilities, system or systems or combination thereof. The District has no power to levy or collect taxes.

Under Tennessee statutory law, a municipality may annex territory that adjoins its existing boundaries. Upon such annexation, the annexing municipality has the exclusive right to provide utility services in such territory. Upon the annexation of all or part of a utility district’s service area, the annexing municipality and the utility district are required to attempt to reach agreement for the allocation and conveyance to the annexing municipality of any or all of the utility district’s property and public functions. If the annexing municipality and the utility district cannot reach such an agreement, their dispute is submitted to arbitration. Any agreement reached by the annexing municipality and the utility district or any arbitration award must protect the contract rights of the holders of the bonds of the utility district. Any arbitration award must also provide (i) that the annexing municipality will account for the revenues from utility services in the annexed area so as to not impair the obligations of the utility district to its bondholders or (ii) that the annexing municipality will assume the operation of the entire utility district and the payment of the utility district’s bonds.

Regulation

State and Local Regulation. The District is required by law to have its books and records audited annually by a certified public accountant, a public accountant, or by the Department of Audit of the Comptroller of the Treasury of the State of Tennessee. The Comptroller of the Treasury of the State, through the Department of Audit, makes a determination as to whether the annual audit of the District has been prepared in accordance with generally accepted governmental auditing standards and whether the audits meet the minimum standards prescribed by the Comptroller. The Comptroller has promulgated rules and regulations to assure that the books and records of utility districts are kept in accordance with general accepted accounting procedures and that audit standards prescribed by the Comptroller are met. The District must file a copy of the audit with the Comptroller and with the County Mayor the District serves.

Rate Regulation. The District is required by the District Act to charge such rates as shall be sufficient to pay operation and maintenance expenses and to pay principal of and interest on all bonds or notes secured by revenues of the District's water distribution and transmission system. The Board determines the rates paid by the District's customers. The District is required to publish within ninety days after the close of its fiscal year a statement showing the financial condition of the District and the earnings of the District. Any customer of the District may file with the Board a protest concerning the rates. The Board must then give notice of a hearing to determine the validity of the protest and whether the published rates are reasonable. After the Board makes its determination, the customer may seek review of the Board's action and the Review Board, as discussed below, with the right of judicial review by common law writ of certiorari to a court within the county of the District's principal office.

Review Board. In 1987, the State legislature established a utility management review board (the "Review Board") for the purpose of advising utility district boards of commissioners throughout the State in the area of utility management. The Review Board consists of nine (9) members consisting of the State Commissioner of Environment, the State Comptroller of the Treasury, and seven (7) members appointed by the Governor—three (3) of whom must be experienced utility district managers, three (3) of whom must be experienced utility district commissioners, and one (1) of whom must be a consumer residing in Tennessee who may have experience in residential development but is not engaged in utility district management or operation. The Review Board is given the power, among other things, to review any decision of any utility district relating to rate changes upon petition of any customer of the District, to compel the adoption of and adherence to rules and regulations for the adjustment of customer complaints, hear customer protests of rates on appeal from a hearing before the Board of Commissioners of the District, to oversee operations of "financially distressed utility districts," including the power to compel rate increases sufficient to be in compliance with State law and all covenants with bondholders and compel consolidation with another utility. A "financially distressed utility district" is a district (i) which has failed to charge rates sufficient to pay the costs of operation and maintenance of the system, including depreciation and reserves therefore, as well as to pay all bonds and interest thereon secured by the revenues of the system, including reserves therefore, for a period of two (2) consecutive years, or (ii) which is in default on any outstanding indebtedness, or (iii) which has a retained earnings deficit. The Review Board may not take any action which would adversely impair the obligations of contract or the payment of outstanding bonds of the District. Any party to a proceeding before the Review Board may appeal to a local court seeking review of any action taken. The District has never defaulted on any indebtedness.

Licenses, Permits and Approvals. In the opinion of the General Manager of the District, the District has received all licenses, permits and approvals necessary for the operation of the System.

Environmental Regulation

The operations of the District are subject to the Federal Clean Water Act, as amended, and regulations of the Tennessee Department of Health and Environment, Bureau of Environment, Division of C-3 Water Management, Division of Construction Grants and Loans, Environmental Protection Agency, Division of Water Pollution Control, Water Quality Control Act of 1977 and Regulations of the Water Quality Control Board.

Management/Governance

All corporate powers of the District are vested in and exercised by the Board of Commissioners. The Board consists of three members, each of whom must reside or own property within the boundaries of the District, serving staggered four-year terms. Vacancies on the Board of Commissioners are filled by appointment by the Williamson County Mayor from a list of three nominees certified by the Board of Commissioners to the Williamson County Mayor to fill a vacancy. Each member of the Board of Commissioners, upon expiration of his or her term, shall continue to hold office until the successor shall have been appointed. A Board member may succeed himself or herself in office.

Pursuant to the District Act, the Board acts by a majority of its members and must meet at least once each quarter. The Board is authorized by the District Act, among other things, to exercise by vote, ordinance or resolution all of the general and specific powers of the District, to make all necessary rules, regulations and bylaws for the management and conduct the affairs of the District and to issue bonds of the District by resolution of the Board.

The following are the current members of the Board of Commissioners and the expiration of their term of office:

Name	Office	Expiration of Term
Ronald Coker	President	April 15, 2021
William Boger	Vice President	February 7, 2021
Dan Coley	Secretary-Treasurer	August 17, 2022

Employees

Jenny Clarke has served as the General Manager of the District since February 2014. In this role, Ms. Clarke is currently responsible for all management and financial matters of the District. Prior to assuming the role of General Manager, Ms. Clarke was the Director of Operations. In this role, Ms. Clarke was responsible for all District staff and all daily operations of the District. Ms. Clarke has been employed by the District since May 2000.

The District currently has a total of eighteen (18) full-time employees. The full-time employees receive pay and additional benefits including, but not limited to, paid vacation and sick leave, health, dental, disability and life insurance and retirement benefits.

Pension Plan

In December 2003, the Mallory Valley Utility District Defined Benefit Pension Plan (the Plan) was established as a single-employer defined benefit plan administered by the Board of Trustees of the Plan. The Board of Trustees has three members which consist of the three Board of Commissioners of the District who are appointed by the County Mayor. The Plan provides retirement and death benefits to plan members and beneficiaries. The plan complies with the requirements of Section 401 of the Internal Revenue Code and the Board of Trustees has the authority to establish and amend the Plan.

For detailed information on the defined benefit pension plan, please see Note 5 of the Audited Financial Statements in Appendix B.

The District also has a nonqualified deferred compensation plan and matches the employee contribution at 75% up to a maximum of 6% of the employee salary, as also described in Note 5 of the District's Audited Financial Statements.

Water Supply, Distribution and Transmission System

Water Supply

The District receives its water from the Harpeth Valley Utility District (HVUD). HVUD obtains water from two intakes located on the Cumberland River. One intake has a capacity of 6 million gallons per day (MGD) using three centrifugal pumps. The newer intake is capable of pumping 65 MGD using five vertical turbine pumps. All of the pumps are electrically driven. HVUD has four distinct treatment plants. Three plants use a rapid sand filtration process. The newest plant, completed in 2016, uses a Kruger Actiflo Carb/Membrane process. The four plants have a combined current treatment capacity of 62 MGD.

The Harpeth Valley Utility District (HVUD) provides water and sewer services to certain customers in southwest Davidson County, Cheatham County and Williamson County. Approximately 85% of the water sold by HVUD is sold to the cities of Brentwood (24%), Franklin (16%) and several utility districts (45%). As of 2018, the District was the largest customer, by volume, of HVUD. The District purchased over 2,776 million gallons, or 26% of HVUD's water sold in 2018.

The District has a contract to purchase water from HVUD that expires in October 2058. The contract permits the District to purchase all of its requirements from HVUD, in addition to the requirements of the District's wholesale customers (described below). Under the term of the HVUD contract, the District provides rolling five-year projections of water demand (including that of its wholesale customers) to HVUD. The HVUD contract requires the District to pay a minimum monthly bill based on assumed water volumes equal to the greater of (i) 80% of its twelve-month rolling average water usage or (ii) 70% of prior year projections, as provided to HVUD. The current rate per 1,000 gallons is $2.55. During 2019, the District paid $7,093,509 relating to this contract. The contract does not prohibit Mallory Valley Utility District from purchasing water from other sources, provided the District pays the minimum bill to HVUD. The minimum bill will be reduced to the extent that HVUD fails, or is unable to make available water to meet the minimum bill requirements. As of 2019, HVUD has never failed to provide Mallory Valley Utility District with needed water.

Water Distribution and Transmission

HVUD water enters the MVUD system at two primary locations; the Beech Creek pump station and the Holly Tree Gap pump station. Upon water leaving the aforementioned pump stations, the District utilizes a network of approximately 125 miles of water line ranging from 4-inch to 30-inch, five (5) storage tanks with a total capacity of 11.0 million gallons and three distinct pressure zones to serve its customers.

In addition to serving over 8,900 residential and commercial water service metered connections, the MVUD also has wholesale contracts for the sale of water to two adjacent utility districts. The first contract is with the Milcrofton Utility District (Milcrofton), which serves the unincorporated areas of Millview, Peytonsville and Rudderville located just south of the District in Williamson County, Tennessee. Milcrofton serves approximately 8,781 customers. The Milcrofton contract runs through 2048 and requires the District to provide Milcrofton up to 3 MGD of water, if and as requested by Milcrofton. Under the terms of the Milcrofton contract, Milcrofton provides the District rolling five-year projections of water demand. These projections are incorporated into the District's projections to HVUD under its wholesale purchase contract, as described above. The Milcrofton contract provides for a minimum monthly bill payable based on assumed water volumes equal to the greater of (i) 80% of Milcrofton's twelve-month rolling average usage or (ii) 70% of prior year projections. The rate under the Milcrofton contract is set forth below under "Water Rates" and may be not be increased except at the same time, and at the same percentage, that the District increases its residential water rates. During 2019, Milcrofton paid the District $1,092,611 under the contract. Milcrofton also purchases water directly from HVUD.

The second wholesale contract is with the Nolensville-College Grove Utility District (NCGUD), which serves the Town of Nolensville and the community of College Grove, which are located east and northeast of the District. NCGUD serves approximately 10,221 customers. The NCGUD contract runs through 2058 and currently requires the District to provide NCGUD up to 2.5 MGD of water. The required daily water delivery will increase to 3 MGD in October 2020, to 3.5 MGD in October 2022, to 4 MGD in October 2024 and to 4.5 MGD on October 2026. The NCGUD contract provides for a minimum monthly bill payable based on these delivery requirements. The District incorporates these delivery requirements into its projections to HVUD, as described above. The rate under the NCGUD contract is set forth below under "Water Rates" and incorporates the cost of purchasing water from HVUD and all District capital and operating costs attributable to furnishing water to NCGUD. The rate is subject to adjustment as and in proportion to any increase in these costs. During 2019, NCGUD paid the District $3,449,696 under the contract. NCGUD also purchases water from the Town of Smyrna.

The following table illustrates the water sales to the two wholesale customers over the past five years:

	Milcrofton Utility District	Nolensville-College Grove Utility District
2015	$922,566	$2,138,892
2016	$897,787	$2,180,601
2017	$1,120,166	$2,208,150
2018	$1,419,549	$2,269,711
2019	$1,092,611	$3,449,696

Water Sales by Customer Category

Year	Residential	Commercial	Wholesale	Total
2015	305,220,000	953,710,000	817,077,000	2,076,007,000
2016	313,140,000	998,300,000	928,140,000	2,239,580,000
2017	336,740,000	991,840,000	1,083,148,000	2,411,728,000
2018	308,640,000	995,680,000	1,224,830,000	2,529,150,000
2019	321,040,000	1,020,920,000	1,112,280,000	2,454,240,000

Note - All amounts in gallons

Sources: Mallory Valley Utility District of Williamson County, Tennessee Financial Statements and Independent Auditors' Report Years Ended September 30, 2019 through 2015, and District Officials.

Number of Customers by Category

Year	Residential	Commercial	Wholesale	Total
2015	3,871	582	2	4,455
2016	3,894	594	2	4,490
2017	3,918	598	2	4,518
2018	3,955	623	2	4,580
2019	3,965	675	2	4,642

Source: District Officials.

Top 10 Customers
(As of September 30, 2019)

Customer	Annual Usage (Gallons 000)	% of Total Annual Usage	Water Revenues	% of Water Revenues
CBL Management Inc.	42,317	1.7%	$295,816	2.2%
Star Brentwood LLC	37,998	1.5%	$259,066	1.9%
BMPP Aspen Grove	24,378	1.0%	$169,134	1.3%
Ashton Brook Apts LLC	25,096	1.0%	$175,675	1.3%
IMT Capital REIT IV LLC	19,206	0.8%	$133,698	1.0%
Gateway Village	20,338	0.8%	$153,171	1.1%
IMT Capital IV Cool Springs	17,383	0.7%	$121,147	0.9%
Franklin Marriot Hotel	16,594	0.7%	$115,319	0.9%
Mid American Apartments LP	20,093	0.8%	$140,064	1.0%
Embassy Suites Hotel	14,675	0.6%	$101,949	0.8%
Total Annual Usage	238,078	9.7%	$1,665,039	12.4%

Source: District Officials

Water Pumped, Sold and Consumed

Fiscal Year	Water Supplied	Gallons of Water Sold & Consumed	Water Lost	% Lost
2015	1,476,757,000	1,261,540,000	215,217,000	14.57%
2016	1,530,041,000	1,330,575,000	199,466,000	13.04%
2017	1,537,716,000	1,332,809,000	204,907,000	13.33%
2018	1,499,716,000	1,291,960,000	207,756,000	13.85%
2019	1,538,741,000	1,350,524,000	188,217,000	12.23%

Note - All amounts in gallons

Sources: Mallory Valley Utility District of Williamson County, Tennessee Financial Statements and Independent Auditors' Reports Years Ended September 30, 2019 through 2015, prepared by Yeary, Howell & Associates, Certified Public Accountants, and District Officials.

Water Rates

The District reviews water rates, operating revenue and operating expenses at least annually. Revenue generated from water sales is used to ensure daily operations and maintenance of the system are effective, capital planning is sufficient and long-term obligations are met. The District has implemented five rate adjustments since 2010. The most recent adjustment will become effective October 1, 2020, and is listed below.

Residential Customers:				**Minimum Bills for Residential Customers**		
Tier 1	0-20,000 gallons	$5.30	per 1,000 gallons	3/4"	$10.60	0-2,000 gallons
Tier 2	20,000-100,000 gallons	$6.30	per 1,000 gallons	1"	$13.25	0-2,500 gallons
Tier 3	Over 100,000 gallons	$7.30	per 1,000 gallons	1.5"	$31.80	0-6,000 gallons
				2"	$53.00	0-10,000 gallons
Commercial Customers:				**Minimum Bills for Commercial Customers**		
Tier 1	0-20,000 gallons	$5.30	per 1,000 gallons	3/4" & 1"	$13.25	0-2,500 gallons
Tier 2	20,000-100,000 gallons	$6.30	per 1,000 gallons	1.5"	$31.80	0-6,000 gallons
Tier 3	Over 100,000 gallons	$7.30	per 1,000 gallons	2" and up	$53.00	0-10,000 gallons
Wholesale to Milcrofton:						
	0-20,000 gallons	$2.76	per 1,000 gallons			
	20,000-100,000 gallons	$2.63	per 1,000 gallons			
	Over 100,000 gallons	$3.05	per 1,000 gallons			
Wholesale to Nolensville-College Grove:						
		$3.78	per 1,000 gallons			

Source: District Officials.

Tap billing and collections

The District charges domestic tap fees of $500.00 per single family units ("SFU."). Commercial, Fire protection and irrigation tap fees are based on meter size/capacity.

The District also charges an access fee of $1,000.00 per SFU. SFU equivalents for commercial establishments are determined in the same manner as tap fees. In order to obtain a commitment from the District to supply water to a development, developers are required to pay an access fee at the time a water service contract is executed.

Cybersecurity

The District utilizes various computer systems and network technology to perform many of its vital operations. Such operations often include the storage and transmission of sensitive information, and as a result, the District may be the target of cyberattacks attempting to gain access to such information. In addition to intentional attacks, information breaches may occur due to unintentional employee error. A successful cyberattack or unintentional breach may require the expenditure of an unknown amount of money or time to resolve, substantially interrupt municipal services and operations and subject the District to legal action. The District has no knowledge of, nor historical record of any successful cyber-security breach or related attack. Attempted cyber-security attacks, whether anonymous or targeted, occur on a periodic frequency that is not uncommon to organizations or agencies of similar characteristics. To mitigate against such risks, the District has instituted various policies and procedures to protect its network infrastructure, including a cyber-security training requirement for certain departments, as well as general cyber-security training and awareness for all employees. The District also maintains insurance against cyber-security incidents. Despite the District's measures to safeguard its network infrastructure, there are no guarantees that such measures will be successful.

Covid-19

The worldwide spread of COVID-19, a respiratory disease caused by a novel strain of coronavirus, has reached several areas in Tennessee, including Williamson County, and is considered a Public Health Emergency of International Concern by the World Health Organization. The spread of COVID-19 has led to quarantine and other "social distancing" measures in affected regions, including the State and the County, undertaken by government agencies, businesses, schools and other entities. The State's Governor ordered that all non-essential business in the State remain closed through April. Although the Governor has initiated plans to reopen certain businesses, there is no assurance that future orders will not be issued if the COVID-19 spread continues in Tennessee.

Given the evolving nature of the spread of the disease and the behavior of governments, businesses, and individuals in response thereto, the District is unable to predict (i) the extent or duration of the COVID-19 outbreak or other epidemic or pandemic, (ii) the extent or duration of existing and additional quarantines, business-closures, travel restrictions and other measures relating to COVID-19 or other epidemic or pandemic, (iii) whether and to what extent the COVID-19 outbreak or other epidemic or pandemic may adversely affect the operations of the District, or (iv) the impact of COVID-19 on the financial condition of the System. The District is proactively taking steps to preserve effective staffing for all essential District operations.

The District anticipates decreased revenues from commercial customers while any social distancing measures remain in place. The District estimates that water demand decreased by between 15-20% for the period covering mid-March to mid-April. While some of this decline might be attributable to other factors, such as weather and conservation efforts, the District believes the social distancing measures were a significant factor in the decline. The District does not currently anticipate an equivalent decline in net revenues because reductions in demand are initially expected to result in a corresponding reduction in expenses related to the cost of water purchased by the District.

The District has also approved policies that provide a limited payment deferral period for customers who cannot pay their water bills due to the impact of COVID-19, and the District expects some deferral of revenue during this period.

Summary of Operating Results

	2019	2018	2017	2016	2015
Operating Revenues					
Water Sales	$ 13,444,827	$ 11,644,189	$ 11,395,525	$ 11,087,652	$ 10,810,183
Other Operating Revenue	570,422	698,778	594,713	478,341	567,707
Total Operation Revenue	14,015,249	12,342,967	11,990,238	11,565,993	11,377,890
Operating Expenses					
Water Distribution	8,376,727	8,292,454	8,043,103	7,507,074	7,218,959
General and Administrative	1,957,048	1,968,956	1,812,011	1,721,059	1,234,070
Depreciation/Impairment Loss	1,308,718	1,624,348	1,221,618	1,632,009	1,312,173
Total Operating Expenses	11,642,493	11,885,758	11,076,732	10,860,142	9,765,202
Operating Income	2,372,756	457,209	913,506	705,851	1,612,688
Non-Operating Revenue(Expense)					
Investment Income	316,517	287,740	240,280	278,857	89,453
Bond Issue Costs	0	0	0	0	0
Rent Income	18,837	16,560	16,560	16,560	16,560
Gain (Loss) on Disposal of Assets	0	0	18,000	4,000	(214)
Unrealized Gain (Loss) on Investments	195,487	(123,483)	(149,148)	0	0
Interest Expense and Fiscal Fees	(309,065)	(295,469)	(336,453)	(349,078)	(360,314)
Total Non-Operating Revenue(Expense)	221,776	(114,652)	(210,761)	(49,661)	(254,515)
Income Before Contributions	2,594,532	342,557	702,745	656,190	1,358,173
Capital Contributions					
Tap Fees and Other Cash Contributions	897,135	2,153,739	1,224,425	599,831	374,205
Utility Plant Donated by Developers	1,666,230	990,707	1,357,946	693,855	502,834
Total Capital Contributions	2,563,365	3,144,446	2,582,371	1,293,686	877,039
Change in Net Position	$ 5,157,897	$ 3,487,003	$ 3,285,116	$ 1,949,876	$ 2,235,212

Sources: Mallory Valley Utility District of Williamson County, Tennessee Financial Statements and Independent Auditors' Reports for Years Ending September 30, 2019 through 2015, prepared by Yeary, Howell & Associates, Certified Public Accountants, and District Officials.

Historical Debt Service Coverage

	Fiscal Year				
	2015	**2016**	**2017**	**2018**	**2019**
Total Operating Revenues	$11,378	$11,566	$11,990	$12,343	$14,015
Total Operating Expenses	9,765	10,860	11,077	11,886	11,642
Operating Income	1,613	706	914	457	2,373
Non-Operating Income (expense)	-255	-50	-211	-115	222
Net Income Before Contributions	$1,358	$656	$703	$343	$2,595
Tap Fees and Other Cash Contributions	$374	$600	$1,224	$2,154	$897
Depreciation	1,312	1,632	1,222	1,237	1,384
Interest Expense	361	345	330	316	303
Net Available for Debt Service	$3,406	$3,233	$3,478	$4,050	$5,178
Annual Debt Requirements	$914	$914	$916	$915	$914
Debt Service Coverage Ratio	3.73x	3.54x	3.80x	4.42x	5.66x

Sources: Mallory Valley Utility District of Williamson County, Tennessee Financial Statements and Independent Auditors' Reports for Years Ending September 30, 2019 through 2015, prepared by Yeary, Howell & Associates, Certified Public Accountants, and District Officials.

Projected Debt Service Coverage

The management of the District has prepared the forecasted financial information set forth below to present the forecasted debt service coverage after issuance of the Series 2020 Bonds. The prospective financial information was not prepared with a view toward public disclosure or with a view towards complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in the view of the District's management, was prepared on a reasonable basis, reflects the best currently available estimates and judgments and presents, to the best of management's knowledge and belief, the expected course of action and the expected future financial performance of the District. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information. Neither the District's independent auditors, nor any other independent accountants or financial advisors, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The assumptions and estimates underlying the prospective financial information are inherently uncertain and, though considered reasonable by the management of the District as of the date hereof, are subject to a wide variety of significant business, economic and competitive risks and uncertainties that could cause actual results to differ materially from those forecasted. Additionally, the spread of the COVID-19 virus has introduced greater uncertainty into the reliability of any future projections.

Accordingly, there can be no assurance that forecasted results are indicative of the future performance of the District or that actual results will not be materially higher or lower than those forecasted. Inclusion of the prospective financial information in this Official Statement should not be regarded as a representation by any person that the forecasted results will be achieved.

The District does not generally publish its business plans and strategies or make external forecasts of its anticipated financial position or results of operations. Accordingly, the District does not intend to update or otherwise revise the prospective financial information to reflect circumstances existing since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error. Furthermore, the District does not intend to update or revise the prospective financial information to reflect changes in general economic or industry conditions.

	Fiscal Year (1)				
	2020 Est.	**2021 Est.**	**2022 Est.**	**2023 Est.**	**2024 Est.**
Total Operating Revenues	$13,705	$14,787	$14,814	$15,425	$15,428
Total Operating Expenses	11,928	12,899	13,223	14,072	14,298
Operating Income	1,778	1,888	1,591	1,353	1,129
Non-Operating Income (expense)	246	246	246	246	246
Net Income Before Contributions	$2,023	$2,134	$1,837	$1,599	$1,375
Tap Fees and Other Cash Contributions	$525	$450	$450	$450	$450
Depreciation	1,376	1,450	1,650	1,880	1,959
Interest Expense	450	680	668	656	644
Net Available for Debt Service	$4,375	$4,714	$4,606	$4,585	$4,429
Annual Debt Requirements	$1,077	$1,427	$1,431	$1,428	$1,429
Debt Service Coverage Ratio	4.06x	3.30x	3.22x	3.21x	3.10x

(1) The above model makes two assumptions (1) An already approved rate increase to MVUD customers effective 10/1/20 and (2) An expected rate increase from Harpeth Valley in 2020. Dollar figures reflected in 1,000s.

Source: District Officials.

Summary of Assets, Liabilities and Retained Earnings (Statement of Net Assets)

	9/30/2019	9/30/2018	9/30/2017	9/30/2016	9/30/2015
Current Assets:					
Cash and cash equivalents	$ 10,436,992	$ 9,064,092	$ 7,064,811	$ 7,010,498	$ 9,640,823
Investments	11,390,690	12,280,177	12,770,319	11,703,489	7,419,092
Accounts receivable - net of allowance for doubtful accounts	2,245,996	1,875,457	1,652,125	1,758,651	1,657,955
Inventory of supplies	353,745	338,261	364,542	324,447	246,211
Interest receivable	38,284	70,478	70,271	37,964	22,777
Other receivable	39,346	39,346	1,380	84,525	1,380
Prepaid expenses	46,525	-	57,186	55,400	11,002
Total Current Assets	24,551,578	23,667,811	21,980,634	20,974,974	18,999,240
Noncurrent assets:					
Restricted Assets					
Cash and cash equivalents - debt service	534,117	523,835	515,827	510,015	599,112
Cash and cash equivalents - contract retainage	-	-	-	-	-
Cash - employee benefits	86,978	98,695	39,688	17,484	-
Investments - debt service	194,832	194,832	194,832	194,832	194,832
Investments - repairs, extensions and replacements	550,000	848,391	765,000	532,832	532,832
Depreciable capital assets, net of accumulated depreciation	46,220,472	42,811,907	40,799,052	40,528,488	41,294,414
Non-depreciable capital assets	3,725,865	2,900,143	4,096,549	2,703,925	2,431,500
Net pension assets	1,825,644	1,970,450	1,589,286	1,665,774	1,829,496
Total Noncurrent Assets	53,137,908	49,348,253	48,000,234	46,153,350	46,882,186
Total Assets	77,689,486	73,016,064	69,980,868	67,128,324	65,881,426
Deferred outflows of resources:					
Deferred amount on refunding	326,626	382,619	438,613	494,606	550,599
Deferred pension changes in assumption	236,531	250,445	264,359	88,483	55,917
Deferred pension experience difference	260,145	275,188	290,231	235,738	50,830
Total Deferred Outflows of Resources	823,302	908,252	993,203	818,827	657,346
Total Assets and Deferred Outflows of Resources	$ 78,512,788	$ 73,924,316	$ 70,974,071	$ 67,947,151	$ 66,538,772
Current Liabilities:					
Bonds payable - current portion	$ 623,948	$ 611,429	$ 599,018	$ 586,709	$ 569,500
Accounts payable	1,067,901	894,972	888,057	870,921	871,205
Accrued Interest	66,292	70,917	79,625	79,917	86,094
Accrued liabilities	42,747	54,316	34,590	50,956	75,452
Contracts and retainage payable	142,512	-	263,370	-	-
Customer deposits and performance bonds	34,050	50,981	33,092	51,060	22,459
Total Current Liabilities	1,977,450	1,682,615	1,897,752	1,639,563	1,624,710
Noncurrent liabilities:					
Bonds payable, net of current portion	7,177,409	7,846,713	8,503,425	9,147,742	9,779,734
Total Liablities	9,154,859	9,529,328	10,401,177	10,787,305	11,404,444
Deferred inflows of resources:					
Deferred pension changes in assumptions	218,344	231,188			
Deferred pension experience differences	229,597	209,926	118,318	-	-
Deferred pension projected and actual earnings differences	86,811	288,594	276,299	-	34,919
Total Deferred Inflows of Resources	534,752	729,708	394,617	-	34,919
Net position					
Net investment in capital assets	42,329,094	37,636,527	35,968,401	33,992,568	33,927,279
Restricted for debt service	728,949	718,667	710,659	727,664	793,944
Restricted for repairs, extensions and replacement	550,000	848,391	765,000	532,832	532,832
Restricted for employee pensions	1,825,644	1,970,450	1,589,286	1,665,774	1,794,577
Unrestricted	23,389,490	22,491,245	21,144,931	20,241,008	18,050,777
Total Net Position	$ 68,823,177	$ 63,665,280	$ 60,178,277	$ 57,159,846	$ 55,099,409

Sources: Mallory Valley Utility District of Williamson County, Tennessee Financial Statements and Independent Auditors' Reports for Years Ending September 30, 2019 through 2015, prepared by Yeary, Howell & Associates, Certified Public Accountants, and District Officials.

Mallory Valley Utility District of Williamson County, Tennnessee

Debt Service Requirements(1)

	Series 2008 Bonds			Series 2020 Bonds			Total Debt		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2020	$ 58,948	$ 135,884	$ 194,832		$ 196,387	$ 196,387	$ 58,948	$ 332,271	$ 391,219
2021	61,579	133,253	194,832	525,000	706,994	1,231,994	586,579	840,247	1,426,826
2022	64,327	130,505	194,832	555,000	680,744	1,235,744	619,327	811,249	1,430,576
2023	67,199	127,633	194,832	580,000	652,994	1,232,994	647,199	780,627	1,427,826
2024	70,198	124,634	194,832	610,000	623,994	1,233,994	680,198	748,628	1,428,826
2025	73,332	121,500	194,832	640,000	593,494	1,233,494	713,332	714,994	1,428,326
2026	76,606	118,226	194,832	675,000	561,494	1,236,494	751,606	679,720	1,431,326
2027	80,025	114,807	194,832	705,000	527,744	1,232,744	785,025	642,551	1,427,576
2028	83,597	111,235	194,832	740,000	492,494	1,232,494	823,597	603,729	1,427,326
2029	87,329	107,503	194,832	780,000	455,494	1,235,494	867,329	562,997	1,430,326
2030	91,227	103,605	194,832	815,000	416,494	1,231,494	906,227	520,099	1,426,326
2031	95,300	99,532	194,832	860,000	375,744	1,235,744	955,300	475,276	1,430,576
2032	99,553	95,279	194,832	875,000	358,544	1,233,544	974,553	453,823	1,428,376
2033	103,997	90,835	194,832	895,000	341,044	1,236,044	998,997	431,879	1,430,876
2034	108,640	86,192	194,832	910,000	323,144	1,233,144	1,018,640	409,336	1,427,976
2035	113,489	81,343	194,832	930,000	303,806	1,233,806	1,043,489	385,149	1,428,638
2036	118,555	76,277	194,832	950,000	282,881	1,232,881	1,068,555	359,158	1,427,713
2037	123,847	70,985	194,832	975,000	260,319	1,235,319	1,098,847	331,304	1,430,151
2038	129,375	65,457	194,832	1,000,000	235,944	1,235,944	1,129,375	301,401	1,430,776
2039	135,150	59,682	194,832	1,025,000	210,944	1,235,944	1,160,150	270,626	1,430,776
2040	141,183	53,649	194,832	1,050,000	184,038	1,234,038	1,191,183	237,687	1,428,870
2041	147,485	47,347	194,832	1,075,000	156,475	1,231,475	1,222,485	203,822	1,426,307
2042	154,069	40,763	194,832	1,105,000	126,913	1,231,913	1,259,069	167,676	1,426,745
2043	160,946	33,886	194,832	1,140,000	96,525	1,236,525	1,300,946	130,411	1,431,357
2044	168,130	26,702	194,832	1,170,000	65,175	1,235,175	1,338,130	91,877	1,430,007
2045	175,636	19,196	194,832	1,200,000	33,000	1,233,000	1,375,636	52,196	1,427,832
2046	183,476	11,356	194,832				183,476	11,356	194,832
2047	159,472	3,223	162,695				159,472	3,223	162,695
	$3,132,670	$2,290,489	$5,423,159	$21,785,000	$ 9,262,819	$31,047,819	$24,917,670	$11,553,308	$36,470,978

(1) Excludes bonds being refunded.

Sources: Mallory Valley Utility District of Williamson County, Tennessee Financial Statements and Independent Auditors' Report Year Ended September 30, 2019, prepared by Yeary, Howell & Associates, Certified Public Accountants, and District Officials.

SERVICE AREA

The service area of the Mallory Valley Utility District is entirely within the boundaries of Williamson County, Tennessee (the "County"). The District directly serves customers within its own territorial boundaries and indirectly serves other Williamson County customers through wholesale agreements with the Milcrofton Utility District and the Nolensville-College Grove Utility District. The District encompasses approximately 20 square miles and includes both residential and commercially developed property. The territory served is locally known as the Cool Springs area of Williamson County, Tennessee. This service area is primarily located within the northern portion of the City of Franklin, Tennessee, but also includes an area within the southern boundary of the City of Brentwood, Tennessee.

A large commercial center has developed around the Cool Springs Galleria shopping mall, which opened in 1991 and was significantly renovated and expanded in 2019. The center encompasses land on both sides of Interstate 65. It includes a range of businesses including numerous retail establishments, several luxury hotels, strip malls, business parks, office buildings, apartments, condominiums, restaurants and automobile dealerships. The Cool Springs area is also home to many major companies including Nissan North America, Mars Petcare, Community Health Systems and CKE Restaurants.

Williamson County is located in Middle Tennessee and continues to be one of Tennessee's and one of the nation's fastest-growing communities. The County is adjacent to the southern boundary of Metropolitan Nashville-Davidson County and includes the cities of Brentwood, Fairview, Franklin, Nolensville, Thompson's Station and a portion of Spring Hill. In recent years, the County has benefited from its status as the county with the highest per capita income and one of the lowest unemployment rates in the State. Williamson County is noted for its high quality of life, excellent public school system, fashionable neighborhoods, commercial office and retail parks, and rolling farmland.

The historic City of Franklin is the county seat of Williamson County. Franklin is approximately 15 miles south of Nashville, Tennessee. Franklin was founded in 1799 and is built around a restored historic downtown district. The City of Franklin covers an area of approximately 41 square miles and serves an estimated population of approximately 78,321. The City of Brentwood is the second largest city in the County with an estimated population of 42,667. Brentwood also covers approximately 41 square miles and is located adjacent to the southern border of the Metropolitan Government of Nashville and Davidson County. Brentwood is an affluent area that is known for its upscale office parks and executive living.

The County is a convenient drive from the Nashville International Airport, a multi-air carrier commercial aviation facility. Interstate 40 and 65 and State Route 840 traverse the County. Interstate 24 is also located nearby. Other land transportation is served by U.S. Highways 31 and 431 and State Highways 96 and 100. Rail transportation is provided by CSX Transportation Group.

The Nashville area is just one of six areas in the nation intersected by three or more interstate highways. State Route 840 connects five Tennessee counties and intersects four of the six interstate spokes. SR 840 intersects Interstates 65 and 40 near Franklin and Fairview respectively, and connects with Interstate 24 near Murfreesboro in adjoining Rutherford County and Interstate 40 in western Wilson County and eastern Dickson County.

SOCIAL, ECONOMIC, AND DEMOGRAPHIC DATA

The Mallory Valley Utility District does not have specific social, economic and demographic data that is limited specifically its customer base within the County. Most of the District's service area is within the city limits of the cities of Franklin and Brentwood. The following information relates more generally to Franklin, Brentwood and Williamson County. All of the information in this section was compiled prior to the outbreak of the COVID-19 virus. While the economic impact of the outbreak is expected to be materially negative, the District does not have data that reflects the full impact of the outbreak.

Population

The population of Brentwood, Franklin and Williamson County has grown appreciably since 2000.

Year	City of Brentwood	City of Franklin	Williamson County	Tennessee
2000	23,445	41,842	128,101	5,703,719
2005	32,239	53,311	152,219	5,991,057
2010	37,060	62,849	184,128	6,355,311
2011	38,079	64,333	188,448	6,399,291
2012	39,016	66,286	193,118	6,453,898
2013	39,993	68,834	199,111	6,494,340
2014	40,932	70,546	205,258	6,541,223
2015	41,670	72,505	211,524	6,591,170
2016	42,382	74,685	218,810	6,646,010
2017	42,593	78,321	225,920	6,708,799
2018	42,502	80,914	231,729	6,771,631

Source: U.S. Census Bureau

Per Capita Personal Income

The District does not have per capita income figures for population living within the District's specific service area. The per capita income within Franklin, Brentwood and the County are estimated to be materially higher than averages throughout the State of Tennessee. The per capita income estimates for Williamson County are illustrated below:

	County	Tennessee	% of State
2010 Per Capita Personal Income	$65,353	$35,653	183.3%
2011 Per Capita Personal Income	$71,293	$37,627	189.5%
2012 Per Capita Personal Income	$78,406	$39,312	199.4%
2013 Per Capita Personal Income	$79,618	$39,427	201.9%
2014 Per Capita Personal Income	$84,595	$40,801	207.3%
2015 Per Capita Personal Income	$91,767	$42,593	215.5%
2016 Per Capita Personal Income	$92,654	$43,726	211.9%
2017 Per Capita Personal Income	$91,001	$44,950	202.4%
2018 Per Capita Personal Income	$94,872	$46,900	202.3%

Source: Bureau of Economic Analysis, CA1-3 Personal Income Summary

Median Housing Values

Median home values within Franklin, Brentwood and Williamson County are estimated to be significantly higher than average median values throughout the State of Tennessee.

Year	City of Brentwood	% of State	City of Franklin	% of State	Williamson County	% of State	Tennessee
2010	$481,300	359%	$309,300	231%	$335,800	250%	$134,100
2011	$483,700	353%	$309,400	226%	$336,900	246%	$137,200
2012	$489,700	353%	$309,400	223%	$337,000	243%	$138,700
2013	$487,100	350%	$307,800	221%	$334,900	241%	$139,200
2014	$487,900	349%	$312,400	223%	$336,400	240%	$139,900
2015	$506,300	356%	$321,400	226%	$348,600	245%	$142,100
2016	$555,800	381%	$342,900	235%	$368,100	252%	$146,000
2017	$582,800	384%	$362,300	239%	$388,400	256%	$151,700
2018	$622,000	392%	$385,500	243%	$417,700	263%	$158,600

Source: U.S. Census Bureau, 2006-2010 American Community Survey

LABOR FORCE, EMPLOYMENT AND UNEMPLOYMENT DATA

The Mallory Valley Utility District does not have specific labor force, employment and unemployment data that is limited specifically its customer base within the County. Most of the District's service area is within the city limits of the City of Franklin and the City of Brentwood. The following information relates more generally to Franklin, Brentwood and Williamson County, Tennessee.

Labor Force

The labor force within the County has increased from 69,784 in 2000 to 131,402 in March 2020, reflecting an 86% increase. As of March 2020, the County's estimated unemployment rate of 2.6% compares favorably to the State average of 3.7%. It is anticipated that the outbreak of the COVID-19 virus will have a material impact on employment in the State and the County. Given all of the uncertainties surrounding the virus, the full impact and duration on employment is unknown at this time.

	City of Brentwood		City of Franklin		Williamson County		Tennessee	
Year	Labor Force	UR	Labor Force	UR	Labor Force	UR	Labor Force	UR
2000	11,923	1.50%	23,903	2.90%	69,784	2.50%	2,843,069	3.90%
2005	15,919	3.50%	29,279	3.60%	81,057	3.80%	2,904,794	5.60%
2010	17,993	6.10%	34,110	6.40%	94,495	6.60%	3,090,795	9.60%
2015	20,090	4.10%	38,912	3.80%	107,361	4.00%	3,057,301	5.60%
Mar-20	22,853	2.70%	48,553	2.50%	131,402	2.60%	3,356,651	3.70%

Note: UR represents the unemplyment rate for the specified period.

Sources: Bureau of Labor Statistics and the Tennessee Department of Labor and Workforce Development

Commercial Development Overview

Over the past several years, Williamson County has seen substantial new and ongoing economic development projects continue in the County. The County has also seen numerous corporations, such as Nissan North America, Mars Petcare, Mitsubishi Motors of North America and Spirit Airlines relocate or expand operations within the County. As a commercial hub within the County, the District's service area has also seen strong growth and development. Current plans include new hotels, apartments, condominiums, retail establishments, restaurant establishments, office buildings and mixed uses complexes. It is not clear what impact the current coronavirus outbreak will have on the timing or viability of the various development plans that are in process.

Major Employers

The following table includes numerous major employers in Williamson County. The employment estimates represented in this table were compiled prior to the outbreak of the COVID-19 virus. While the District knows generally that numerous employees have been furloughed or terminated in the County, the District does not have more current information to reflect the extent or duration of such changes.

Employer	Estimated 2019 Employees	Product or Service
Williamson County Schools	6,766	Education
CoolSprings Galleria	3,500	Retail Mall
Community Health Systems	2,652	Health Services - Headquarters
HCA	2,002	Healthcare Services
Nissan North America	1,850	Automotive - North American Headquarters
Williamson County Government	1,650	County Government
United Health Group	1,467	Healthcare Claims Resolution and Information Management
Williamson Medical Center	1,330	Health Services
Optum	1,000	Healthcare IT Software for Hospital Management
Comdata	1,000	Transaction Process Solutions
Tractor Supply Company	1,000	Headquarters of Retail Farm and Ranch Stores
Lee Company	963	Home Services
Franklin Special School District	923	Education
Ford Motor Credit	875	Customer Care Center for Finance Department
Schneider Electric	850	Energy Management
Mars Petcare	800	Pet Food Manufacturer
City of Franklin Government	719	City Government
DaVita	701	Dialysis Treatment and Support Services
Ramsey Solutions	685	Publishing, Radio and Education
Brookdale Senior Living	668	Senior Living and Healthcare Provider
eviCore healthcare	653	Medical Benefits Management
Vanderbilt University Medical Center	580	Health Services
GEODIS	536	Global Supply Chain Management Solutions
Jackson National Life Insurance Company	518	Financial Services

Sources: Williamson County Chamber of Commerce, Economic Development Office, County Officials, the TN Department of Economic & Community Development and the Nashville Business Journal.

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APPENDIX D

BOND COUNSEL OPINION

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(Form of Bond Counsel Opinion)

May 21, 2020

Mallory Valley Utility District of Williamson County, Tennessee
Franklin, Tennessee

Robert W. Baird & Co., Inc.
Red Bank, New Jersey

Re: Mallory Valley Utility District of Williamson County, Tennessee Waterworks System Revenue Bonds, Series 2020

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Mallory Valley Utility District of Williamson County, Tennessee (the "Issuer") of $21,785,000 Waterworks System Revenue Bonds, Series 2020, dated the date hereof (the "Bonds"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify such facts by independent investigation.

Based on our examination, we are of the opinion, as of the date hereof, as follows:

1. The Bonds have been duly authorized, executed and issued in accordance with the constitution and laws of the State of Tennessee and constitute valid and binding obligations of the Issuer.

2. The resolution of the Board of Commissioners of the Issuer authorizing the Bonds has been duly and lawfully adopted, is in full force and effect and is a valid and binding agreement of the Issuer enforceable in accordance with its terms.

3. The principal of and interest on the Series 2020 Bonds are payable solely from and secured by a pledge of revenues to be derived from the operation of the water system of the Issuer, subject only to the payment of the reasonable and necessary costs of operating, maintaining, repairing and insuring said system, on parity and equality of lien with the District's outstanding Water Revenue Bond, Series 2008 and any bonds hereafter issued on parity therewith. We express no opinion as to the sufficiency of such revenues for the payment of principal of and interest on the Series 2020 Bonds.

4. Interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals under the Code. The opinion set forth in the preceding sentence is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause interest on the Bonds to be so included in gross income retroactive to the date of issuance of the Bonds. The Issuer has covenanted to comply with all such requirements. Except as set forth in this Paragraph 4, we express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Under existing law, the Bonds and the income therefrom are exempt from all present state, county and municipal taxes in Tennessee except (a) Tennessee excise taxes on all or a portion of the interest on any of the Bonds during the period such Bonds are held or beneficially owned by any organization or entity, other than a sole proprietorship or general partnership, doing business in the State of Tennessee, and (b) Tennessee franchise taxes by reason of the inclusion of the book value of the Bonds in the Tennessee franchise tax base of any organization or entity, other than a sole proprietorship or general partnership doing business in the State of Tennessee.

It is to be understood that the rights of the owners of the Bonds and the enforceability of the Bonds and the resolution authorizing the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Yours truly,

BASS, BERRY & SIMS PLC

APPENDIX E

FORM OF CONTINUING DISCLOSURE AGREEMENT

MALLORY VALLEY UTILITY DISTRICT OF WILLIAMSON COUNTY, TENNESSEE

$21,785,000 WATERWORKS SYSTEM REVENUE BONDS, SERIES 2020

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Disclosure Agreement") is executed and delivered this 21st day of May, 2020 by the Mallory Valley Utility District of Williamson County, Tennessee (the "Issuer") in connection with the issuance of its $21,785,000 Waterworks System Revenue Bonds, Series 2020 (the "Bonds"). The Issuer hereby covenants and agrees as follows:

SECTION 1. Purpose of and Authority for the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Registered Owners and the Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Rule 15c2-12(b)(5) (the "Rule") of the Securities and Exchange Commission (the "SEC"). This Disclosure Agreement is being executed and delivered by the Issuer under the authority of the Resolution.

SECTION 2. Definitions. In addition to the terms otherwise defined herein, the following capitalized terms shall have the following meanings:

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Fiscal Year" shall mean any period of twelve consecutive months adopted by the Issuer as its fiscal year for financial reporting purposes, and shall initially mean the period beginning on October 1 of each calendar year and ending September 30 of the following calendar year.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Official Statement" shall mean the Official Statement of the Issuer, dated May 5, 2020, relating to the Bonds.

"Participating Underwriters" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Registered Owner" means any person who is identified as a holder of Bonds on the registration records maintained by or on behalf of the Issuer with respect to the Bonds.

"Resolution" shall mean the bond resolution adopted by the Board of Commissioners of the Issuer on March 27, 2020.

"State" shall mean the State of Tennessee.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule.

SECTION 3. Continuing Disclosure. The Issuer hereby agrees to provide or cause to be provided the information set forth below:

(a) *Annual Financial Information*. For Fiscal Years ending on or after September 30, 2020, the Issuer shall provide annual financial information and operating data within 12 months after the end of the Fiscal Year. The annual financial information and operating data shall include:

(i) The Issuer's audited financial statements, prepared in accordance with generally accepted accounting principles, or, if the Issuer's audited financial statements are not available, then the Issuer's unaudited financial statements; and

(ii) To the extent not included in the audited financial statements, operating data of the type included under the following headings of the Official Statement, which data may be presented in a manner other than as set in the Official Statement:

A. Water Sales by Customer Category
B. Number of Customers by Category
C. Top Ten Customers
D. Water Pumped, Sold and Consumed
E. Water Rates
F. Summary of Operating Results
G. Historical Debt Service Coverage
H. Summary of Assets, Liabilities and Retained Earning
I. Debt Service Requirements

(b) *Audited Financial Statements*. For Fiscal Years ending on or after September 30, 2020, the Issuer shall provide audited financial statements, prepared in accordance with generally accepted accounting principles, if and when available, if such audited financial statements are not included with the annual financial information described in subsection (a) above.

(c) *Event Notices*. The Issuer will provide notice of the following events relating to the Bonds in a timely manner, not in excess of ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults, if material;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions, the issuance by the 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;

(vii) Modifications to rights of Bondholders, if material;

(viii) Bond calls, if material, and tender offers;

(ix) Defeasances (including disclosure as to whether the Bonds have been defeased to their maturity or to a preceding call date);

(x) Release, substitution, or sale of property securing repayment of the securities, if material;

(xi) Rating changes;

(xii) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(xiii) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) Incurrence of a financial obligation* of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect security holders, if material; and

(xvi) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

* As used in subsections (xv) and (xvi), 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 (i) or (ii). The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(d) *Notice of Failure to File Annual Financial Information*. The Issuer will provide timely notice of its failure to provide the annual financial information described in subsection (a) above within the time frame prescribed by subsection (a).

(e) *Notice of Amendment of Disclosure Agreement*. The Issuer will provide timely notice of an amendment to this Disclosure Agreement pursuant to the terms of Section 5(a) below.

SECTION 4. Methods of Providing Information.

(a) All disclosures required by Section 3 shall be transmitted to the MSRB using the MSRB's Electronic Municipal Market Access System ("EMMA") or by such other method as may be subsequently determined by the MSRB.

(b) Information shall be provided to the MSRB in an electronic format as prescribed by the MSRB, either directly, or indirectly through an indenture trustee or a designated dissemination agent.

(c) All transmissions to the MSRB shall be accompanied by identifying information as prescribed by the MSRB.

(d) Any required disclosure may be incorporated by reference to other documents filed with the MSRB in the manner required by subsection (a) above. The Issuer shall clearly identify each such other document so incorporated by reference.

(e) All disclosures transmitted to the MSRB hereunder shall be simultaneously transmitted to any State Repository.

SECTION 5. Amendment.

This Disclosure Agreement may be amended or modified so long as: (i) any such amendments are not violative of any rule or regulation of the SEC or MSRB, or other federal or state regulatory body; (ii) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person, or type of business conducted; (iii) this Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iv) the amendment does not materially impair the interests of Beneficial Owners or Registered Owners, as determined either by parties unaffiliated with the Issuer (such as bond counsel), or by approving vote of the Beneficial Owners and Registered Owners pursuant to the terms of the Resolution at the time of the amendment.

(b) In the event of any amendment or modification to the financial information or operating data required to be filed pursuant to Section 3(a) above, the Issuer shall describe such amendment in the next filing pursuant to Section 3(a), and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, the next filing pursuant to Section 3(a) or 3(b), as applicable, shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any disclosure required hereunder, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure.

SECTION 8. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Registered Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 9. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Registered Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of any party to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 10. Governing Law. This Disclosure Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 11. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

MALLORY VALLEY UTILITY DISTRICT OF
WILLIAMSON COUNTY, TENNESSEE

By: ____
President of the Board of Commissioners