

OFFICIAL STATEMENT DATED MAY 6, 2021

**NEW ISSUE-BOOK-ENTRY-ONLY**      **RATINGS: AGM Insured - S&P “AA” (Stable Outlook), Moody’s “A2” (Stable Outlook)**  
**Underlying Rating: Moody’s “A3”**  
**See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”**

*In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described herein. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel.*

*THE DISTRICT HAS DESIGNATED THE BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.*

**\$3,215,000**

**Greenhawe Water Control & Improvement District No. 2**  
**(A Political Subdivision of the State of Texas Located in Hays County, Texas)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

**Dated: Date of Delivery**

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

The \$3,215,000 Greenhawe Water Control & Improvement District No. 2 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”) constitute obligations solely of Greenhawe Water Control & Improvement District No. 2 (the “District”) and are not obligations of the State of Texas (the “State”); the City of Dripping Springs, Texas; Hays County, Texas; or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the Date of Delivery, currently anticipated to be June 8, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.” The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

Proceeds from the sale of the Bonds will be used to (i) establish an escrow fund to currently refund a portion of the District’s Unlimited Tax Bonds, Series 2012 and Unlimited Tax Bonds, Series 2015 (collectively, the “Refunded Bonds”), to achieve a debt service savings, and (ii) pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See “BOND INSURANCE.”



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**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,  
REDEMPTION PROVISIONS AND CUSIP NUMBERS**  
**(see inside cover page)**

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The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

**INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.**  
See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District, and accepted by the initial purchaser thereof named below (the “Underwriter”) subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on June 8, 2021 (the “Date of Delivery”).

**UMB BANK**

**MATURITY SCHEDULE  
(Due September 1)**

**CUSIP Prefix: 39525R**

<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield <sup>(b)</sup></b>	<b>CUSIP Suffix <sup>(c)</sup></b>	<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield <sup>(b)</sup></b>	<b>CUSIP Suffix <sup>(c)</sup></b>
2021	\$ 20,000	4.000%	0.250%	EN0	2028	\$ 40,000	4.000%	1.200%	EV2
2022	35,000	4.000%	0.300%	EP5	2029 <sup>(a)</sup>	240,000	2.000%	1.400%	EW0
2023	110,000	4.000%	0.400%	EQ3	2030 <sup>(a)</sup>	260,000	2.000%	1.500%	EX8
2024	35,000	4.000%	0.600%	ER1	2031 <sup>(a)</sup>	510,000	2.000%	1.650%	EY6
2025	35,000	4.000%	0.800%	ES9	2032 <sup>(a)</sup>	505,000	2.000%	1.750%	EZ3
2026	35,000	4.000%	1.000%	ET7	2033 <sup>(a)</sup>	675,000	2.000%	1.830%	FA7
2027	35,000	4.000%	1.100%	EU4	2034 <sup>(a)</sup>	680,000	2.000%	1.880%	FB5

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS - Redemption.”
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, or Public Finance Group LLC, the District’s financial advisor (the “Financial Advisor”), is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part 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 Bonds.

**Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX C - Specimen Municipal Bond Insurance Policy”.**

**TABLE OF CONTENTS**

USE OF INFORMATION IN OFFICIAL STATEMENT.....	4	Role of the Developer .....	33
Underwriting .....	4	Description of Developer .....	33
Prices and Marketability .....	4	Major Landowner.....	33
Securities Laws.....	5	Homebuilder .....	33
MUNICIPAL BOND RATINGS.....	5	Utility Construction Agreements.....	33
BOND INSURANCE.....	5	Agricultural Waiver .....	33
Bond Insurance Policy.....	5	THE SYSTEM.....	33
Assured Guaranty Municipal Corp. ....	5	Regulation.....	33
THE DISTRICT.....	8	Water Supply and Distribution.....	34
THE BONDS.....	8	Wastewater Collection and Treatment.....	34
INVESTMENT CONSIDERATIONS .....	10	Storm Drainage.....	34
SELECTED FINANCIAL INFORMATION .....	11	100-Year Flood Plain.....	34
INTRODUCTION.....	12	Water and Drainage Operations - Rates and Fees - Table 1.....	35
PLAN OF FINANCING.....	12	Operating Revenues and Expenses Statement - Table 2 .....	36
Purpose.....	12	DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3 .....	37
The Refunded Bonds .....	13	FINANCIAL STATEMENT.....	38
The Remaining Outstanding Bonds .....	13	Assessed Value - Table 4 .....	38
Escrow Agreement .....	14	Unlimited Tax Bonds Authorized but Unissued - Table 5.....	38
Sources and Uses of Funds.....	14	Outstanding Bonds - Table 6.....	39
THE BONDS .....	14	Cash and Investment Balances - Table 7 .....	39
General Description.....	14	Investment Authority and Investment Practices of the District.....	39
Redemption .....	14	Current Investments - Table 8.....	41
Selection of Bonds for Redemption.....	15	Estimated Overlapping Debt Statement.....	41
DTC Redemption Provision.....	15	Overlapping Taxes for 2020.....	42
Termination of Book-Entry-Only System.....	15	TAX DATA .....	42
Replacement Bonds .....	16	Classification of Assessed Valuation - Table 9.....	42
Authority for Issuance .....	16	Tax Collections - Table 10.....	43
Source of and Security for Payment.....	16	District Tax Rates - Table 11 .....	43
Payment Record .....	16	Debt Service Tax.....	43
Flow of Funds.....	16	Maintenance Tax.....	43
Defeasance of Outstanding Bonds .....	17	Principal Taxpayers - Table 12.....	44
Paying Agent/Registrar.....	18	Tax Adequacy for Debt Service .....	44
Record Date.....	18	Debt Service Fund Management Index .....	44
Issuance of Additional Debt .....	18	TAXING PROCEDURES .....	45
Legal Investment and Eligibility to Secure Public Funds in Texas .....	18	Authority to Levy Taxes .....	45
Specific Tax Covenants .....	19	Property Tax Code and County Wide Appraisal District.....	45
Additional Covenants .....	19	Property Subject to Taxation by the District.....	45
Remedies in Event of Default.....	19	Valuation of Property for Taxation .....	46
Consolidation .....	19	District and Taxpayer Remedies .....	46
Annexation.....	20	Levy and Collection of Taxes .....	47
Alteration of Boundaries.....	20	Tax Payment Installments .....	47
Approval of the Bonds.....	20	Rollback of Operation and Maintenance Tax Rate.....	47
Amendments to the Bond Order .....	20	District's Rights In The Event Of Tax Delinquencies .....	48
BOOK-ENTRY-ONLY SYSTEM .....	20	Effect of FIRREA on Tax Collections.....	48
INVESTMENT CONSIDERATIONS .....	22	LEGAL MATTERS.....	48
General .....	22	No-Litigation Certificate .....	49
Infectious Disease Outbreak (COVID-19).....	22	VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS.....	49
No Certainty of a Secondary Market .....	22	TAX MATTERS.....	49
Factors Affecting Taxable Values and Tax Payments.....	22	Opinion.....	49
Tax Collections and Foreclosure Remedies .....	23	Federal Income Tax Accounting Treatment of Original Issue Discount.....	50
Registered Owners' Remedies .....	23	Collateral Federal Income Tax Consequences.....	50
Marketability .....	24	State, Local and Foreign Taxes .....	51
Bankruptcy Limitation to Registered Owners' Rights .....	24	Information Reporting and Backup Withholding .....	51
The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District .....	24	Future and Proposed Legislation .....	51
Continuing Compliance with Certain Covenants .....	24	Qualified Tax-Exempt Obligations for Financial Institutions.....	51
No Requirement to Build on Developed Lots.....	25	CONTINUING DISCLOSURE OF INFORMATION.....	52
Forward-Looking Statements.....	25	Annual Reports .....	52
Bond Insurance Risks .....	25	Notice of Certain Events .....	52
Future Debt.....	25	Availability of Information from MSRB.....	53
Future and Proposed Tax Legislation .....	26	Limitations and Amendments .....	53
2021 Legislation.....	26	Compliance with Prior Undertakings .....	53
Drought Conditions .....	26	FINANCIAL ADVISOR .....	53
Storm Water .....	26	OFFICIAL STATEMENT .....	53
Environmental Regulation .....	26	Preparation .....	53
LOCATION MAP.....	29	Consultants .....	54
THE DISTRICT .....	30	Updating the Official Statement during Underwriting Period .....	54
General.....	30	Certification as to Official Statement .....	54
Management of the District .....	30	Annual Audits.....	54
Consultants.....	30	PHOTOGRAPHS .....	
Creation, Location and Boundaries.....	30	APPENDIX A – Audited Financial Statements .....	
Historical Development.....	31	APPENDIX B – Form of Bond Counsel Opinion .....	
Current Status of Development.....	31	APPENDIX C – Specimen Municipal Bond Insurance Policy .....	
Future Development .....	32		
THE DEVELOPER .....	33		

## USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Underwriter and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

The statements contained in this Official Statement, and in other information provided by the District, that are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

### **Underwriting**

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions in the bond purchase agreement, to purchase the Bonds from the District for \$3,274,884.75 (an amount equal to the principal amount of the Bonds, plus an original issue premium of \$90,754.30, and less an Underwriter's discount of \$30,869.55). The Underwriter's obligation is to purchase all of the Bonds if any are purchased. See "PLAN OF FINANCING –Sources and Uses of Funds."

### **Prices and Marketability**

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities.

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19).” Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See “INVESTMENT CONSIDERATIONS – No Certainty of a Secondary Market.”

## **Securities Laws**

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

## **MUNICIPAL BOND RATINGS**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), and Moody’s Investors Service, Inc. (“Moody’s”) are expected to assign ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s has assigned an underlying rating of “A3” to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with

the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

#### *Capitalization of AGM*

At March 31, 2021:

- The policyholders' surplus of AGM was approximately \$2,805 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$959 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,121 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

#### *Merger of MAC into AGM*

On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

#### *Incorporation of Certain Documents by Reference*

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);  
and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption “BOND INSURANCE – Assured Guaranty Municipal Corp.” or included in a document incorporated by reference herein (collectively, the “AGM Information”) shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters*

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

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**OFFICIAL STATEMENT SUMMARY**

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

**THE DISTRICT**

- The District ..... Greenhawe Water Control & Improvement District No. 2 (the “District”), a political subdivision of the State of Texas, was created by order of the Hays County Commissioners Court, effective April 17, 2001, and confirmed pursuant to an election held within the District on November 4, 2003. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water and to distribute potable water and operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended. See “THE DISTRICT – General.”
  
- Location ..... The District is currently comprised of two non-contiguous parcels of land, which include approximately 2,546.50 total acres of land, located in north central Hays County, Texas. The Rim Rock Tract (“Rim Rock”) and the Rutherford West Tract (“Rutherford West”) are adjacent to each other. The Greenhawe Tract (“Greenhawe”) is an approximately 658.21 acre non-contiguous tract located to the south of Rutherford West that was purchased by private individuals and dedicated as a conservation easement which is not subject to development. Rim Rock and Rutherford West are located south of FM 1826 and north of FM 967. Greenhawe is located along FM 967, approximately 3.4 miles east of the intersection of FM 1826 and FM 967. Approximately 1,888 acres of the District are located within the extraterritorial jurisdiction of the City of Dripping Springs, Texas. The District lies approximately 17 miles southwest of the City of Austin, Texas. See “THE DISTRICT – Creation, Location and Boundaries.”
  
- The Developer ..... The developer currently active within the District is RW Trine, LLC, a Texas limited liability company (“RW Trine” or the “Developer”). See “THE DEVELOPER” and “THE DISTRICT – Historical Development” and “THE DISTRICT – Current Status of Development.”
  
- Status of Development ..... Development of the District commenced in September 2001 and, as of April 1, 2021, 100% of the approximately 1,431.98 currently developable acres within the District have been developed with utility facilities as the single-family residential subdivisions of Rim Rock and Rutherford West. The District contains a total of 836 single-family lots, and includes 779 completed homes (includes one home built on two lots), 41 homes under construction and 15 vacant single-family lots. The District also contains approximately 817.09 acres which are dedicated as conservation easements (or greenbelt) and are restricted from development, which includes the Greenhawe conservation easement (approximately 658.21 acres) and the Rim Rock conservation easement (approximately 158.88 acres). Additionally, approximately 297.43 acres of Rutherford West are owned by Wooddrift 967 LLC, a Texas limited liability company (“Wooddrift 967”), which currently does not have a reimbursement agreement with the District. The District is unaware if or when the approximately 297.43 undeveloped acres will eventually be developed. See “THE DISTRICT – Current Status of Development.”
  
- Homebuilder..... According to the Developer, Coventry Homes is currently the active homebuilder within the District. The homes range in price from \$628,990 to \$740,990, with square footage ranging from 2,480 to 4,114. See “THE DEVELOPER – Homebuilder.”
  
- COVID-19 Pandemic ..... The potential impact of the COVID-19 pandemic on the District cannot be quantified at this time but the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition or its rating. The financial and operating data contained herein is the latest available but is largely as of the dates and for the periods prior to the economic impact of the pandemic and measures instituted to control the pandemic. Accordingly, the data is not indicative of the economic impact of the pandemic on the District’s financial condition. See “INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19).”

**THE BONDS**

- Description ..... The Bonds in the aggregate principal amount of \$3,215,000 mature serially in varying amounts on September 1 of each of the years 2021 through 2034, as set forth on the inside cover page hereof. Interest accrues from the Date of Delivery (as defined on the cover page) at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2021 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS - General Description.”

Redemption .....	Bonds maturing on and after September 1, 2029 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2028, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. See “THE BONDS - Redemption.”
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAXING PROCEDURES.” <b>The Bonds are obligations solely of the District and are not obligations of the City of Dripping Springs, Texas; Hays County, Texas; the State of Texas; or any entity other than the District.</b> See “THE BONDS - Source of and Security for Payment.”
Payment Record .....	The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6.”
Authority for Issuance .....	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapter 1207 of the Texas Government Code, as amended, and Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 4, 2003; and an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds and a pricing certificate executed by the pricing officer on the date of sale of the Bonds as authorized in the order (the order and the pricing certificate are collectively referred to herein as the “Bond Order”). See “THE BONDS – Authority for Issuance.”
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to (i) establish an escrow fund to currently refund a portion of the District’s Unlimited Tax Bonds, Series 2012 and Unlimited Tax Bonds, Series 2015 (collectively, the “Refunded Bonds”), to achieve a debt service savings, and (ii) pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”
Bonds Authorized But Unissued.....	At an election held within the District on November 4, 2003 (the “Bond Election”), the voters within the District authorized a total of \$47,900,000 unlimited tax bonds for water and drainage facilities, of which \$37,120,000 remains unissued. Additionally, at the Bond Election, the voters within the District approved the issuance of unlimited tax refunding bonds in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued for water and drainage facilities, allowing for a maximum voted authorization of \$71,850,000 for the issuance of refunding bonds, assuming that the total amount of bonds authorized by the voters will be issued. The District has previously issued two series of refunding bonds, which used \$730,000 in refunding authorization, and the issuance of the Bonds will use an additional \$125,000 of the District’s voted authorization of refunding bonds. After the issuance of the Bonds, \$70,995,000 of voted authorization of refunding bonds will remain unissued. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5” and “THE BONDS – Issuance of Additional Debt.”
Municipal Bond Ratings and Bond Insurance .....	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), and Moody’s Investors Service, Inc. (“Moody’s”) are expected to assign ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s has assigned an underlying rating of “A3” to the Bonds.
Tax Exemption.....	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in “TAX MATTERS” herein.
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

Bond Counsel..... McCall, Parkhurst & Horton L.L.P., Austin, Texas.  
General Counsel..... Armbrust & Brown PLLC, Austin, Texas.  
Financial Advisor..... Public Finance Group LLC, Austin, Texas.  
Underwriter’s Counsel ..... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.  
Verification Agent..... Public Finance Partners, LLC, Minneapolis, Minnesota.  
Paying Agent/Registrar  
and Escrow Agent ..... UMB Bank, N.A., Austin, Texas

**INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to carefully examine the Official Statement, including particularly the section captioned “INVESTMENT CONSIDERATIONS,” with respect to the investment security of the Bonds.

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**SELECTED FINANCIAL INFORMATION  
(Unaudited)**

2020 Certified Assessed Valuation	\$ 424,135,856	(a)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 8,140,000	(b)
Ratio of Gross Debt to 2020 Certified Assessed Valuation		1.92%
2020 Tax Rate		
Debt Service	\$ 0.1735	
Maintenance	<u>0.0765</u>	
<b>Total 2020 Tax Rate</b>	<u><b>\$ 0.2500</b></u>	(c)
Debt Service Fund Balance (as of March 24, 2021)	\$ 837,307	(d)
Percentage of current tax collections - Tax Year 2020	96.82%	(e)
Percentage of total tax collections - Tax Years (2006-2020)	99.75%	(e)
Average Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Average Requirement") (2021-2034, inclusive)	\$ 694,955	
Tax Rate required to pay Average Requirement based upon 2020 Certified Assessed Valuation at 95% collections	\$ 0.18	/\$100 AV
Maximum Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Maximum Requirement") (2028)	\$ 724,000	
Tax Rate required to pay Maximum Requirement based upon 2020 Certified Assessed Valuation at 95% collections	\$ 0.18	/\$100 AV
Number of connections as of April 1, 2021		
Single Family - Occupied	779	
Single Family - Builder	<u>41</u>	
<b>Total Number of Connections</b>	<b>820</b>	
Estimated Population as of April 1, 2021	2,337	(f)

(a) Assessed valuation of the District as of January 1, 2020 as certified by the Hays Central Appraisal District ("HCAD"). See "TAXING PROCEDURES."

(b) Includes the Bonds, excludes the Refunded Bonds.

(c) The District adopted the 2020 tax rate at its meeting in August 2020.

(d) Unaudited as of March 24, 2021. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund. See "THE BONDS – Source of and Security for Payment" for information regarding the requirement to levy a tax under the Bond Order.

(e) See "TAX DATA – Tax Collections."

(f) Based upon 3.0 residents per occupied single family home.

**OFFICIAL STATEMENT**  
relating to

**\$3,215,000**

**Greenhawe Water Control & Improvement District No. 2**  
(A Political Subdivision of the State of Texas Located in Hays County, Texas)

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Greenhawe Water Control & Improvement District No. 2 (the “District”), a political subdivision of the State of Texas (the “State”), of its \$3,215,000 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District on March 24, 2021, a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the “Bond Order”); Article XVI, Section 59 of the Texas Constitution and general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended; and a bond election held within the District on November 4, 2003.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances, and the Developer and development activity in the District. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District’s Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, West Lake Hills, Texas, 78746, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE” herein for a description of the District’s undertaking to provide certain information on a continuing basis.

**PLAN OF FINANCING**

**Purpose**

Proceeds from the sale of the Bonds will be used to (i) achieve a debt service savings in the years 2021 through 2034, inclusive, by currently refunding approximately \$75,000 of the District’s Unlimited Tax Bonds, Series 2012 and \$3,015,000 of the District’s Unlimited Tax Bonds, Series 2015 (collectively, the “Refunded Bonds”); and (ii) pay the costs of issuing the Bonds. See “DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3.”

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### The Refunded Bonds

The principal amounts, maturity dates and redemption dates of the Refunded Bonds are set forth below.

Year	Series 2012	Series 2015	Total
2022	\$ -	\$ 25,000	\$ 25,000
2023	75,000	25,000	100,000
2024	-	25,000	25,000
2025	-	25,000 <sup>(1)</sup>	25,000
2026	-	25,000 <sup>(1)</sup>	25,000
2027	-	25,000 <sup>(1)</sup>	25,000
2028	-	25,000 <sup>(1)</sup>	25,000
2029	-	225,000 <sup>(1)</sup>	225,000
2030	-	250,000	250,000
2031	-	500,000	500,000
2032	-	500,000	500,000
2033	-	675,000	675,000
2034	-	690,000	690,000
	<u>\$ 75,000</u>	<u>\$ 3,015,000</u>	<u>\$ 3,090,000</u>
Redemption Date:	7/13/2021	9/1/2021	

(1) Term Bond maturing September 1, 2029.

### The Remaining Outstanding Bonds

The following bonds will remain outstanding after issuance of the Bonds (collectively, the "Remaining Outstanding Bonds"):

Year	Series 2012	Series 2013	Series 2015	Series 2019	The Bonds	Total
2021	\$ 65,000	\$ 190,000	\$ 25,000	\$ 175,000	\$ 20,000	\$ 475,000
2022	70,000	200,000	-	190,000	35,000	495,000
2023	-	-	-	400,000	110,000	510,000
2024	-	-	-	495,000	35,000	530,000
2025	-	-	-	515,000	35,000	550,000
2026	-	-	-	540,000	35,000	575,000
2027	-	-	-	560,000	35,000	595,000
2028	-	-	-	580,000	40,000	620,000
2029	-	-	-	365,000	240,000	605,000
2030	-	-	-	375,000	260,000	635,000
2031	-	-	-	85,000	510,000	595,000
2032	-	-	-	95,000	505,000	600,000
2033	-	-	-	-	675,000	675,000
2034	-	-	-	-	680,000	680,000
	<u>\$ 135,000</u>	<u>\$ 390,000</u>	<u>\$ 25,000</u>	<u>\$ 4,375,000</u>	<u>\$3,215,000</u>	<u>\$ 8,140,000</u>

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## Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Bonds, as applicable, from cash and direct obligations of the United States of America (the “Escrowed Securities”) to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the District and UMB Bank, N.A., Austin, Texas (the “Escrow Agent”). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter, the District will deposit with the Escrow Agent cash and direct obligations of the United States in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date.

In connection with the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturities on the redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the Bond Order authorizing the issuance of such Refunded Bonds and in accordance with State law and in reliance upon the Verification Report described herein. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Public Finance Partners LLC (the “Verification Report”), the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement, and the District will have no further responsibility with respect to amounts available for the payment of such defeased bonds, including any insufficiencies.

## Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of Bonds	\$3,215,000.00
Original Issue Premium	<u>90,754.30</u>
Total Sources of Funds	\$3,305,754.30
Uses of Funds:	
Escrow Fund Deposit	\$3,138,000.00
Costs of Issuance (includes municipal bond insurance premium)	135,493.53
Underwriter’s Discount	30,869.55
Deposit to Debt Service Fund (Rounding Amount)	<u>1,391.22</u>
Total Uses of Funds	\$3,305,754.30

## THE BONDS

### General Description

The Bonds will bear interest from the Date of Delivery, as defined on the cover page, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2021 and each March 1 and September 1 thereafter until maturity and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

### Redemption

**Optional Redemption** . . . The Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2028, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

**Notice of Redemption** . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds or portions thereof prior to maturity a written notice of such optional redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such optional redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Resolution have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

### **Selection of Bonds for Redemption**

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate shall be selected in accordance with the arrangements between the District and the securities depository.

### **DTC Redemption Provision**

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

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

The District is initially utilizing the Book-Entry-Only System of DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

**Payment** . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds falls on a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

**Registration** . . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may be, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in denominations of \$5,000 or any integral multiple thereof.

**Limitation on Transfer of Bonds** . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15<sup>th</sup>) calendar day of the month (whether or not a business day) preceding each interest payment date (the "Record Date") and ending with the opening of business on

the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

### **Replacement Bonds**

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost, or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

### **Authority for Issuance**

At an election held within the District on November 4, 2003 (the "Bond Election"), the voters within the District authorized a total of \$47,900,000 in unlimited tax bonds for water and drainage facilities and unlimited tax refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued for water and drainage facilities, allowing for a maximum voted authorization of \$71,850,000 for the issuance of refunding bonds. To date, the District has issued four installments of unlimited tax new money bonds to acquire utility facilities in the aggregate principal amount of \$10,780,000, leaving \$37,120,000 in new money bonds authorized but unissued to acquire utility facilities. The issuance of the Bonds will use \$125,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$855,000 of the District's voted authorization for refunding purposes, and will have \$70,995,000 of refunding voted authorization remaining unissued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5" and "THE BONDS."

The Bonds are issued pursuant to the Bond Election; the terms and provisions of the Bond Order; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

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

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if the City of Dripping Springs (the "City") annexes and dissolves the District and assumes all debts and liabilities of the District. See "THE BONDS – Annexation."

The Bonds are obligations solely of the District and are not obligations of the City; Hays County, Texas (the "County"); the State of Texas; or any political subdivision or entity other than the District.

### **Payment Record**

The District has previously issued four series of new money unlimited tax bonds and two series of unlimited tax refunding bonds, consisting of: \$2,600,000 Unlimited Tax Bonds, Series 2009; \$3,500,000 Unlimited Tax Bonds, Series 2011; \$1,500,000 Unlimited Tax Bonds, Series 2012; \$4,565,000 Unlimited Tax Refunding Bonds, Series 2013; \$3,180,000 Unlimited Tax Bonds, Series 2015; and \$4,390,000 Unlimited Tax Refunding Bonds, Series 2019 (collectively, the "Previously Issued Bonds"). The District has not defaulted in the payment of the principal of or interest on the Previously Issued Bonds. After the issuance of the Bonds, the District will have \$8,140,000 aggregate amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."

### **Flow of Funds**

The Bond Order creates, or affirms creation, establishment and maintenance by the District of a Debt Service Fund and Escrow Fund for the Bonds.

The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Underwriter, the amount received from proceeds of the Bonds representing accrued interest on the Bonds, if any, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The Refunded Bonds and the interest due thereon will be paid on the first available optional redemption date from funds on deposit with the Escrow Agent and held in a separate escrow fund pursuant to the Escrow Agreement. See “PLAN OF FINANCING – The Refunded Bonds.”

### **Defeasance of Outstanding Bonds**

**General** . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a “Defeased Bond”), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Order and the District will have no further responsibility with respect to amount available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein (and by the failure) of such paying agent (or other financial institution permitted by applicable law) to receive payments when due on the Defeased Securities.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Paying Agent for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

For purposes of these provisions, “Defeasance Securities” means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (iv) any other then-authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent verification firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

**Retention of Rights** . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing the issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

**Investments** . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank which is not required for the payment of

the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District or deposited as directed in writing by the District.

### **Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid by UMB Bank, N.A., having its office for payment in Austin, Texas, the initial Paying Agent/Registrar. The Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar, will be sent by the District or the successor paying agent/registrar to each Registered Owner by first-class mail, postage prepaid.

### **Record Date**

The record date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

### **Issuance of Additional Debt**

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), if applicable, and, in the case of bonds payable from taxes, the District's voters. At the Bond Election, the voters within the District authorized a total of \$47,900,000 in new money bonds for water and drainage facilities and refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued assuming that the total amount of bonds authorized by the voters will be issued, allowing for a maximum voted authorization of \$71,850,000. To date, the District has issued four installments of new money bonds to acquire utility facilities in the aggregate principal amount of \$10,780,000, leaving \$37,120,000 in authorized but unissued new money bonds to acquire utility facilities.

The issuance of the Bonds will use an additional \$125,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$855,000 of the District's voted authorization for refunding purposes, and will have \$70,995,000 of voted refunding authorization remaining unissued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5" and "THE BONDS."

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional new money bonds is subject to approval of the Texas Commission on Environmental Quality ("TCEQ") pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

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

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes, or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes, or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions, and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "MUNICIPAL BOND RATINGS" and "BOND INSURANCE".

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations, or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations, or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to evaluate carefully the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

## Specific Tax Covenants

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

## Additional Covenants

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules, and regulations and open to inspection in the office of the District.

## Remedies in Event of Default

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I*, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the drainage system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

## **Annexation**

The District lies partially within the extraterritorial jurisdiction of the City. Under Texas law, a municipality may annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district subject to compliance by the municipality with various requirements of Chapter 43 of the Texas Local Government Code (“Chapter 43”). Under Chapter 43, (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the district. A municipality may additionally annex an area if each owner of land in the area request the annexation.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution of the District or the ability of the City to make debt service payments on the Bonds should dissolution occur.

## **Alteration of Boundaries**

In certain circumstances, under Texas law the District may alter its boundaries to: (i) upon satisfying certain conditions, annex additional territory; and (ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District’s simultaneous annexation of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

## **Approval of the Bonds**

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

## **Amendments to the Bond Order**

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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

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

*The District cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the

Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor takes any responsibility for the accuracy thereof.

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and are not obligations of the State; the County; the City; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of and Security for Payment”. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “Registered Owners' Remedies” below.

### Infectious Disease Outbreak (COVID-19)

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus has been characterized as a pandemic (the “Pandemic”) by the World Health Organization which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. The Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconferencing meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble larger groups of people. Many of the federal, State, and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the State and national economies. On March 2, 2021, the Governor issued Executive Order GA-34 rescinding most of the Governor's earlier executive orders related to the Pandemic. Effective March 10, 2021, all businesses of any type may open to 100% capacity subject to mitigation strategies imposed by counties in the State in the event of increased hospitalizations. Additionally, the order ends the statewide mask mandate. Businesses may still limit capacity or implement additional safety protocols at their own discretion. Additional restrictions and measures at the State and local level may be required if active cases or increased hospitalizations occur.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and caused volatility in financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within the State.

Such adverse economic conditions and volatility, if continued, could result in declines in the demand for residential and commercial property in the Austin area and could reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and the potential impact of COVID-19 on the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but may not reflect the full economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the full economic impact of the Pandemic on the District's financial condition.

### No Certainty of a Secondary Market

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current COVID-19 pandemic. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

### Factors Affecting Taxable Values and Tax Payments

*Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity

and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies.

*Competition:* The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and of homebuilders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

*Developer under No Obligation to the District:* There is no commitment from, or obligation of, any Developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA - Principal Taxpayers – Table 12."

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Assessed Valuation of the District is \$424,135,856. After issuance of the Bonds, the Maximum Requirement will be \$724,000 (2028) and the Average Requirement will be \$694,955 (2021 through 2034, inclusive). Assuming (1) no increase or decrease from the 2020 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.18 and \$0.18 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

*Development and Home Construction in the District . . .* As of April 1, 2021, approximately 15 developed single family lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. See "Impact on District Tax Rates" above.

## **Tax Collections and Foreclosure Remedies**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by governmental immunity, bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally.

## **Registered Owners' Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the

interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

### **Marketability**

The District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold, or traded in the secondary market.

### **Bankruptcy Limitation to Registered Owners' Rights**

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A Federal bankruptcy court is a court of equity and Federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring, or rearranging the debt service schedule, reducing, or eliminating the interest rate, modifying, or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district.

### **The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District**

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states that (i) no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

### **Continuing Compliance with Certain Covenants**

Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

## **No Requirement to Build on Developed Lots**

Currently, there is no requirement that builders owning developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

## **Forward-Looking Statements**

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

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

## **Bond Insurance Risks**

The District has qualified for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds, and will use a portion of the proceeds of the Bonds to purchase the bond insurance. The risk factors relating to the purchase of bond insurance are listed below.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some become due, any owner of the Bonds shall have a claim under the Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by optional redemption, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier time.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer (the "Bond Insurer") without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATINGS" and "BOND INSURANCE" herein.

The obligations of Bond Insurer are contractual obligations and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Underwriter has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND RATINGS" and "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information regarding the Bond Insurer.

## **Future Debt**

The District has reserved the right in the Bond Order to issue the remaining \$37,120,000 authorized but unissued new money unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining

\$37,120,000 new money unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. See “THE SYSTEM.”

The District has voted authority to issue refunding bonds pursuant to the Bond Election in an amount not to exceed one and one-half times the amount of bonds or other obligations issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$71,850,000. The issuance of the Bonds will use an additional \$125,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$855,000 of the District’s voted authorization for refunding purposes, and will have \$70,995,000 of refunding voted authorization remaining unissued.

### **Future and Proposed Tax Legislation**

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

### **2021 Legislation**

The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is 140 days. The 87th regular session convened on January 12, 2021 and will conclude on May 31, 2021. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. While in session, the State Legislature may consider bills which could have a direct impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed with the State Legislature in session.

### **Drought Conditions**

Central Texas, like other areas of the State, is experiencing drought conditions. The West Travis County Public Utility Agency (the “PUA”) provides water service to residents in the District in amounts sufficient to service the residents of the District, however, as drought conditions continue water usage and rates could be impacted.

### **Storm Water**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM – 100-Year Flood Plain.”

### **Environmental Regulation**

*General.* Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution;
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Air Quality Issues.* The Federal Clean Air Act (“CAA”) requires the United States Environmental Protection Agency (the “EPA”) to adopt and periodically revise national ambient air quality standards (“NAAQS”) for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated as nonattainment by the EPA. A

nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and “attain” compliance with the appropriate standard. This so called State Implementation Plan (“SIP”) entails enforceable control measures and time frames.

In 1997, the EPA adopted the “8-hour” ozone standard of 80 parts per billion (“ppb”) (the “1997 Ozone Standard”) to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the “2008 Ozone Standard”). The Austin area, consisting of Travis, Hays, Williamson, Bastrop, and Caldwell Counties (the “Austin Area”) was not designated “nonattainment” under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the “2015 Ozone Standard”). On May 1, 2018, the EPA designated the Austin Area as “attainment” under the 2015 Ozone Standards, which became effective on August 3, 2018.

Should the Austin Area fail to achieve attainment under EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial, and residential development in the Austin Area.

*Water Supply & Discharge Issues.* Water supply and discharge regulations that the District may be required to comply with involve: (1) public water supply systems, (2) wastewater discharges from treatment facilities, (3) storm water discharges, and (4) wetlands dredge and fill activities. Each of these is addressed below:

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must also obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal became final on December 23, 2019.

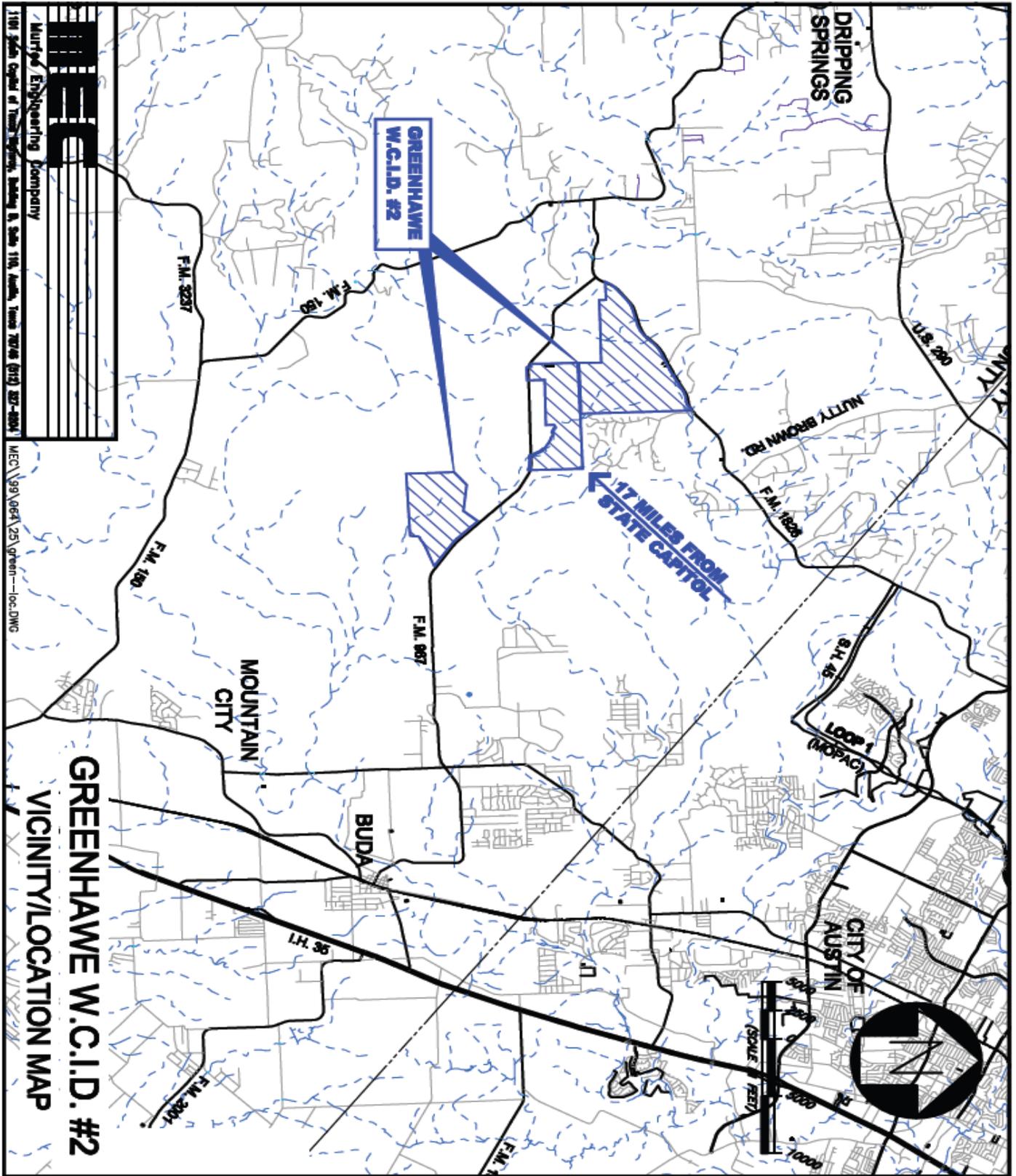
On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to traditional seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas;

(g) certain artificial lakes and ponds; (h) certain waterfilled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective on June 22, 2020, and is currently the subject of ongoing litigation.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate storm sewer systems (“MS-4”). The District does not currently meet the criteria that require compliance with the MS-4 permit. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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LOCATION MAP



## THE DISTRICT

### General

Greenhawe Water Control & Improvement District No. 2, a political subdivision of the State of Texas, was created by order of the County Commissioners Court, effective April 17, 2001, and confirmed pursuant to an election held within the District on November 4, 2003. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water and to distribute potable water and operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended.

### Management of the District

*Board of Directors:* The District is governed by a Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on the first Tuesday after the first Monday in November in each even numbered year. All of the directors listed below reside or own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires November</u>
Vacancy	President		2022
Tim Brown	Vice President	5 ¼ years	2024
Joan Moeller	Secretary	6 ½ years	2022
Todd Roberts	Treasurer	4 ½ years	2024
Jay Ingram	Asst. Secretary/Treasurer	10 months	2024

### Consultants

#### *Tax Assessor/Collector*

Land and improvements in the District are being appraised by the Hays Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The County Tax Assessor/Collector, Ms. Jenifer O’Kane, currently serves the District in this capacity under contract.

#### *Bond Counsel*

The District has engaged McCall, Parkhurst & Horton L.L.P. as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

#### *General Counsel*

The District employs Armbrust & Brown, PLLC as General Counsel. Fees paid to General Counsel for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

#### *Financial Advisor*

Public Finance Group LLC serves as the District's Financial Advisor. The Financial Advisor’s fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

#### *Engineer*

The District’s consulting engineer is Murfee Engineering Company, Inc. (the “Engineer”). Such firm serves as consulting engineer to 20 other special districts.

#### *Bookkeeper*

Bott & Douthitt, P.L.L.C. (“B&D”) Certified Public Accountants is charged with the responsibility of providing bookkeeping services for the District. B&D serves in a similar capacity for 90 other special districts.

### Creation, Location and Boundaries

The District was created by order of the County Commissioners Court, effective April 17, 2001 and confirmed pursuant to a confirmation election held within the District on November 4, 2003. At the time of creation, the District contained approximately 544.50 acres. Since creation, the District has approved the annexation of four tracts of land totaling approximately 2,056.08 acres and excluded two tracts of land totaling approximately 54.08 acres. The District is currently comprised of two non-contiguous parcels of land, which include approximately 2,546.50 total acres of land located in north central Hays County, of which approximately 1,431.98 acres are currently developable. The

District has been developed as two single-family subdivisions including Rim Rock (“Rim Rock”) and Rutherford West (“Rutherford West”) which are situated adjacent to each other. The Greenhawe Tract (“Greenhawe”) is an approximately 658.21 acre non-contiguous tract located to the south of Rutherford West that was purchased by private individuals and dedicated as a conservation easement which is not subject to development. Additionally, approximately 297.43 acres of Rutherford West are owned by Wooddrift 967, which currently does not have a reimbursement agreement with the District. The District is unaware if or when the approximately 297.43 undeveloped acres will eventually be developed. Rim Rock and Rutherford West are located south of FM 1826 and north of FM 967. Greenhawe is located along FM 967, approximately 3.4 miles east of the intersection of FM 1826 and FM 967. Approximately 1,888 acres of the District is currently located within the extraterritorial jurisdiction of the City.

### **Historical Development**

In 2000, LSM Ranch, Ltd., a Texas limited partnership, (“LSM”) purchased approximately 1,237.86 acres from Mike Rutherford, of which approximately 544.50 acres were originally included within the District boundaries. LSM purchased the acreage with a \$5,582,000 acquisition loan (“LSM Acquisition Loan”) from International Bank of Commerce (“IBC”), and the LSM Acquisition Loan has since been repaid in full. LSM developed approximately 1,078.96 acres within the District with water and drainage facilities as the residential subdivisions of Rim Rock, consisting of 675 developed single family lots, and has been fully reimbursed for the utility facilities serving Rim Rock.

In June 2005, Wilson Family Communities purchased approximately 735.84 acres within the District from SGL Development and SGL Investments. Wilson Family Communities was a Delaware corporation and a wholly owned subsidiary of Green Builders, a Texas corporation. Green Builders filed for Chapter 11 bankruptcy on August 12, 2011 and the bankruptcy court approved a plan of reorganization on February 10, 2012. The bankruptcy case was discharged and Green Builders continued its business operations following the discharge of the bankruptcy proceedings. Wilson Family Communities merged into Green Builders effective May 23, 2012. Wilson Family Communities purchased the 735.84 acres with a \$6,200,000 acquisition loan (“Green Builders Acquisition Loan”) from a consortium of banks, including RBC Centura Bank, Franklin Bank SSB and International Bank of Commerce, Laredo, Texas. The Green Builders Acquisition Loan was subsequently sold to a new consortium of banks with Wilmington Trust, N.A. acting as agent. From June 2005 until December 2008, Wilson Family Communities developed approximately 111.39 acres as the residential subdivision of Rutherford West, Sections 1 and 2, containing 58 single-family developed platted lots, and has been fully reimbursed for such development.

A portion of the Green Builders Acquisition Loan was refinanced with a \$7,300,000 loan from Graham Mortgage Corporation, a Texas investment and mortgage corporation located in Dallas, Texas (“Graham”), which was subsequently modified pursuant to a Modification and Forbearance Agreement dated January 6, 2009 among Wilson Family Communities, Green Builders and Graham Mortgage Corporation. In connection with such agreement, Wilson Family Communities delivered a deed in lieu of foreclosure for approximately 539.06 undeveloped acreage owned by Wilson Family Communities within the District. Wilson Family Communities was required under the agreement to sell the undeveloped acreage on or before December 31, 2009, which did not occur; therefore, Graham obtained ownership of the approximate 539.06 undeveloped acreage pursuant to the deed in lieu of foreclosure.

In October 2015, Graham sold the approximate 539.06 undeveloped acreage to RW Trine, LLC, a Texas limited liability company (“RW Trine” or the “Developer”). RW Trine purchased the acreage with a combination of cash, acquisition, and development loan with Plains Capital Bank (the “Plains Capital Bank Loan”), and seller financing from Graham (the “Graham Loan”). Both the Plains Capital Bank Loan and the Graham Loan have been repaid in full and have no outstanding balance. RW Trine has developed approximately 241.63 acres as Rutherford West Sections 4 and 5, containing 103 developed single family lots.

In October 2018, RW Trine sold approximately 297.43 undeveloped acres to Wooddrift 967, which had been preliminary platted as Rutherford West Sections 3 and 6 (containing 130 single family lots). Wooddrift 967 does not currently have a reimbursement agreement with the District and the District is unaware if or when the approximately 297.43 undeveloped acres will eventually be developed.

### **Current Status of Development**

Development of the District commenced in September 2001 and, as of April 1, 2021, 100% of the approximately 1,431.98 currently developable acres within the District have been developed with utility facilities as the single-family residential subdivisions of Rim Rock and Rutherford West. The District contains a total of 836 single-family lots, and includes 779 completed homes (includes one home built on two lots), 41 homes under construction and 15 vacant single-family lots. The District also contains approximately 817.09 acres which are dedicated as conservation easements and are restricted from development, as well as the approximately 297.43 acres owned by Wooddrift 967.

The chart on the following page more completely describes the status of development within the District as of April 1, 2021:

Sections	Total Acreage <sup>(a)</sup>	Single-Family			
		Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Developed with Utility Facilities</b>					
Rim Rock	1,078.96	675	674 <sup>(b)</sup>	-	-
<i>Subtotal</i>	<u>1,078.96</u>	<u>675</u>	<u>674</u>	<u>-</u>	<u>-</u>
<u>Rutherford West<sup>(c)</sup></u>					
Section 1	2.26	1	1	-	-
Section 2	109.13	57	57	-	-
Section 4	93.33	42	42	-	-
Section 5	148.30	61	5	41	15
<i>Subtotal</i>	<u>353.02</u>	<u>161</u>	<u>105</u>	<u>41</u>	<u>15</u>
<b>Total Acreage Developed with Utility Facilities</b>	<b><u>1,431.98</u></b>	<b><u>836</u></b>	<b><u>779</u></b>	<b><u>41</u></b>	<b><u>15</u></b>
<b>B. Remaining Undeveloped but Developable Acreage</b>					
N/A	-				
<b>Total Remaining Undeveloped but Developable Acreage</b>	<b><u>-</u></b>				
<b>C. Undevelopable Acreage</b>					
Wooddrift 967 <sup>(d)</sup>	297.43				
Rim Rock (Conservation Easement)	158.88				
Greenhawe (Conservation Easement)	658.21				
<b>Total Undevelopable Acreage</b>	<b><u>1,114.52</u></b>				
<b>Total Acreage</b>	<b><u>2,546.50</u></b>				

(a) Acreage includes greenbelt and open space.

(b) Includes one home built on two lots.

(c) A portion of each lot within Rutherford West has been dedicated with a conservation easement.

(d) Approximately 297.43 acres, previously platted as Rutherford West Sections 3 and 6, were sold to Wooddrift 967, which currently does not have a reimbursement agreement with the District and the District is unaware if or when this undeveloped acreage will eventually be developed.

### Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the District's water and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$37,120,000 remaining principal amount of voted water and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to remaining undeveloped but potentially developable acres within the District. See "THE BONDS - Issuance of Additional Debt." The Developer or any landowner is under no obligation to complete any development, if begun, and may modify or discontinue development plans in their sole discretion. Accordingly, the District makes no representation that future development will occur.

## **THE DEVELOPER**

### **Role of the Developer**

In general, the activities of a developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, a developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

### **Description of Developer**

The developer currently active within the District is RW Trine. RW Trine has completed development of Rutherford West Sections 4 and 5, and has been reimbursed for Section 4. The District's engineer is preparing an application to submit to the TCEQ requesting the use of surplus maintenance and operation funds, to reimburse RW Trine for the construction costs of utility facilities related to Rutherford West Section 5. The payment of such surplus funds to RW Trine, in the amount of \$1,647,879, are expected to be made by an initial payment of \$1.3M during fiscal year 2021, and then a subsequent payment of \$347,879 in future years, when surplus maintenance and operation funds are available.

The approximately 1,078.96 acres comprised as Rim Rock were developed by LSM and contain 675 single-family developed platted lots. LSM has been fully reimbursed for such development.

The approximately 111.39 acres comprised as Rutherford West, Sections 1 and 2 were developed by Wilson Family Communities, and contain 58 single-family developed platted lots. Wilson Family Communities has been fully reimbursed for such development.

### **Major Landowner**

In October 2018, RW Trine sold approximately 297.43 undeveloped acres to Wooddrift 967, which had been preliminary platted as Rutherford West Sections 3 and 6 (platted as 130 single family lots). Wooddrift 967 does not currently have a reimbursement agreement with the District and the District is unaware if or when the approximately 297.43 undeveloped acres will eventually be developed.

### **Homebuilder**

According to the Developer, Coventry Homes is currently the active homebuilder within the District. The homes range in price from \$628,990 to \$740,990, with square footage ranging from 2,480 to 4,114.

### **Utility Construction Agreements**

The District has a utility construction agreement with RW Trine, which is currently in effect. The agreement is designed to define the conditions under which the District will issue bonds to reimburse RW Trine for the internal water and drainage facilities within the District. Under the terms of the utility construction agreement, the District has agreed to repay the cost of facilities through a series of bond sales over time. The District is not obligated to issue bonds in increments of less than \$1,000,000. The District's obligation to issue bonds and to reimburse RW Trine for funds advanced for facilities is subject to various conditions, including approval of the Commission and the Texas Attorney General and a recommendation by the District's financial advisor that the sale of the bonds is feasible and prudent.

### **Agricultural Waiver**

RW Trine has executed an agreement which is recorded in the real property records of the County and is a covenant running with the land waiving the right to have the majority of the property located in Rutherford West Sections 4 and 5, classified as agricultural, open space or timberland. In addition, such agreement waives the right of RW Trine to have its lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the Commission and is binding on purchasers of such land from the Developer. See "TAXING PROCEDURES– Property Subject to Taxation by the District."

## **THE SYSTEM**

### **Regulation**

The water and storm drainage facilities (the "System"), the purchase, acquisition, and construction of which will be permanently financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including,

among others, the TCEQ, the County, and the City. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the waterworks facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. The rules and regulations promulgated by these agencies change periodically and are subject to further development and revision. The TCEQ makes annual inspections of the water systems to assure compliance with their rules.

### **Water Supply and Distribution**

The District residents receive retail water utility services from the West Travis County Public Utility Agency (the “PUA”), the successor to the Lower Colorado River Authority (the “LCRA”). The District and the PUA negotiated the conditions to the assignment of the water services agreement entitled “Water Utility Facilities Acquisition Agreement” between LCRA, LSM, Green Builders and the District dated March 26, 2008 (the “Water Facilities Agreement”), as amended, from the LCRA to the PUA to provide water service to the Rim Rock and Rutherford West developments within the District.

Under the provisions of the Water Facilities Agreement, the PUA provides retail water utility services to the District and the District does not own or operate any of the water facilities. RW Trine is responsible for the design and construction of the water facilities pursuant to the Water Facilities Agreement and the District is obligated to reimburse RW Trine for the cost of such facilities in accordance with the utility construction agreements RW Trine has entered into with the District. The Water Facilities Agreement provides that 675 LUE’s are reserved for Rim Rock and 291 LUE’s are reserved for Rutherford West.

The water treatment, transmission, storage, and distribution facilities of the system include a raw water intake on Lake Austin that pumps raw water to the water treatment plant located off Bee Cave Road (“FM 2244”) near the intersection with State Highway 71. The PUA system includes 13 major storage tanks (elevated and ground storage) and 6 main pump stations. Combined ground and elevated storage capacity amounts to approximately 7,400,000 gallons of water. The transmission and distribution system includes approximately 200 miles of pipe (4, 6, 8, 12, 16, and 24 inch diameter). The raw water intake was expanded to a capacity of 22 million gallons per day (“MGD”) which provides 20 MGD to the water treatment plant and 2 MGD for raw water irrigation. The water treatment plant is rated for 20 MGD and current average production from the water treatment plant is approximately 6.21 MGD. Maximum day production from the water treatment plant has totaled 13.4 MGD and serves an estimated population in excess of 20,000 (or approximately 8,800 Service Units). At full build-out, the PUA water system is expected to serve a total population of approximately 60,000 (or 27,000 Service Units). The District’s residents are retail customers of the PUA and continue to receive retail service after the PUA acquired the system from the LCRA.

LSM, SGL Investments, Ltd. and the District entered into the following agreements with the LCRA: a Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch / Darden Hill Water Line, executed on January 5, 2005, an Agreement for Construction and Conveyance of, and Reimbursement for Phases I and III of Sawyer Ranch / Darden Hill Water Line, executed on May 4, 2005, and the Sawyer Ranch / Darden Hill Waterline Cost-Sharing Agreement, dated July 27, 2004 (collectively, the “Sawyer Waterline Construction and Reimbursement Agreements”). The Sawyer Ranch / Darden Hill Water Line, Phases I – III, (the “Sawyer Waterline”) is a 16” and 20” pipeline that extends south from HWY 290 along Sawyer Ranch Road to the District. The Sawyer Waterline has capacity to serve 6,645 LUEs, including LUEs allotted to the District. According to the Sawyer Waterline Construction and Reimbursement Agreements, LSM and SGL Investments, Ltd. participated in financing their pro-rata shares of the design and construction costs of the Sawyer Waterline and are entitled to reimbursement of those costs from the PUA, including developer interest. According to the District’s Engineer, the Sawyer Waterline was completed in November 2006, and according to the Developer, the Sawyer Waterline has been conveyed to the PUA. Pursuant to the Sawyer Waterline Construction and Reimbursement Agreements, the PUA will operate and maintain the Sawyer Waterline.

Effective April 24, 2019, the District and the PUA entered into a Water Facilities Lease and Services Agreement (“Water Facilities Lease”) whereby the District agreed to lease certain water transmission and distribution mains/lines, water control valves and other related water facilities to the PUA. Under the terms of the Water Facilities Lease, the PUA is obligated to operate, maintain, repair, and replace the leased facilities in order to provide retail potable water service to property within the District.

### **Wastewater Collection and Treatment**

Wastewater treatment is provided by individual on-site treatment and disposal systems owned and maintained by each homeowner.

### **Storm Drainage**

The District has a rolling topography with multiple unnamed natural drainage channels that ultimately lead to Little Bear, Bear Creek with a small portion leading to Onion Creek. Both creeks flow in a general easterly direction toward the Colorado River. Within the District, some drainage is directed to vegetated filter areas before being discharged into the natural drainage ways.

Road drainage in the District is roadside swale with street and driveway culverts and ribbon curbing. Flow exiting the streets collects in the roadside swales eventually discharging into the unnamed tributaries and thence to Little Bear, Bear Creek and Onion Creek.

### **100-Year Flood Plain**

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood

plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance.

According to the District’s Engineer, there are approximately 168 acres within the District located within the planned designated Flood Hazard Area derived from a floodplain study executed as a part of the design of the development and from the FEMA panel numbers 48209C0120F, 48209C0140F and 48209C0255F dated September 2, 2005. Of the approximate 168 acres, approximately 163 acres are located within Rim Rock and Rutherford West and approximately 5 acres are located within Greenhawe.

In 2018, National Weather Service completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities in Central Texas are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain which interim floodplain is based on the current 500-year floodplain, resulting in the interim floodplain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount and could result in various changes including higher insurance rates and stricter building codes for any property located within the expanded boundaries of the floodplain.

### **Water and Drainage Operations - Rates and Fees - Table 1**

The PUA provides retail water service to the residents of the District and establishes the rates and fees for such service, subject to change from time to time. The rates and fees charged by the PUA for retail water service are published and updated from time to time by the PUA on its official website. Please refer to the PUA’s official website for current rates and fees. **The rates and charges established by the PUA are not financial and operating data of the District and will not be updated by the District annually as part of the District’s continuing disclosure undertaking.**

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

**Operating Revenues and Expenses Statement - Table 2**

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX A – Audited Financial Statements."

	Fiscal Year Ended				
	9/30/2020 <sup>(a)</sup>	9/30/2019 <sup>(a)</sup>	9/30/2018 <sup>(a)</sup>	9/30/2017 <sup>(a)</sup>	9/30/2016 <sup>(a)</sup>
<b>REVENUES</b>					
Property taxes, including penalties	\$ 504,435	\$ 445,733	\$ 635,127	\$ 855,126	\$ 1,090,908
Interest	13,073	45,345	25,021	11,394	5,461
Other	226	454	513	350	216
<b>TOTAL REVENUES</b>	<b>\$ 517,734</b>	<b>\$ 491,532</b>	<b>\$ 660,661</b>	<b>\$ 866,870</b>	<b>\$ 1,096,585</b>
<b>EXPENDITURES</b>					
Legal Fees	\$ 23,724	\$ 28,276	\$ 28,819	\$ 28,640	\$ 21,618
Bookkeeping Fees	15,550	16,300	16,150	15,800	15,450
Engineering Fees	12,752	61,425	24,067	42,472	9,342
Audit Fees	12,500	12,500	12,500	12,000	12,000
Tax Appraisal/Collection Fees	3,644	3,057	4,384	6,298	8,651
Director Fees, including payroll taxes	4,037	4,521	5,975	6,136	3,875
Insurance	1,563	1,563	1,563	1,356	1,483
Other Consulting Fees	724	599	1,584	8,703	825
Public Notice	326	532	326	-	-
Other	8,163	610	464	922	1,459
Capital Outlay	1,155,575 <sup>(b)</sup>	-	11,429	1,499,962 <sup>(c)</sup>	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,238,558</b>	<b>\$ 129,383</b>	<b>\$ 107,261</b>	<b>\$ 1,622,289</b>	<b>\$ 74,703</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ (720,824)</b>	<b>\$ 362,149</b>	<b>\$ 553,400</b>	<b>\$ (755,419)</b>	<b>\$ 1,021,882</b>
<b>Beginning Fund Balance</b>	<b>\$ 2,059,678</b>	<b>\$ 1,697,529</b>	<b>\$ 1,144,129</b>	<b>\$ 1,899,548</b>	<b>\$ 877,666</b>
<b>Plus / (Less): Fund Transfers</b>	<b>75,026</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 1,413,880</b>	<b>\$ 2,059,678</b>	<b>\$ 1,697,529</b>	<b>\$ 1,144,129</b>	<b>\$ 1,899,548</b>

(a) Audited.

(b) During fiscal year 2020, the District reimbursed RW Trine for the construction costs related to Rutherford West Section 4, using surplus maintenance and operations funds in the amount of 1,155,575.

(c) During fiscal year 2017, the District reimbursed Green Builders for the construction costs related to Rutherford West Sections 1 and 2, using surplus maintenance and operations funds in the amount of \$1,499,962.

**DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3**

**Greenhawe Water Control and Improvement District No. 2**

**\$3,215,000**

**Unlimited Tax Refunding Bonds, Series 2021**

**Dated Date: June 8, 2021**

**First Interest Payment Due: September 1, 2021**

Year Ending 31-Dec	Current Debt Service Requirement	Less Refunded Debt Service	The Bonds				Principal and Interest	Total Debt Service Requirements
			Principal (Due 9/01)	Interest		Total		
				(Due 3/01)	(Due 9/01)			
2021	\$ 699,030	\$ 48,275	\$ 20,000	\$ -	\$ 16,416	\$ 16,416	\$ 36,416	\$ 687,171
2022	715,705	121,550	35,000	35,200	35,200	70,400	105,400	699,555
2023	716,100	195,800	110,000	34,500	34,500	69,000	179,000	699,300
2024	721,288	117,988	35,000	32,300	32,300	64,600	99,600	702,900
2025	725,688	117,238	35,000	31,600	31,600	63,200	98,200	706,650
2026	734,488	116,488	35,000	30,900	30,900	61,800	96,800	714,800
2027	737,538	115,738	35,000	30,200	30,200	60,400	95,400	717,200
2028	739,988	114,988	40,000	29,500	29,500	59,000	99,000	724,000
2029	706,838	314,238	240,000	28,700	28,700	57,400	297,400	690,000
2030	724,138	332,488	260,000	26,300	26,300	52,600	312,600	704,250
2031	665,388	574,988	510,000	23,700	23,700	47,400	557,400	647,800
2032	657,838	559,988	505,000	18,600	18,600	37,200	542,200	640,050
2033	719,363	719,363	675,000	13,550	13,550	27,100	702,100	702,100
2034	712,425	712,425	680,000	6,800	6,800	13,600	693,600	693,600
	<u>\$ 9,975,810</u>	<u>\$ 4,161,550</u>	<u>\$ 3,215,000</u>	<u>\$ 341,850</u>	<u>\$ 358,266</u>	<u>\$ 700,116</u>	<u>\$ 3,915,116</u>	<u>\$ 9,729,376</u>

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value - Table 4**

2020 Certified Assessed Valuation		\$	424,135,856 <sup>(a)</sup>
Gross Debt Outstanding (after issuance of the Bonds)		\$	8,140,000 <sup>(b)</sup>
Ratio of Gross Debt to 2020 Certified Assessed Valuation			1.92%
2020 Tax Rate			
	Debt Service	\$	0.1735
	Maintenance		<u>0.0765</u>
	<b>Total 2020 Tax Rate</b>		<u><u>\$ 0.2500</u></u> <sup>(c)</sup>
Debt Service Fund Balance (as of March 24, 2021)		\$	837,307 <sup>(d)</sup>

Area of District: 2,546.50 acres  
Estimated Population as of April 1, 2021 – 2,337<sup>(e)</sup>

- (a) Assessed valuation of the District as January 1, 2020 as certified by the Hays Central Appraisal District (“HCAD”). See “TAXING PROCEDURES.”
- (b) Includes the Bonds, excludes the Refunded Bonds.
- (c) The District levied the 2020 total tax rate at its meeting in August 2020.
- (d) Unaudited as of March 24, 2021. Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (e) Based upon 3.0 residents per occupied single family home.

**Unlimited Tax Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/4/2003	Water and Drainage	\$ 47,900,000	\$ 10,780,000	\$ 37,120,000
11/4/2003	Refunding	<u>71,850,000</u>	<u>855,000</u> <sup>(a)</sup>	<u>70,995,000</u>
<b>Total</b>		<b>\$ 119,750,000</b>	<b>\$ 11,635,000</b>	<b>\$ 108,115,000</b>

- (a) The proposition approved by the voters at the Bond Election authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the par amount of bonds issued, assuming that the total amount of bonds authorized by the voters will be issued, which equals \$71,850,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds, the difference is counted against the refunding authorization. The District has previously used \$730,000 of the total amount of refunding bonds authorized. The issuance of the Bonds will use an additional \$125,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$855,000 of the District's voted authorization for refunding purposes and will have \$70,995,000 of voted refunding authorization remaining unissued.

## Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds <sup>(a)</sup>
<b>A. New Money Bonds</b>				
06/01/09	Water and Drainage	2009	\$ 2,600,000	\$ -
05/01/11	Water and Drainage	2011	3,500,000	-
11/01/12	Water and Drainage	2012	1,500,000	135,000
05/01/15	Water and Drainage	2015	3,180,000	25,000
	<b>Total</b>		<b>\$ 10,780,000</b>	<b>\$ 160,000</b>
<b>B. Refunding Bonds</b>				
02/01/13	Refunding	2013	\$ 4,565,000	\$ 390,000
09/24/19	Refunding	2019	4,390,000	4,375,000
06/08/21	Refunding	2021	3,215,000	3,215,000 <sup>(b)</sup>
	Subtotal		<b>\$ 12,170,000</b>	<b>\$ 7,980,000</b>
	<b>Total</b>		<b>\$ 22,950,000</b>	<b>\$ 8,140,000</b>

(a) Includes the Bonds and excludes the Refunded Bonds.

(b) The Bonds.

## Cash and Investment Balances - Table 7 <sup>(a)</sup>

General Fund	\$ 1,696,404 <sup>(b)</sup>
Debt Service Fund	837,307 <sup>(c)</sup>

(a) Unaudited as of March 24, 2021.

(b) The District's Engineer is preparing an application to submit to the TCEQ requesting to use surplus maintenance and operation funds to reimburse the Developer for the construction costs related to Rutherford West Section 5, of which the District expects to use \$1.300,000 of surplus maintenance and operation funds during fiscal year 2021.

(c) Neither Texas Law nor the Bond Order requires the District to maintain any particular amount in the debt service fund.

## Investment Authority and Investment Practices of the District

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in

clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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

Political subdivisions such as the District are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the District Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting

period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board of Directors.

**Current Investments - Table 8**

The District, as of March 24, 2021, is invested in TexPool and L.O.G.I.C. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool and L.O.G.I.C. are public funds investment pools. TexPool and L.O.G.I.C. have not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool and L.O.G.I.C. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

<b>Investment Value as of March 24, 2021</b>	
Cash	\$ 11,441
TexPool	1,633,039
L.O.G.I.C.	889,230
<b>Total Investments</b>	<b>\$ 2,533,711</b>

**Estimated Overlapping Debt Statement**

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by State law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

<b>Taxing Body</b>	<b>Gross Debt</b>		<b>% of Overlapping Net Debt</b>	<b>Amount of Overlapping Net Debt</b>
	<b>Amount</b>	<b>As of</b>		
Hays County	\$ 474,159,579	4/30/2021	1.540%	\$ 7,302,058
Hays CISD	440,090,000	4/30/2021	0.310%	1,364,279
North Hays County ESD No. 1	(a)	4/30/2021	0.000%	-
Hays County Fire ESD No. 6	(a)	4/30/2021	0.000%	-
Special Road District	(a)	4/30/2021	0.000%	-
Austin Community College District	386,255,000	4/30/2021	0.170%	656,634
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 9,322,970</b>
The District <sup>(b)</sup>	\$ 8,140,000	6/8/2021	100.00%	\$ 8,140,000
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b>\$ 17,462,970</b>
<b>Ratio of Overlapping and Direct Debt to 2020 Certified Assessed Valuation</b>				<b>4.12%</b>

(a) Taxing jurisdiction with no outstanding debt.  
(b) Includes the Bonds and excludes the Refunded Bonds.

## Overlapping Taxes for 2020

Overlapping Entity	2020 Tax Rate Per		2020 Tax Rate Per	
	\$100 Assessed Valuation Hays County - Rutherford West	Average Tax Bill <sup>(a)</sup> Hays County	\$100 Assessed Valuation Hays County - Rim Rock	Average Tax Bill <sup>(a)</sup> Hays County
Hays County	\$0.392400	\$ 2,381	\$0.392400	\$ 2,381
Hays CISD <sup>(b)</sup>	1.403700	8,518		
Dripping Springs ISD <sup>(b)</sup>			1.333200	8,090
North Hays County ESD No. 1	0.030000	182	0.030000	182
Hays County ESD No. 6	0.086500	525	0.086500	525
Special Road District	0.028800	175	0.028800	175
Austin Community College District <sup>(c)</sup>	0.105800	642		
The District	<u>0.250000</u>	<u>1,517</u>	<u>0.250000</u>	<u>1,517</u>
<b>Total</b>	<b><u>\$2.297200</u></b>	<b><u>\$ 13,939</u></b>	<b><u>\$2.120900</u></b>	<b><u>\$ 12,870</u></b>

(a) Based upon the 2020 average single-family home value of \$606,800 as provided by HCAD.

(b) The District is located within 2 school districts; the Rutherford West subdivisions are within Hays ISD and the Rim Rock subdivisions are within Dripping Springs ISD.

(c) Only the Rutherford West subdivisions are within the Austin Community College District.

## TAX DATA

### Classification of Assessed Valuation - Table 9<sup>(a)</sup>

Type Property	2020 <sup>(a)</sup>		2019 <sup>(a)</sup>		2018 <sup>(a)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 421,931,617	98.51%	\$ 368,894,161	96.56%	\$ 308,201,610	94.70%
Real, Vacant Platted Lots	12,509,271	2.92%	8,651,611	2.26%	13,898,751	4.27%
Real, Acreage	7,737,400	1.81%	6,330,700	1.66%	7,065,730	2.17%
Farm and Ranch Improvements	3,000	0.00%	1,227,820	0.32%	6,030	0.00%
Tangible Personal, Business	4,271,895	1.00%	5,611,963	1.47%	1,417,653	0.44%
Real, Inventory	3,441,750	0.80%	8,622,980	2.26%	6,717,190	2.06%
Totally Exempt Property	1,062,867	0.25%	458,100	0.12%	438,600	0.13%
Less: Adjustments	<u>(22,632,558)</u>	<u>-5.28%</u>	<u>(17,768,387)</u>	<u>-4.65%</u>	<u>(12,291,963)</u>	<u>-3.78%</u>
<b>Total</b>	<b><u>\$ 428,325,242</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 382,028,948</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 325,453,601</u></b>	<b><u>100.00%</u></b>

(a) Assessed Valuation reflects the adjusted value as of September 30<sup>th</sup> of each respective year, as included in the District's audited financial statements.

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**Tax Collections - Table 10**

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information. See “Classification of Assessed Valuation – Table 9” above.

Year	Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2006	\$ 8,641,551	\$ 0.8500	\$ 73,453	\$ 73,453	100.00%	\$ 73,453	100.00%	9/30/2007 <sup>(b)</sup>
2007	21,046,538	0.8500	178,896	178,896	100.00%	178,896	100.00%	9/30/2008 <sup>(b)</sup>
2008	46,778,621	0.8500	397,618	397,618	100.00%	397,618	100.00%	9/30/2009 <sup>(b)</sup>
2009	75,863,144	0.8506	629,067	629,067	100.00%	629,067	100.00%	9/30/2010 <sup>(b)</sup>
2010	74,355,442	0.8500	632,021	632,021	100.00%	632,021	100.00%	9/30/2011 <sup>(b)</sup>
2011	80,505,286	0.8500	684,294	684,294	100.00%	684,294	100.00%	9/30/2012 <sup>(b)</sup>
2012	88,469,035	0.8500	752,045	752,045	100.00%	752,045	100.00%	9/30/2013 <sup>(b)</sup>
2013	104,060,950	0.8500	884,926	884,926	100.00%	884,926	100.00%	9/30/2014 <sup>(b)</sup>
2014	135,132,662	0.8500	1,138,940	1,138,940	100.00%	1,138,940	100.00%	9/30/2015 <sup>(b)</sup>
2015	212,115,124	0.8060	1,710,782	1,710,782	100.00%	1,710,782	100.00%	9/30/2016 <sup>(b)</sup>
2016	257,920,101	0.6000	1,547,521	1,547,521	100.00%	1,547,521	100.00%	9/30/2017 <sup>(b)</sup>
2017	292,957,875	0.4500	1,317,218	1,315,650	99.88%	1,315,650	99.88%	9/30/2018 <sup>(b)</sup>
2018	325,461,191	0.3500	1,139,114	1,137,150	99.83%	1,137,418	99.85%	9/30/2019 <sup>(b)</sup>
2019	382,028,948	0.3180	1,214,858	1,212,057	99.77%	1,212,057	99.77%	9/30/2020 <sup>(b)</sup>
2020	424,135,856	0.2500	1,060,340	1,026,653	96.82%	1,026,653	96.82%	9/30/2021 <sup>(c)</sup>

- (a) Assessed Valuation reflects the adjusted value as of September 30<sup>th</sup> of each respective year, as included in the District’s audited financial statements.
- (b) Audited.
- (c) Unaudited. Reflects collections as of February 28, 2021. Taxes were due with no penalty by January 31, 2021.

**District Tax Rates - Table 11**

	Tax Rates per \$100 Assessed Valuation						
	2020	2019	2018	2017	2016	2015	2014
<b>Debt Service</b>	\$ 0.1735	\$ 0.1860	\$ 0.2170	\$ 0.2355	\$ 0.2745	\$ 0.2927	\$ 0.3708
<b>Maintenance</b>	0.0765	0.1320	0.1330	0.2145	0.3255	0.5133	0.4792
<b>Total</b>	<b>\$ 0.2500</b>	<b>\$ 0.3180</b>	<b>\$ 0.3500</b>	<b>\$ 0.4500</b>	<b>\$ 0.6000</b>	<b>\$ 0.8060</b>	<b>\$ 0.8500</b>

**Debt Service Tax**

The District’s tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under “District Tax Rates – Table 11,” the District levied a 2020 debt service tax of \$0.1735/\$100 assessed valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and operating the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 4, 2003, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under “District Tax Rates – Table 11,” the District levied a 2020 maintenance and operation tax of \$0.0765/\$100 assessed valuation. See “THE DISTRICT – General.”

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided by HCAD based on the 2020, 2019 and 2018 tax rolls of the District, which reflect the appraised value of taxable property owned as of January 1, of each year shown.

<b>Principal Taxpayers</b>	<b>Type Property</b>	<b>2020<sup>(a)</sup></b>	<b>2019<sup>(a)</sup></b>	<b>2018<sup>(a)</sup></b>
RW Trine LLC	Land & Improvements	\$ 4,009,440	\$ 1,550,340	\$ 1,480,810
Buffington Texas Classic Homes LLC	Land & Improvements	1,794,430	1,843,730	1,220,340
Individual Homeowner	Land & Improvements	1,141,770	1,042,370	914,740
Individual Homeowner	Land & Improvements	1,044,050	943,951	(b)
Individual Homeowner	Land & Improvements	980,830	930,620	(b)
Individual Homeowner	Land & Improvements	975,850	925,050	(b)
Individual Homeowner	Land & Improvements	955,020	899,990	(b)
Individual Homeowner	Land & Improvements	941,830	(b)	(b)
Individual Homeowner	Land & Improvements	814,740	(b)	(b)
Individual Homeowner	Land & Improvements	898,720	(b)	(b)
Scott Felder Homes LLC	Land & Improvements	(b)	1,763,160	1,504,530
MHI Partnership LTD	Land & Improvements	(b)	1,019,160	(b)
Century Land Holdings II LLC	Land & Improvements	(b)	915,660	1,290,710
Castlerock Communities LP	Land & Improvements	(b)	(b)	3,353,230
DFH Wildwood LLC	Land & Improvements	(b)	(b)	1,578,540
Event Security Consulting & Oper Inc.	Land & Improvements	(b)	(b)	993,142
Century Land Holdings II LLC	Land & Improvements	(b)	(b)	909,500
DFH Wildwood LLC	Land & Improvements	(b)	(b)	873,000
		<b>\$ 13,556,680</b>	<b>\$ 11,834,031</b>	<b>\$ 14,118,542</b>
<b>Percent of Certified Assessed Valuation</b>		<b>3.20%</b>	<b>3.10%</b>	<b>4.34%</b>

- (a) Assessed Valuation reflects the adjusted value as of September 30th of each respective year, as included in the audited financial statements.
- (b) Not a principal taxpayer in respective year.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuations from the 2020 certified assessed valuation, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Remaining Outstanding Bonds (2021 through 2034).....	\$694,955
\$0.18 Tax Rate on 2020 Certified Assessed Valuation of \$424,135,856 @ 95% collections produces.....	\$725,272
Maximum Requirement on the Remaining Outstanding Bonds (2028).....	\$724,000
\$0.18 Tax Rate on 2020 Certified Assessed Valuation of \$424,135,856 @ 95% collections produces.....	\$725,272

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/21.....	\$687,171 <sup>(a)</sup>
Audited Debt Service Fund Balance as of 9/30/20.....	\$249,276 <sup>(b)</sup>
2020 Tax Levy @ 95% collections produces.....	699,082 <sup>(c)</sup>
Total Available for Debt Service.....	<u>\$948,358</u>

- (a) Interest payments on the Bonds commence September 1, 2021.
- (b) Audited. Represents debt service fund balance after all 2020 debt service requirements have been paid.
- (c) The District levied a 2020 debt service tax rate of \$0.1735, collection of which was due with no penalty by January 31, 2021.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, its other remaining outstanding bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

### Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. HCAD has the responsibility for appraising property for all taxing units within the County, including the District. Such appraisal values are subject to review and change by the Hays Central Appraisal Review Board (the "Appraisal Review Board").

### Property Subject to Taxation by the District

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse if such disability rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation if the exemption is adopted by the governing board of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

**Tax Abatement:** The City and Travis County may designate all or part of the District as a reinvestment zone, and the District, Travis County, and the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all, or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the

agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

**Freeport Goods and Goods-in-Transit Exemption:** A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has not taken action to tax goods-in-transit.

**Temporary Exemption for Qualified Property Damaged by a Disaster:** The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

### **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the HCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires the HCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the HCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the HCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the HCAD chooses formally to include such values on its appraisal roll.

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a

jury, if requested by any party. Additionally, taxing units may bring suit against the HCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

### **Tax Payment Installments**

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

### **Rollback of Operation and Maintenance Tax Rate**

Chapter 49 of the Texas Water Code, as amended, classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements, and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

**Special Taxing Units:** Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

**Developed Districts:** Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in

that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

**Developing Districts:** The qualified voters of Developing Districts, upon a Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

**The District:** A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board of Directors of the District on an annual basis. The Board of Directors of the District has designated the District a Developed District for purposes of the 2020 tax year, but the District cannot give any assurances as to what its classification will be at any future point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District's Rights In The Event Of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2020". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - Tax Collections and Foreclosure Remedies."

### **Effect of FIRREA on Tax Collections**

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property taxes when due and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

## **LEGAL MATTERS**

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application

affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "DTC Redemption Provision," "Payment Record" and "Remedies in Event of Default"), "LEGAL MATTERS" (except for the last sentence of the first paragraph hereof and the subcaption "No-Litigation Certificate"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by their counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

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

### **No-Litigation Certificate**

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

### **VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, if any, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants, or legal counsel.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Bonds.

### **TAX MATTERS**

#### **Opinion**

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) the verification report, and (c) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included to gross income retroactively to the date of issuance of the

Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions accumulated, all of which are subject to change or modification, retroactively.

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT

WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

### **State, Local and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

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

### **Qualified Tax-Exempt Obligations for Financial Institutions**

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

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

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

### Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 2 through 12 and in Appendix A, if such audited financial statements as provided in Appendix A are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within such twelve-month period and file audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the “Rule” or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for a debt service reserve or a trustee.

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

For the purposes of the events described in clauses (15) and (16) of the immediately preceding paragraph, the term “Financial Obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the District will provide timely notice of any failure by the District to provide information, data or financial statements in accordance with its agreement described above under “ – Annual Reports.” The District will provide each notice described in this “-Notice of Certain Events” caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

### **Limitations and Amendments**

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

### **Compliance with Prior Undertakings**

During the past five years, the District has been in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12, except to the extent described below.

Due to an oversight, the Official Statements and bond orders relating to the District's Series 2011 and Series 2012 Bonds provide that information of the general type included in such Official Statements under Tables 1 through 12 and in Appendix A would be provided to the MSRB within six months after the end of each fiscal year. The District's continuing disclosure undertaking to provide updated financial and operating information should have been limited to Tables 2 through 12 and Appendix A. Thus, updated information provided under Table 1 in the respective Official Statements was not included in the District's Annual Reports filed with the MSRB during the past five years. Information of the type provided in Table 1 in those Official Statements has not been included in the District's subsequent continuing disclosure undertakings, as described in the Official Statements relating to the District's subsequent bond issuances following the Series 2012 Bonds.

## **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the “Financial Advisor”), which firm was employed in 2014 as financial advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

## **OFFICIAL STATEMENT**

### **Preparation**

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT”. The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in the preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

“THE DISTRICT” and “THE SYSTEM” – District Engineer; “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued” - Records of the District, “FINANCIAL STATEMENT” – Hays Central Appraisal District; “FINANCIAL STATEMENT - Estimated Overlapping Debt Statement” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” and “THE SYSTEM - Water and Wastewater Operations” – District Records; “THE DISTRICT - Management of the District” - District Directors; “DEBT SERVICE REQUIREMENTS SCHEDULE – TALBE 3” - Financial Advisor; “PLAN OF FINANCING – Escrow Agreement,” “THE BONDS” (except for the subcaptions “DTC Redemption Provision,” “Payment Record” and “Remedies in Event of Default”), “LEGAL MATTERS” (except for the last sentence of the first paragraph hereof and the subcaption “No-Litigation Certificate”), “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “Compliance with Prior Undertakings”) - McCall, Parkhurst & Horton L.L.P.

## **Consultants**

In approving this Official Statement, the District has relied upon the following consultants:

**The Engineer:** The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM,” has been provided by the Engineer, and has been included in reliance upon the authority of said firm in the field of civil engineering.

**Auditor:** The District's financial statements for fiscal year ending September 30, 2020 were audited by Maxwell, Locke & Ritter LLP, Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2020 have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

**Appraisal District:** The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned “FINANCIAL STATEMENT,” has been provided by the Hays Central Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

**Tax Assessor/Collector:** The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Ms. Jenifer O’Kane in reliance upon her authority in the field of tax assessing and collecting.

## **Updating the Official Statement during Underwriting Period**

If, subsequent to the date of the Official Statement to and including the date the Underwriters are no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the “Rule”) (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Underwriters of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Underwriters a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Underwriters, unless the Underwriters elect to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Underwriters (the “end of the underwriting period” within the meaning of the Rule), unless the Underwriters provide written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Underwriters provide written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Underwriters agree to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

## **Certification as to Official Statement**

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts and sources listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Underwriter.

## **Annual Audits**

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bonds outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Greenhawe Water Control & Improvement District No. 2, as of the date shown on the first page hereof.

/s/ Tim Brown  
Vice President, Board of Directors  
Greenhawe Water Control & Improvement District No. 2

/s/ Joan Moeller  
Secretary, Board of Directors  
Greenhawe Water Control & Improvement District No. 2

## PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See “THE DISTRICT.”







**APPENDIX A**  
**Audited Financial Statements**

The information contained in this appendix has been excerpted from the final audited financial statements of Greenhawe Water Control & Improvement District No. 2 for the fiscal year ended September 30, 2020.

**Greenhawe  
Water Control and Improvement  
District No. 2**

**Financial Statements and  
Supplemental Information  
as of and for the Year Ended  
September 30, 2020 and  
Independent Auditors' Report**



# GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

## TABLE OF CONTENTS

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	<u>Page</u>
ANNUAL FILING AFFIDAVIT .....	1
INDEPENDENT AUDITORS' REPORT .....	2
MANAGEMENT'S DISCUSSION AND ANALYSIS .....	MDA-1
BASIC FINANCIAL STATEMENTS	
Statement of Net Position and Governmental Funds Balance Sheet .....	FS-1
Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances .....	FS-2
NOTES TO THE BASIC FINANCIAL STATEMENTS .....	FS-3
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund .....	FS-19
TEXAS SUPPLEMENTAL INFORMATION (TSI)	
Services and Rates .....	TSI-1
General Fund Expenditures .....	TSI-2
Temporary Investments .....	TSI-3
Taxes Levied and Receivable .....	TSI-4
Long-Term Debt Service Requirements - By Years .....	TSI-5
Changes in Long-Term Bonded Debt .....	TSI-6
Comparative Schedule of Revenues and Expenditures General Fund and Debt Service Fund - Five Years .....	TSI-7
Board Members, Key Personnel and Consultants .....	TSI-8
OTHER SUPPLEMENTAL INFORMATION (OSI)	
Principal Taxpayers .....	OSI-1
Assessed Value by Classification .....	OSI-2

**ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF HAYS

I, \_\_\_\_\_ of the  
(Name of Duly Authorized District Representative)

GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors of the District on the **27th day of January, 2021** its annual audit report for the fiscal year ended **September 30, 2020** and that copies of the annual audit report have been filed in the District's office, located at:

100 Congress Ave., Suite 1300 Austin, TX 78701  
(Address of District's Office)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code.

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
(Typed Name and Title of District Representative)

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

(SEAL)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_,  
Notary Public in the State of Texas

**INDEPENDENT AUDITORS' REPORT**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **Independent Auditors' Report**

To the Board of Directors of  
Greenhawe Water Control and Improvement District No. 2:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Greenhawe Water Control and Improvement District No. 2 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and FS-19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas supplemental information and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Texas supplemental information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplemental information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 27, 2021

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

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In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, the management of Greenhawe Water Control and Improvement District No. 2 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2020. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- *General Fund:* At the end of the current fiscal year, the total fund balance was \$1,413,880, a decrease of \$645,798 from the previous fiscal year. General Fund revenues increased from \$491,532 in the previous fiscal year to \$517,734 in the current fiscal year primarily due to an increase in the District’s assessed valuation.
- *Debt Service Fund:* During fiscal year 2020, fund balance restricted for debt service increased from \$242,314 in the previous fiscal year to \$249,276 in the current fiscal year. The Debt Service Fund made principal payments of \$450,000 and interest payments of \$250,423 during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects had a zero balance at September 30, 2020, a decrease of \$74,939 from the previous fiscal year. The Texas Commission on Environmental Quality approved the use of remaining bond funds to reimburse the developer for construction of utility infrastructure.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$505,887 in the current fiscal year. Net position increased from a balance of \$3,469,035 at September 30, 2019 to a balance of \$3,974,922 at September 30, 2020.

**OVERVIEW OF THE DISTRICT**

The District, a political subdivision of the State of Texas, was created by order of the Commissioners Court of Hays County, Texas on April 17, 2001. The District was created and established as a water control and improvement district under terms and provisions and with the power and authority established by Chapters 49 and 51 of the Texas Water Code, as amended, except the powers and functions provided in Section 51.331, with jurisdiction over the land within its boundaries. By order of the Texas Commission on Environmental Quality dated December 21, 2010, the District’s powers were expanded to include all drainage and storm water management powers. The District lies wholly within the boundaries of Hays County, Texas, and partly within the extraterritorial jurisdiction of Dripping Springs, Texas, and is situated approximately 14 miles northwest of the central business district of the City of Buda, Texas.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

---

**USING THIS ANNUAL REPORT**

This annual report consists of six parts:

1. *Management’s Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Notes to the Basic Financial Statements*
4. *Required Supplementary Information*
5. *Texas Supplemental Information* (required by the Texas Commission on Environmental Quality (the TSI section))
6. *Other Supplemental Information* (the OSI section)

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Governmental Funds Total” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled “Governmental Funds Total”) that represents a balance sheet prepared using the modified accrual basis of accounting. This method measures cash and all other financial assets that can be readily converted to cash. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District’s net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances* includes a column (titled “Governmental Funds Total”) that derives the change in fund balances resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *Notes to the Basic Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*.

The *Required Supplementary Information* presents a comparison statement between the District’s adopted budget and its actual results.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase
	2020	2019	(Decrease)
Current and other assets	\$ 1,687,779	\$ 2,395,337	\$ (707,558)
Capital and non-current assets	10,482,734	9,673,405	809,329
<b>Total Assets</b>	<b>12,170,513</b>	<b>12,068,742</b>	<b>101,771</b>
Deferred charges on bond refundings	142,787	202,466	(59,679)
Current liabilities	484,343	474,281	10,062
Long-term liabilities	7,854,035	8,327,892	(473,857)
<b>Total Liabilities</b>	<b>8,338,378</b>	<b>8,802,173</b>	<b>(463,795)</b>
Net investment in capital assets	2,326,818	1,184,110	1,142,708
Restricted for debt service	232,417	224,405	8,012
Unrestricted	1,415,687	2,060,520	(644,833)
<b>Total Net Position</b>	<b>\$ 3,974,922</b>	<b>\$ 3,469,035</b>	<b>\$ 505,887</b>

The District's net position increased from a balance of \$3,469,035 in the previous fiscal year to a balance of \$3,974,922 in the current fiscal year. Some of these assets are accounted for by capital assets or are restricted for debt service. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$1,415,687 at September 30, 2020.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Revenues and Expenses:**

Summary Statement of Activities

	Governmental Activities		Change Increase
	2020	2019	(Decrease)
Property taxes, including penalties	\$ 1,217,559	\$ 1,163,705	\$ 53,854
Interest	19,091	62,381	(43,290)
Other	226	454	(228)
<b>Total Revenues</b>	<b>1,236,876</b>	<b>1,226,540</b>	<b>10,336</b>
Legal fees	23,724	28,276	(4,552)
Engineering fees	12,752	61,425	(48,673)
Other	156,538	45,646	110,892
Debt service	252,423	502,675	(250,252)
Depreciation / amortization	285,552	364,836	(79,284)
<b>Total Expenses</b>	<b>730,989</b>	<b>1,002,858</b>	<b>(271,869)</b>
Change in Net Position	505,887	223,682	282,205
Beginning Net Position	3,469,035	3,245,353	223,682
Ending Net Position	<b>\$ 3,974,922</b>	<b>\$ 3,469,035</b>	<b>\$ 505,887</b>

Revenues were \$1,236,876 for the fiscal year ended September 30, 2020, while expenses were \$730,989. Net position increased \$505,887 during the 2020 fiscal year.

Property taxes, including penalties, totaled \$1,217,559 during the 2020 fiscal year, an increase of \$53,854 from the previous fiscal year due to an increase in the District’s assessed valuation. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

The District’s assessed value in fiscal year 2020 (which is based on the 2019 tax levy) was approximately \$382 million compared to \$325 million in fiscal year 2019. The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Hays County. The ad valorem tax rate for fiscal year 2020 was \$0.318 per \$100 assessed valuation and was allocated 42% to the General Fund and 58% to the Debt Service Fund. The ad valorem tax rate for fiscal year 2019 was \$0.35 per \$100 assessed valuation and was allocated 38% to the General Fund and 62% to the Debt Service Fund. The District’s primary revenue source is property taxes.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

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**ANALYSIS OF GOVERNMENTAL FUNDS**

	<u>Governmental Funds by Year</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Cash and investments	\$ 1,671,823	\$ 2,381,843	\$ 2,003,085	\$ 1,467,464
Receivables	8,981	12,868	19,406	39,413
Prepaid expenditures	1,127	87	11,034	1,127
<b>Total Assets</b>	<b><u>\$ 1,681,931</u></b>	<b><u>\$ 2,394,798</u></b>	<b><u>\$ 2,033,525</u></b>	<b><u>\$ 1,508,004</u></b>
Accounts payable	\$ 9,794	\$ 4,999	\$ 11,878	\$ 7,248
Other liabilities	4,484	10,653	16,762	30,489
<b>Total Liabilities</b>	<b><u>14,278</u></b>	<b><u>15,652</u></b>	<b><u>28,640</u></b>	<b><u>37,737</u></b>
Deferred Inflows of Resources	4,497	2,215	2,644	8,924
Nonspendable	1,127	87	607	1,127
Restricted	249,276	317,253	304,712	317,214
Unassigned	1,412,753	2,059,591	1,696,922	1,143,002
<b>Total Fund Balance</b>	<b><u>1,663,156</u></b>	<b><u>2,376,931</u></b>	<b><u>2,002,241</u></b>	<b><u>1,461,343</u></b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b><u>\$ 1,681,931</u></b>	<b><u>\$ 2,394,798</u></b>	<b><u>\$ 2,033,525</u></b>	<b><u>\$ 1,508,004</u></b>

As of September 30, 2020, the District's governmental funds reflect a fund balance of \$1,663,156. This fund balance includes a decrease of \$645,798 in the General Fund balance.

The Debt Service Fund reflects an increase in fund balance of \$6,962 in fiscal year 2020. The Debt Service Fund made principal payments of \$450,000 and interest payments of \$250,423 during the current fiscal year. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The Capital Projects Fund purchases the District's infrastructure. The Capital Projects Fund had a \$74,939 decrease in fund balance during fiscal year 2020. The Texas Commission on Environmental Quality approved the use of remaining bond funds to reimburse the developer for construction of utility infrastructure.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

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**BUDGETARY HIGHLIGHTS**

The General Fund pays for daily operating expenses. On August 28, 2019, the Board of Directors approved a budget including revenues of \$514,611 as compared to expenditures of \$121,720 for the 2020 fiscal year. When comparing actual figures to budgeted amounts, the District had a negative variance of \$1,038,689 for fiscal year 2020 primarily due to unbudgeted capital outlay to reimburse the developer for infrastructure. More detailed information about the District’s budgetary comparison is presented in the *Required Supplementary Information*.

**CAPITAL ASSETS**

The District’s governmental activities have invested \$10,482,734 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2020	9/30/2019
Water/Drainage System	\$ 12,193,473	\$ 11,140,274
Less: Accumulated Depreciation	(1,710,739)	(1,466,869)
Total Net Capital Assets	\$ 10,482,734	\$ 9,673,405

More detailed information about the District’s capital assets is presented in the *Notes to the Basic Financial Statements*.

**LONG-TERM DEBT**

The District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2012	\$ 210,000
Series 2013	390,000
Series 2015	3,040,000
Series 2019	4,375,000
Total	\$ 8,015,000

The District owes approximately \$8 million to bond holders. During the 2020 fiscal year, the District’s principal balance was reduced by \$450,000. The ratio of the District’s long-term debt to total 2019 taxable assessed valuation (\$382,028,948) is 2.1%. The District’s estimated population, as provided by the District as of September 30, 2020 is 2,550. More detailed information about the District’s long-term debt is presented in the *Notes to the Basic Financial Statements*.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2020**

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**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The property tax assessed value and taxable value for the 2020 tax year is approximately \$428 million. The fiscal year 2021 tax rate is \$0.25 on each \$100 of taxable value. Approximately 31% of the property tax will fund general operating expenses, and approximately 69% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2021 projects an increase of \$201,937 to the operating fund balance. Compared to the fiscal year 2020 budget, revenues are expected to decrease by approximately \$192,000 and expenditures are expected to decrease by approximately \$1,400.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

**BASIC  
FINANCIAL STATEMENTS**

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<b><u>ASSETS</u></b>						
Cash and cash equivalents:						
Cash on deposit	\$ 9,578	\$ -	\$ -	\$ 9,578	\$ -	\$ 9,578
Cash equivalents	1,407,092	255,153	-	1,662,245	-	1,662,245
Receivables:						
Property taxes	1,807	2,690	-	4,497	-	4,497
Interfund	4,484	-	-	4,484	(4,484)	-
Prepaid expenditures	1,127	-	-	1,127	10,332	11,459
Capital assets, net of accumulated depreciation-						
Water/drainage system	-	-	-	-	10,482,734	10,482,734
<b>TOTAL ASSETS</b>	<b>1,424,088</b>	<b>257,843</b>	<b>-</b>	<b>1,681,931</b>	<b>10,488,582</b>	<b>12,170,513</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>						
Deferred charges on bond refundings	-	-	-	-	142,787	142,787
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>142,787</b>	<b>142,787</b>
<b><u>LIABILITIES</u></b>						
Accounts payable	\$ 8,401	\$ 1,393	\$ -	\$ 9,794	-	9,794
Accrued bond interest payable	-	-	-	-	19,549	19,549
Interfund payable	-	4,484	-	4,484	(4,484)	-
Long-term liabilities:						
Due within one year	-	-	-	-	455,000	455,000
Due after one year	-	-	-	-	7,854,035	7,854,035
<b>TOTAL LIABILITIES</b>	<b>8,401</b>	<b>5,877</b>	<b>-</b>	<b>14,278</b>	<b>8,324,100</b>	<b>8,338,378</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>						
Deferred revenue - property taxes	1,807	2,690	-	4,497	(4,497)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,807</b>	<b>2,690</b>	<b>-</b>	<b>4,497</b>	<b>(4,497)</b>	<b>-</b>
<b><u>FUND BALANCES / NET POSITION</u></b>						
Fund balances:						
Nonspendable	1,127	-	-	1,127	(1,127)	-
Restricted for-						
Debt service	-	249,276	-	249,276	(249,276)	-
Unassigned	1,412,753	-	-	1,412,753	(1,412,753)	-
<b>TOTAL FUND BALANCES</b>	<b>1,413,880</b>	<b>249,276</b>	<b>-</b>	<b>1,663,156</b>	<b>(1,663,156)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,424,088</b>	<b>\$ 257,843</b>	<b>\$ -</b>	<b>\$ 1,681,931</b>		
Net position:						
Net investment in capital assets					2,326,818	2,326,818
Restricted for debt service					232,417	232,417
Unrestricted					1,415,687	1,415,687
<b>TOTAL NET POSITION</b>					<b>\$ 3,974,922</b>	<b>\$ 3,974,922</b>

*The accompanying notes are an integral part of this statement.*

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
<b>REVENUES:</b>						
Property taxes, including penalties	\$ 504,435	\$ 710,842	\$ -	\$ 1,215,277	\$ 2,282	\$ 1,217,559
Interest	13,073	5,931	87	19,091	-	19,091
Other	226	-	-	226	-	226
<b>TOTAL REVENUES</b>	<b>517,734</b>	<b>716,773</b>	<b>87</b>	<b>1,234,594</b>	<b>2,282</b>	<b>1,236,876</b>
<b>EXPENDITURES / EXPENSES:</b>						
Legal fees	23,724	-	-	23,724	-	23,724
Bookkeeping fees	15,550	-	-	15,550	-	15,550
Engineering fees	12,752	-	-	12,752	-	12,752
Audit fees	12,500	-	-	12,500	-	12,500
Tax appraisal/collection fees	3,644	5,134	-	8,778	-	8,778
Director fees, including payroll taxes	4,037	-	-	4,037	-	4,037
Insurance	1,563	-	-	1,563	-	1,563
Other consulting fees	724	1,021	-	1,745	-	1,745
Public notice	326	-	-	326	-	326
Developer interest	102,376	-	-	102,376	-	102,376
Other professional fees	8,000	-	-	8,000	-	8,000
Other	163	1,500	-	1,663	-	1,663
Debt service:						
Principal	-	450,000	-	450,000	(450,000)	-
Interest	-	250,423	-	250,423	267	250,690
Fiscal agent fees	-	1,400	-	1,400	-	1,400
Bond issuance costs	-	333	-	333	-	333
Capital outlay	1,053,199	-	-	1,053,199	(1,053,199)	-
Depreciation/amortization	-	-	-	-	285,552	285,552
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>1,238,558</b>	<b>709,811</b>	<b>-</b>	<b>1,948,369</b>	<b>(1,217,380)</b>	<b>730,989</b>
Excess (deficit) of revenues over (under) expenditures / expenses	(720,824)	6,962	87	(713,775)	1,219,662	505,887
<b>OTHER FINANCING SOURCES / (USES)-</b>						
Interfund transfer	75,026	-	(75,026)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>75,026</b>	<b>-</b>	<b>(75,026)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Change in fund balances/net position	(645,798)	6,962	(74,939)	(713,775)	1,219,662	505,887
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	2,059,678	242,314	74,939	2,376,931	1,092,104	3,469,035
End of the year	\$ 1,413,880	\$ 249,276	\$ -	\$ 1,663,156	\$ 2,311,766	\$ 3,974,922

*The accompanying notes are an integral part of this statement.*

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Greenhawe Water Control and Improvement District No. 2 (the “District”) relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Reporting Entity** - The District was duly created by order of the Commissioners Court of Hays County, Texas on April 17, 2001, with the power and authority established pursuant to the provisions of Chapters 49 and 51 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. A five member Board of Directors (the “Board”) governs the District which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity.

**Basis of Presentation - Government-Wide and Fund Financial Statements** - The financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. GASB Statement No. 34 also requires, as supplementary information, the Management’s Discussion and Analysis, which includes an analytical overview of the District’s financial activities. In addition, a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-Wide Financial Statements**

The District’s Statement of Net Position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, as applicable. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District’s capital assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) -**

- **Fund Financial Statements**

Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, revenues or expenditures of either fund category) for the determination of major funds. All of the District's funds are reported as major funds.

**Governmental Fund Types** - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

**Non-Current Governmental Assets and Liabilities** - GASB Statement No. 34 eliminates the presentation of account groups, but provides for these records to be maintained and incorporates the information into the government-wide financial statement column in the Statement of Net Position.

**Basis of Accounting**

- **Governmental Funds**

**Government-Wide Statements** - The government-wide financial statement column is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) -**

**Basis of Accounting**

- **Governmental Funds**

**Fund Financial Statements** - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the fund balance. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e. both measurable and available).

“Measurable” means that the amount of the transaction can be determined and “available” means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with GAAP.

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred inflows of resources on its balance sheet. Deferred inflows of resources arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the balance for deferred inflows is removed from the balance sheet and revenue is recognized.

**Budgets and Budgetary Accounting** - A budget was adopted on August 28, 2019, for the General Fund on a basis consistent with GAAP. The District’s Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) -**

**Accounting Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents** - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of external investment pools, are recorded at amortized cost.

**Ad Valorem Property Taxes** - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**Prepaid Expenditures** - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the government-wide and fund financial statements. Prepaid expenditures shall be charged to expenditures when consumed.

**Capital Assets** - Capital assets are reported in the government-wide column in the Statement of Net Position. Public domain (“infrastructure”) capital assets including water and drainage systems are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received.

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

Asset	Years
Water/drainage system	50

**Interfund Transactions** - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) -**

**Long-Term Debt** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government-wide Statement of Net Position. Bond premiums and original issue discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in both the government-wide and the fund financial statements.

**Fund Equity** - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

**Fair Value Measurements** - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) -**

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

**Deferred Outflows and Deferred Inflows of Resources** - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7 for additional information on deferred outflows of resources.

**Recently Issued Accounting Pronouncement** - In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS**

Adjustments to convert the Governmental Funds Balance Sheet to the Statement of Net Position are as follows:

Fund balances - total governmental funds		\$ 1,663,156
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	12,193,473	
Less: Accumulated depreciation	<u>(1,710,739)</u>	10,482,734
Bond insurance premium, net		10,332
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.		4,497
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(8,015,000)	
Bond discounts/premiums, net	(294,035)	
Deferred charges on bond refundings	142,787	
Accrued bond interest payable	<u>(19,549)</u>	<u>(8,185,797)</u>
Total net position		<u><u>\$ 3,974,922</u></u>

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS (continued) -**

Adjustments to convert the Governmental Funds Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Changes in fund balances - total governmental funds		\$ (713,775)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond principal in year paid	450,000	
Interest expenditures in year paid	(267)	
Tax revenue in year collected	2,282	
Capital outlay in year paid	<u>1,053,199</u>	1,505,214
Governmental funds do not report:		
Depreciation	(243,870)	
Amortization of bond discount/premium	18,857	
Amortization of bond insurance premium	(860)	
Amortization of deferred charges on bond refundings	<u>(59,679)</u>	<u>(285,552)</u>
Change in net position		<u><u>\$ 505,887</u></u>

**3. CASH AND CASH EQUIVALENTS**

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the “Public Funds Investment Act”) and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District’s investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation (“FDIC”) insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits must be held by independent third party trustees.

**Cash** - At September 30, 2020, the carrying amount and bank balance of the District’s deposits was \$9,578. The bank balance was covered by FDIC insurance and other pledged collateral.

**Interest Rate Risk** - In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**3. CASH AND CASH EQUIVALENTS (continued) -**

**Credit Risk** - The District’s investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District’s investment policy requires that District funds be invested in:

- Obligations of the United States Government and/or its agencies and instrumentalities; or
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share; or
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; or
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; or
- Public funds investment pools rated AAA or AAAM by a nationally recognized rating agency.

At September 30, 2020, the District held the following investments:

Cash Equivalents and Investments	Fair Value at 9/30/2020	Weighted Average Maturity (Days)	Investment Rating	
			Rating	Rating Agency
TexPool	\$ 874,498	1	AAAm	Standard & Poors
LOGIC	787,747	1	AAAm	Standard & Poors
	<u>\$ 1,662,245</u>			

The Comptroller of Public Accounts is the sole officer and director of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the Texas Local Government Investment Pool (“TexPool”). Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. TexPool also has an advisory board to advise on TexPool’s investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors is the investment manager for the pool and manages daily operations of TexPool under a contract with the Comptroller. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**3. CASH AND CASH EQUIVALENTS (continued) -**

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investments of participant’s public funds and funds under their control. LOGIC’s investment policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. J.P. Morgan Investment Management Inc. serves as investment adviser to LOGIC and is an SEC registered investment adviser.

In accordance with GASB Statement No. 79, the external local government investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**Concentration of Credit Risk** - In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2020, the District did not own any investments in individual securities.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2020, the District’s bank deposits were fully covered by FDIC insurance and other pledged collateral.

**4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Hays Central Appraisal District establishes appraisal values in accordance with the requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Hays County Tax Collector bills and collects the District’s property taxes. The Board set current tax rates on August 28, 2019.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2019 tax roll. The tax rate, based on the total taxable assessed valuation of \$382,028,948, was \$0.318 on each \$100 valuation and was allocated \$0.132 to the General Fund and \$0.186 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters at an election held on November 10, 2003.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**4. PROPERTY TAXES (continued) -**

Property taxes receivable at September 30, 2020 consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 1,163	\$ 1,638	\$ 2,801
Prior years' levies	644	1,052	1,696
	\$ 1,807	\$ 2,690	\$ 4,497

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

**5. INTERFUND ACCOUNTS**

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2020:

	Interfund	
	Receivables	Payables
General Fund- Debt Service Fund	\$ 4,484	\$ -
Debt Service Fund- General Fund	-	4,484
	\$ 4,484	\$ 4,484

During the year ended September 30, 2020, the Capital Projects Fund transferred \$75,026 to the General Fund to fund capital outlay expenditures.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Capital assets being depreciated-				
Water/drainage system	\$ 11,140,274	1,053,199	-	\$ 12,193,473
Total capital assets being depreciated	11,140,274	1,053,199	-	12,193,473
Less accumulated depreciation for-				
Water/drainage system	(1,466,869)	(243,870)	-	(1,710,739)
Total accumulated depreciation	(1,466,869)	(243,870)	-	(1,710,739)
Total capital assets being depreciated, net of accumulated depreciation	9,673,405	809,329	-	10,482,734
Total capital assets, net	<u>\$ 9,673,405</u>	<u>809,329</u>	<u>-</u>	<u>\$ 10,482,734</u>

**7. DEFERRED OUTFLOWS OF RESOURCES**

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2020:

Deferred charges on bond refundings - September 30, 2019	\$ 202,466
Retirements from Series 2013 and 2019 refundings	<u>(59,679)</u>
Deferred charges on bond refundings - September 30, 2020	<u>\$ 142,787</u>

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**8. LONG-TERM DEBT**

The following is a summary of the District's bond transactions for the year ended September 30, 2020:

	Unlimited Tax and Revenue Bonds
Bonds payable at September 30, 2019	\$ 8,465,000
Bonds issued	-
Bonds retired	(450,000)
Bond discount/premium, net	294,035
	\$ 8,309,035

Bonds payable at September 30, 2020 were comprised of the following individual issues:

**Unlimited Tax Bonds:**

\$210,000 - 2012 Unlimited Tax Bonds payable serially through the year 2023 at interest rates which range from 2.00% to 3.65%. Bonds maturing on or after September 1, 2020 are callable prior to maturity beginning on September 1, 2019.

\$3,040,000 - 2015 Unlimited Tax Bonds payable serially through the year 2034 at interest rates which range from 3.00% to 3.25%. Bonds maturing on or after September 1, 2022 are callable prior to maturity beginning on September 1, 2021. Bonds maturing September 1, 2029 are term bonds and are subject to mandatory sinking fund redemptions.

**Unlimited Tax Refunding Bonds -**

\$390,000 - 2013 Unlimited Tax Refunding Bonds payable serially through the year 2022 at interest rates which range from 2.00% to 3.80%. Bonds maturing on or after September 1, 2020 are callable prior to maturity beginning on September 1, 2019.

\$4,375,000 - 2019 Unlimited Tax Refunding Bonds payable serially through the year 2032 at interest rates which range from 2.00% to 3.00%. Bonds maturing on or after September 1, 2028 are callable prior to maturity beginning on September 1, 2027. Bonds maturing September 1, 2032 are term bonds and are subject to mandatory sinking fund redemptions.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**8. LONG-TERM DEBT (continued) -**

**Unlimited Tax Refunding Bonds -**

The annual requirements to amortize all bonded debt at September 30, 2020, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2021	\$ 455,000	\$ 244,031	\$ 699,031
2022	485,000	230,706	715,706
2023	500,000	216,101	716,101
2024	520,000	201,288	721,288
2025	540,000	185,688	725,688
2026-2030	2,970,000	672,990	3,642,990
2031-2034	2,545,000	210,014	2,755,014
	<u>\$ 8,015,000</u>	<u>\$ 1,960,818</u>	<u>\$ 9,975,818</u>

The total amount of bonds authorized but not issued is \$37,120,000 as of September 30, 2020.

\$249,276 is available in the Debt Service Fund to service the bonded debt as of September 30, 2020.

The existing bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

**9. COMMITMENTS AND CONTINGENCIES**

The developer of the land within the District has incurred costs related to the construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality. The District, as of September 30, 2020, has recorded no liability pertaining to such costs.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**10. RISK MANAGEMENT**

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (“TML Pool”) to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

**11. FUND BALANCES**

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District had no such amounts.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District’s General Fund.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2020**

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**11. FUND BALANCES (continued) -**

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page FS-1.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2020**

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	<b>Actual</b>	<b>Original and Final Budget</b>	<b>Variance Positive (Negative)</b>
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 504,435	\$ 499,611	\$ 4,824
Interest	13,073	15,000	(1,927)
Other	226	-	226
	<b>517,734</b>	<b>514,611</b>	<b>3,123</b>
<b>EXPENDITURES:</b>			
Legal fees	23,724	36,000	12,276
Bookkeeping fees	15,550	16,450	900
Engineering fees	12,752	36,000	23,248
Audit fees	12,500	12,500	-
Tax appraisal/collection fees	3,644	8,000	4,356
Director fees, including payroll taxes	4,037	6,520	2,483
Insurance	1,563	1,950	387
Other consulting fees	724	1,000	276
Public notice	326	500	174
Developer interest	102,376	-	(102,376)
Other professional fees	8,000	-	(8,000)
Other	163	2,800	2,637
Capital outlay	1,053,199	-	(1,053,199)
	<b>1,238,558</b>	<b>121,720</b>	<b>(1,116,838)</b>
<b>OTHER FINANCING SOURCES-</b>			
Interfund transfer	75,026	-	75,026
Net change in fund balance	(645,798)	<b>\$ 392,891</b>	<b>\$ (1,038,689)</b>
<b>FUND BALANCE:</b>			
Beginning of the year	2,059,678		
End of the year	<b>\$ 1,413,880</b>		

**TEXAS**  
**SUPPLEMENTAL INFORMATION**

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
TSI-1. SERVICES AND RATES  
SEPTEMBER 30, 2020**

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**1. Services Provided by the District during the Fiscal Year: (1)**

- |   |   |  |
|---|---|--|
| <input type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation   | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Solid Waste/Garbage  | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads               |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) |   |  |
| <input type="checkbox"/> Other (specify): _____   |   |  |

**2. Retail Service Providers**

**a. Retail Rates Based on 5/8" Meter (or equivalent):**

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
WASTEWATER:	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>
SURCHARGE:	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>

District employs winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage: Water (1) Wastewater (1)

**b. Water and Wastewater Retail Connections:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC's</u>
Unmetered	_____	_____	1.0	_____
< 3/4"	_____	_____	1.0	_____
1"	_____	_____	2.5	_____
1 1/2"	_____	_____	5.0	_____
2"	_____	_____	8.0	_____
3"	_____	_____	16.0	_____
4" compound	_____	_____	25.0	_____
4" turbine	_____	_____	50.0	_____
6" compound	_____	_____	50.0	_____
6" turbine	_____	_____	100.0	_____
Total Water	<u>(1)</u>	<u>(1)</u>		<u>(1)</u>
Total Wastewater	<u>(1)</u>	<u>(1)</u>	1.0	<u>(1)</u>

(1) Note: The District is served by the West Travis County Public Utility Agency.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
TSI-1. SERVICES AND RATES  
SEPTEMBER 30, 2020**

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

Gallons pumped into system: \_\_\_\_\_ (1)

Gallons billed to customers: \_\_\_\_\_ (1)

<b>Water Accountability Ratio</b> (Gallons billed / Gallons Pumped) <b>n/a</b>
--

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

Does the District assess standby fees? Yes  No

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

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

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

**5. Location of District**

County(ies) in which district is located: \_\_\_\_\_ Hays County

Is the District located entirely within one county? Yes  No

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

City(ies) in which district is located: \_\_\_\_\_ n/a

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

ETJ's in which district is located: \_\_\_\_\_ Dripping Springs

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

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

(1) Note: The District is served by the West Travis County Public Utility Agency.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**TSI-2. GENERAL FUND EXPENDITURES**  
**SEPTEMBER 30, 2020**

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Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		12,500
Legal		23,724
Engineering		12,752
Financial Advisor		724
Purchased Services for Resale-		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		15,550
General Manager		-
Appraisal District		3,644
Tax Collector		-
Other Contracted Services		8,000
Utilities		-
Repairs and Maintenance		-
Administrative Expenditures:		
Directors' Fees		4,037
Office Supplies		-
Insurance		1,563
Other Administrative Expenditures		489
Capital Outlay:		
Capitalized Assets		1,053,199
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		102,376
<b>TOTAL EXPENDITURES</b>		<b><u><u>\$ 1,238,558</u></u></b>

Number of persons employed by the District:       Full-Time       Part-Time

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**TSI-3. TEMPORARY INVESTMENTS**  
**SEPTEMBER 30, 2020**

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Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b>General Fund:</b>					
TexPool	XXX0001	Varies	Daily	\$ 845,804	\$ -
LOGIC	XXX6001	Varies	Daily	561,288	-
Total				<u>1,407,092</u>	<u>-</u>
<b>Debt Service Fund:</b>					
TexPool	XXX0003	Varies	Daily	10,761	-
TexPool	XXX0005	Varies	Daily	17,933	-
LOGIC	XXX6002	Varies	Daily	226,459	-
Total				<u>255,153</u>	<u>-</u>
Total - All Funds				<u>\$ 1,662,245</u>	<u>\$ -</u>

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**TSI-4. TAXES LEVIED AND RECEIVABLE**  
**SEPTEMBER 30, 2020**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Taxes Receivable, Beginning of Year</b>	\$ 842	\$ 1,373
2019 Original Tax Levy	504,281	710,577
Adjustments	-	-
Total to be accounted for	505,123	711,950
<b>Tax collections:</b>		
Current year	503,118	708,939
Prior years	198	321
Total collections	503,316	709,260
<b>Taxes Receivable, End of Year</b>	\$ 1,807	\$ 2,690
<b>Taxes Receivable, By Years:</b>		
2018 and before	\$ 644	\$ 1,052
2019	1,163	1,638
<b>Taxes Receivable, End of Year</b>	\$ 1,807	\$ 2,690

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Property Valuations-</b>				
Land and improvements	\$ 382,028,948 (a)	\$ 325,453,601 (a)	\$ 292,815,750 (a)	\$ 257,920,101 (a)
<b>Total Property Valuations</b>	\$ 382,028,948	\$ 325,453,601	\$ 292,815,750	\$ 257,920,101
<b>Tax Rates per \$100 Valuation:</b>				
Debt Service tax rates	\$ 0.1860	\$ 0.2170	\$ 0.2355	\$ 0.2745
Maintenance tax rates	0.1320	0.1330	0.2145	0.3255
<b>Total Tax Rates per \$100 Valuation</b>	\$ 0.3180	\$ 0.3500	\$ 0.4500	\$ 0.6000
<b>Tax Levy</b>	\$ 1,214,858	\$ 1,139,114	\$ 1,317,671	\$ 1,547,521
<b>Percent of Taxes Collected to Taxes Levied **</b>	<b>99.8%</b>	99.9%	100.0%	100.0%

**Maximum Tax Rate Approved by Voters: \$ 1.00 on 11/10/2003**

\*\* Calculated as taxes collected in current and previous years divided by tax levy.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**SEPTEMBER 30, 2020**

Fiscal Year Ending	Unlimited Tax Bonds Series 2012			Unlimited Tax Refunding Bonds Series 2013			Unlimited Tax Bonds Series 2015			Unlimited Tax Refunding Bonds Series 2019			Total		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2021	\$ 65,000	\$ 5,543	\$ 70,543	\$ 190,000	\$ 12,000	\$ 202,000	\$ 25,000	\$ 95,238	\$ 120,238	\$ 175,000	\$ 131,250	\$ 306,250	\$ 455,000	\$ 244,031	\$ 699,031
2022	70,000	3,918	73,918	200,000	6,300	206,300	25,000	94,488	119,488	190,000	126,000	316,000	485,000	230,706	715,706
2023	75,000	2,063	77,063	-	-	-	25,000	93,738	118,738	400,000	120,300	520,300	500,000	216,101	716,101
2024	-	-	-	-	-	-	25,000	92,988	117,988	495,000	108,300	603,300	520,000	201,288	721,288
2025	-	-	-	-	-	-	25,000	92,238	117,238	515,000	93,450	608,450	540,000	185,688	725,688
2026	-	-	-	-	-	-	25,000	91,488	116,488	540,000	78,000	618,000	565,000	169,488	734,488
2027	-	-	-	-	-	-	25,000	90,738	115,738	560,000	61,800	621,800	585,000	152,538	737,538
2028	-	-	-	-	-	-	25,000	89,988	114,988	580,000	45,000	625,000	605,000	134,988	739,988
2029	-	-	-	-	-	-	225,000	89,238	314,238	365,000	27,600	392,600	590,000	116,838	706,838
2030	-	-	-	-	-	-	250,000	82,488	332,488	375,000	16,650	391,650	625,000	99,138	724,138
2031	-	-	-	-	-	-	500,000	74,988	574,988	85,000	5,400	90,400	585,000	80,388	665,388
2032	-	-	-	-	-	-	500,000	59,988	559,988	95,000	2,850	97,850	595,000	62,838	657,838
2033	-	-	-	-	-	-	675,000	44,362	719,362	-	-	-	675,000	44,362	719,362
2034	-	-	-	-	-	-	690,000	22,426	712,426	-	-	-	690,000	22,426	712,426
	<u>\$ 210,000</u>	<u>\$ 11,524</u>	<u>\$ 221,524</u>	<u>\$ 390,000</u>	<u>\$ 18,300</u>	<u>\$ 408,300</u>	<u>\$ 3,040,000</u>	<u>\$ 1,114,394</u>	<u>\$ 4,154,394</u>	<u>\$ 4,375,000</u>	<u>\$ 816,600</u>	<u>\$ 5,191,600</u>	<u>\$ 8,015,000</u>	<u>\$ 1,960,818</u>	<u>\$ 9,975,818</u>

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**TSI-6. CHANGES IN LONG-TERM BONDED DEBT**  
**SEPTEMBER 30, 2020**

	<u>Bond Issue</u> Series 2011	<u>Bond Issue</u> Series 2012	<u>Bond Issue</u> Series 2013	<u>Bond Issue</u> Series 2015	<u>Bond Issue</u> Series 2019	<u>Total</u>
Interest Rate	3.50% - 5.125%	2.00% - 3.65%	2.00% - 3.80%	3.00% - 3.25%	2.00% - 3.00%	
Dates Interest Payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity Dates	9/1/2020	9/1/2023	9/1/2022	9/1/2034	9/1/2032	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 160,000	\$ 275,000	\$ 575,000	\$ 3,065,000	\$ 4,390,000	\$ 8,465,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-
Retirements During the Current Fiscal Year:						
Refunded	-	-	-	-	-	-
Principal	(160,000)	(65,000)	(185,000)	(25,000)	(15,000)	(450,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ -</u>	<u>\$ 210,000</u>	<u>\$ 390,000</u>	<u>\$ 3,040,000</u>	<u>\$ 4,375,000</u>	<u>\$ 8,015,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 7,040</u>	<u>\$ 7,070</u>	<u>\$ 17,180</u>	<u>\$ 95,988</u>	<u>\$ 123,145</u>	<u>\$ 250,423</u>
Paying Agent's Name & Address:	<u>UMB Bank, N.A.</u> Dallas, TX					
Bond Authority:	<u>Tax Bonds*</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>			
Amount Authorized by Voters	\$ 47,900,000	\$ -	\$ 71,850,000			
Amount Issued	(10,780,000)	-	(838,739)			
Remaining To Be Issued	<u>\$ 37,120,000</u>	<u>\$ -</u>	<u>\$ 71,011,261</u>			
Debt Service Fund Cash and Temporary Investments balances as of September 30, 2020:	<u>\$ 255,153</u>					
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt	<u>\$ 712,558</u>					

\* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**  
**SEPTEMBER 30, 2020**

	Amounts					Percentage of Fund Total Revenues				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
<b>GENERAL FUND REVENUES AND OTHER FINANCING SOURCES:</b>										
Property taxes, including penalties	\$ 504,435	\$ 445,733	\$ 635,127	\$ 855,126	\$ 1,090,908	85.0%	90.7%	96.1%	98.7%	99.5%
Interest	13,073	45,345	25,021	11,394	5,461	2.2%	9.2%	3.8%	1.3%	0.5%
Other	226	454	513	350	216	0.1%	0.1%	0.1%	-	-
Interfund transfers	75,026	-	-	-	-	12.7%	-	-	-	-
<b>TOTAL GENERAL FUND REVENUES AND OTHER FINANCING SOURCES</b>	<b>592,760</b>	<b>491,532</b>	<b>660,661</b>	<b>866,870</b>	<b>1,096,585</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES:</b>										
Director fees, including payroll taxes	4,037	4,521	5,975	6,136	3,875	0.7%	0.9%	0.9%	0.7%	0.3%
Legal fees	23,724	28,276	28,819	28,640	21,618	4.0%	5.8%	4.4%	3.3%	2.0%
Engineering fees	12,752	61,425	24,067	42,472	9,342	2.2%	12.5%	3.6%	4.9%	0.9%
Bookkeeping fees	15,550	16,300	16,150	15,800	15,450	2.6%	3.3%	2.4%	1.8%	1.4%
Audit fees	12,500	12,500	12,500	12,000	12,000	2.1%	2.5%	1.9%	1.4%	1.1%
Insurance	1,563	1,563	1,563	1,356	1,483	0.3%	0.3%	0.2%	0.2%	0.1%
Tax appraisal/collection fees	3,644	3,057	4,384	6,298	8,651	0.6%	0.6%	0.7%	0.7%	0.8%
Other consulting fees	724	599	1,584	8,703	825	0.1%	0.1%	0.2%	1.0%	0.1%
Public notice	326	532	326	266	266	0.1%	0.2%	0.1%	-	-
Developer interest	102,376	-	-	-	-	17.3%	-	-	-	-
Other professional fees	8,000	-	-	-	-	1.3%	-	-	-	-
Other	163	610	464	656	1,193	-	0.1%	0.1%	0.1%	0.1%
Capital outlay	1,053,199	-	11,429	1,499,962	-	177.7%	-	1.7%	173.0%	-
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>1,238,558</b>	<b>129,383</b>	<b>107,261</b>	<b>1,622,289</b>	<b>74,703</b>	<b>209.0%</b>	<b>26.3%</b>	<b>16.2%</b>	<b>187.1%</b>	<b>6.8%</b>
<b>EXCESS (DEFICIT) OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ (645,798)</b>	<b>\$ 362,149</b>	<b>\$ 553,400</b>	<b>\$ (755,419)</b>	<b>\$ 1,021,882</b>	<b>-109.0%</b>	<b>73.7%</b>	<b>83.8%</b>	<b>-87.1%</b>	<b>93.2%</b>
<b>DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES:</b>										
Property taxes, including penalties	\$ 710,842	\$ 718,401	\$ 694,706	\$ 721,532	\$ 622,626	99.2%	75.6%	98.5%	99.3%	99.6%
Interest	5,931	15,323	10,748	4,943	2,559	0.8%	1.6%	1.5%	0.7%	0.4%
Proceeds from sale of bonds, net	-	217,050	-	-	-	-	22.8%	-	-	-
<b>TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES</b>	<b>716,773</b>	<b>950,774</b>	<b>705,454</b>	<b>726,475</b>	<b>625,185</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>DEBT SERVICE FUND EXPENDITURES:</b>										
Tax appraisal/collection fees	5,134	4,988	4,813	5,311	4,933	0.7%	0.5%	0.7%	0.7%	0.8%
Other consulting fees	1,021	976	641	592	470	0.1%	0.1%	0.1%	0.1%	0.1%
Fiscal agent fees and other	2,900	1,600	2,600	1,620	2,600	0.4%	0.1%	0.3%	0.2%	0.4%
Bond principal	450,000	415,000	395,000	385,000	360,000	62.8%	43.6%	56.0%	53.0%	57.6%
Bond interest	250,423	304,548	316,023	326,402	335,727	34.9%	32.0%	44.8%	44.9%	53.7%
Bond issuance fees	333	212,834	-	-	-	-	22.4%	-	-	-
<b>TOTAL DEBT SERVICE FUND EXPENDITURES</b>	<b>709,811</b>	<b>939,946</b>	<b>719,077</b>	<b>718,925</b>	<b>703,730</b>	<b>98.9%</b>	<b>98.7%</b>	<b>101.9%</b>	<b>98.9%</b>	<b>112.6%</b>
<b>EXCESS (DEFICIT) OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ 6,962</b>	<b>\$ 10,828</b>	<b>\$ (13,623)</b>	<b>\$ 7,550</b>	<b>\$ (78,545)</b>	<b>1.1%</b>	<b>1.3%</b>	<b>-1.9%</b>	<b>1.1%</b>	<b>-12.6%</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>					

(1) Note: The District is served by the West Travis County Public Utility Agency.

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

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<b>Complete District Mailing Address:</b>	100 Congress Ave., Ste. 1300 <hr/> Austin, TX 78701 <hr/>
<b>District Business Telephone Number:</b>	(512) 435-2300 <hr/>
<b>Submission Date of the most recent District Registration Form TWC Sections 36.054 &amp; 49.054):</b>	July 29, 2020 <hr/>
<b>Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)</b>	\$7,200 <hr/>

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
	9/30/2020	9/30/2020	9/30/2020	
<i>Board Members:</i>				
<b>David Saxon</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 750	\$ 49	President
<b>Tim Brown</b>	(Elected) 3/23/2016 - 11/3/2020	\$ 750	\$ -	Vice-President
<b>Joan Moeller</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 750	\$ -	Secretary
<b>Todd Roberts</b>	(Elected) 11/8/2016 - 11/3/2020	\$ 750	\$ -	Treasurer
<b>Jay Ingram</b>	(Appointed) 7/29/2020 - 11/3/2020	\$ 450	\$ -	Assistant Secretary / Treasurer
<i>Former Board Member-</i>				
<b>James A. Huffcut, Jr.</b>	(Elected) 11/8/2016 - 7/29/2020	\$ 300	\$ -	
<i>Consultants:</i>				
<b>Armbrust &amp; Brown, PLLC</b>	3/7/2002	\$ 21,289	\$ -	Attorney
<b>Murfee Engineering Co., Inc.</b>	3/7/2002	\$ 14,290	\$ -	Engineer
<b>Bott &amp; Douthitt, PLLC</b>	7/1/2009	\$ 14,400	\$ -	District Accountant
<b>Maxwell Locke &amp; Ritter LLP</b>	10/28/2008	\$ 12,500 \$ 8,000	\$ - \$ -	Auditor Bond Related Services
<b>Public Finance Group LLC</b>	4/8/2014	\$ 1,745	\$ -	Financial Advisor
<b>McCall, Parkhurst &amp; Horton, L.L.P.</b>	3/7/2002	\$ -	\$ -	Bond Counsel
<b>Hays County Tax Collector</b>	2005	\$ 127	\$ -	Tax Collector

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

**OTHER  
SUPPLEMENTAL INFORMATION**

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**OSI-1. PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2020**

Taxpayer	Type of Property	Tax Roll Year		
		2020	2019	2018
RW Trine LLC	N/A	\$ 4,009,440	\$ 1,550,340	\$ 1,480,810
Buffington Texas Classic Homes LLC	N/A	1,794,430	1,843,730	1,220,340
Homeowner	N/A	1,141,770	1,042,370	914,740
Homeowner	N/A	1,044,050	943,951	-
Homeowner	N/A	980,830	930,620	-
Homeowner	N/A	975,850	925,040	-
Homeowner	N/A	955,020	899,990	-
Homeowner	N/A	941,830	-	-
Homeowner	N/A	914,740	-	-
Homeowner	N/A	898,720	-	-
Scott Felder Homes LLC	N/A	-	1,763,160	1,504,530
MHI Partnership Ltd.	N/A	-	1,019,160	-
Century Land Holdings II LLC	N/A	-	915,660	1,290,710
Castlerock Communities LP	N/A	-	-	3,353,230
DFH Wildwood LLC	N/A	-	-	1,578,540
Event Security Consulting & Oper Inc.	N/A	-	-	993,142
Century Land Holdings II LLC	N/A	-	-	909,500
DFH Wildwood LLC	N/A	-	-	873,000
<b>Total</b>		<b>\$ 13,656,680</b>	<b>\$ 11,834,021</b>	<b>\$ 14,118,542</b>
Percent of Assessed Valuation		<b>3.2%</b>	<b>3.1%</b>	<b>4.3%</b>

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2**  
**OSI-2. ASSESSED VALUE BY CLASSIFICATION**  
**SEPTEMBER 30, 2020**

Type of Property	Tax Roll Year					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 421,931,617	98.5%	\$ 368,894,161	96.6%	\$ 308,201,610	94.7%
Real, Vacant Platted Lots	12,509,271	2.9%	8,651,611	2.3%	13,898,751	4.3%
Real, Acreage	7,737,400	1.8%	6,330,700	1.7%	7,065,730	2.2%
Farm and Ranch Improvements	3,000	-	1,227,820	0.3%	6,030	-
Tangible Personal, Business	4,271,895	1.0%	5,611,963	1.6%	1,417,653	0.4%
Real, Inventory	3,441,750	0.8%	8,622,980	2.3%	6,717,190	2.1%
Totally Exempt Property	1,062,867	0.2%	458,100	0.1%	438,600	0.0%
Less: Adjustments	<u>(22,632,558)</u>	<u>-5.3%</u>	<u>(17,768,387)</u>	<u>-4.7%</u>	<u>(12,291,963)</u>	<u>-3.8%</u>
Net Taxable	<u>\$ 428,325,242</u>	<u>100.0%</u>	<u>\$ 382,028,948</u>	<u>100.0%</u>	<u>\$ 325,453,601</u>	<u>100.0%</u>

**APPENDIX B**  
**Form of Bond Counsel Opinion**

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

**GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2  
UNLIMITED TAX REFUNDING BONDS, SERIES 2021  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,215,000**

**AS BOND COUNSEL FOR GREENHAWE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2** (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on March 24, 2021 authorizing the issuance of the Bonds and the pricing certificate executed by the pricing officer as designated in the order (collectively, the "Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of the Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

**THE DISTRICT** reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.



**IT IS FURTHER OUR OPINION** that, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Verification Report of Public Finance Partners LLC and certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain representations and covenants, regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**OUR OPINIONS ARE BASED** on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District



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

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

**APPENDIX C**  
**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100