

OFFICIAL STATEMENT DATED MAY 20, 2020

NEW ISSUE -BOOK-ENTRY-ONLY

RATINGS: AGM Insured S&P “AA” (stable outlook); Moody’s “A2” (stable outlook)

Moody’s Underlying “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 (defined herein) is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions existing on the date thereof of such opinion, subject to the matters described under “TAX MATTERS” herein.

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

\$5,680,000

WILLIAMSON COUNTY WATER, SEWER, IRRIGATION, AND DRAINAGE DISTRICT NO. 3

(A Political Subdivision of the State of Texas Located in Williamson and Travis Counties, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2020

Dated: June 17, 2020

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

The \$5,680,000 Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) constitute obligations solely of Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 (the “District”) and are not obligations of the State of Texas (the “State”); the City of Hutto, Texas; Williamson County, Texas; Travis 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 17, 2020, and is payable September 1, 2020, 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 for the Bonds is UMB Bank, N.A., Austin, Texas.

The Bonds are being issued to (i) currently refund a portion of the District’s outstanding Unlimited Tax Refunding Bonds, Series 2012; Unlimited Tax Bonds, Series 2013; and Unlimited Tax Refunding Bonds, Series 2013A 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.”



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

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 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 INVESTMENT CONSIDERATIONS. SEE “INVESTMENT CONSIDERATIONS” HEREIN.

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. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds in definitive form are expected to be available for delivery in book-entry form through DTC, on June 17, 2020.

SAMCO Capital Markets, Inc.

MATURITY SCHEDULE
(Due September 1)

CUSIP Prefix: 970007

Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2020	\$ 55,000	4.000%	1.130%	RX0	2029 ^(a)	\$ 605,000	2.000%	2.000%	SG6
2021	5,000	4.000%	1.160%	RY8	2030 ^(a)	615,000	2.000%	2.020%	SH4
2022	5,000	4.000%	1.220%	RZ5	2031 ^(a)	655,000	2.000%	2.050%	SJ0
2023	655,000	4.000%	1.160%	SA9	2032 ^(a)	220,000	2.000%	2.110%	SK7
2024	670,000	4.000%	1.240%	SB7	2033 ^(a)	220,000	2.000%	2.210%	SL5
2025	725,000	4.000%	1.370%	SC5	2034 ^(a)	240,000	2.000%	2.270%	SM3
2026	180,000	4.000%	1.500%	SD3	2035 ^(a)	240,000	2.250%	2.300%	SN1
2027	180,000	4.000%	1.600%	SE1	2036 ^(a)	230,000	2.250%	2.350%	SP6
2028 ^(a)	180,000	2.000%	1.900%	SF8					

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, the Bonds maturing on and after September 1, 2028, in whole or from time to time in part, on September 1, 2027, 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 allowable redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter (as herein defined). 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 Intelligences 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 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 enhancements 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”.

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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 facts, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any reference to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the readers' 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.

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 District's General Counsel, 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, and to the extent that information actually comes to its attention, other matters described in the Official Statement until delivery of the Bonds to the Underwriter and thereafter only as specified in "CONTINUING DISCLOSURE OF 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.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the District pursuant to a bond purchase agreement (the "Bond Purchase Agreement") for \$5,895,207.76 (an amount equal to the principal amount of the Bonds, plus a net original issue premium of \$262,463.55, less an Underwriter's discount of \$47,255.79).

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

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 municipal 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 Outlook (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.

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."

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 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, as of October 1, 2019, 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 December 19, 2019, 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 November 7, 2019, 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, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders' surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$997 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 \$1,997 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 subsidiary Assured Guaranty (Europe) plc ("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 AGE were determined in accordance with accounting principles generally accepted in the United States of America.

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, 2019 (filed by AGL with the SEC on February 28, 2020); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020).

All consolidated financial statements of AGM and all other 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, including the Schedules and Appendices attached hereto. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement (including the Schedules and Appendices.)

THE DISTRICT

The District Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 (the “District”), was legislatively created by House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, 1987 Texas General Laws, Chapter 650, now codified as Chapter 8486, Texas Special Districts Local Laws Code (the “Special Act”), as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution and operates under Chapters 49 and 54, Texas Water Code, as amended.

The District was created to provide water, wastewater, irrigation and drainage services to the property within the District, which is currently being developed as a mixed-use development including single-family residential, multi-family residential, retail, commercial, as well as a golf course and clubhouse. The District has entered into utility construction agreements with certain developers within its boundaries in order to facilitate the construction of water, wastewater, irrigation and drainage facilities to serve property within its boundaries. See “THE DISTRICT – General.”

Location The District includes approximately 751.256 acres of land primarily located in the extraterritorial jurisdiction of the City of Hutto and is situated in southeastern Williamson County and in northeastern Travis County, Texas. The District is located immediately north of Priem Lane and immediately west of the State Highway 130 Toll Road. The northern part of the District lies approximately two miles south of the intersection of FM 685 and US Highway 79 (US 79). See “THE DISTRICT - Location.”

The Developers The Developers currently active within the District are KB Home Lone Star, Inc. (“KB Home”), a Texas Corporation, and Star Golf Development, Inc. (“Star Golf Development”), a Texas corporation. Six entities previously developed the single-family residential property within the District including: (i) SR Investments, Ltd., a Texas limited partnership whose general partner is Commerce Texas Properties, Inc., a Texas corporation (“SRI”); (ii) Brushy Creek, Ltd., a Texas limited partnership whose general partner is Commerce Texas Properties, Inc., a Texas corporation (“BCL”); (iii) KPKM II Ventures, Ltd., a Texas limited partnership (“KPKMII”); (iv) PK-Tack, Ltd., a Texas limited partnership (“PK Tack”); (v) Len-Buf Land Acquisition of Texas, LP, a Texas limited partnership (“Len-Buf”); and (vi) PH SLII, LP, a Texas limited partnership (“SLII”). Other entities that have completed construction of either residential or commercial property within the District include: HEB Grocery Company, L.P. (“HEB”); Central Southwest Texas Development, LLC; SR Station LLC; Muirfield Townhomes, LLC; Brushy Creek Townhomes, LLC; Tack Townhomes, LLC; SR Market LLC; Tack Development, Ltd. (“Tack Development”); Trada Partners XII, LP (“Trada”); Trammell Crow; OLY Star Ranch; and Western Rim Investors (“Western”). Collectively, the entities listed above may be referred to herein as the “Developers” See “THE DEVELOPERS – Description of Developers” and “THE DISTRICT – Historical and Current Status of Development.”

Status of Development As of May 1, 2020, approximately 641.53 acres (or 90.59% of the approximately 708 developable acres within the District) have been or are currently developed with utility facilities. Approximately 317 acres have been developed as the single-family residential subdivisions of: Star Ranch Sections 1, 2, 3, 4, 5-1, 5-2, 7-1A, and 7-1B; Forest Creek Sections 34, 35, 36, 37, 38, and 39; Silver Leaf Section 1, Phases 1 and 2, the Double Eagle Townhomes, the Villas at Star Ranch Townhomes, the Muirfield Townhomes, and the Brushy Creek Townhomes, encompassing a total of 970 completed single-family homes on 970 developed single-family lots and 320 completed duplex units or townhomes on 320 developed duplex or townhome lots. Additionally, construction of the utility facilities serving Star Ranch Parcel 22 Phase 2 (approximately 10.45 acres; platted as 66 townhome lots) began in February 2020 and is expected to be completed by September 2020. Multi-family development includes three apartment complexes totaling 1,018 apartment units, consisting of: (i) the Marquis at Star Ranch Apartments (402 completed apartment units), (ii) the Links at Forest Creek Apartments (220 completed apartment units), and (iii) the Fairways at Star Ranch Apartments (396 completed apartment units).

Additional development within the District includes the Star Ranch Golf Course and Clubhouse, a 40,600 square foot medical/office building, a daycare center, a Goodwill Industries store, a learning center, a 55,591 square foot nursing home, the Longhorn Business Park office complex, an approximately 120,000 square foot HEB Plus grocery store, and various retail pads and centers, including Star Ranch Plaza, Star Ranch Station, Star B Retail, Star Ranch Market, and Star Ranch Section 4 retail improvements, which includes a McDonald’s restaurant and convenience store. See “THE DISTRICT – Historical and Current Status of Development.”

Builder..... KB Home recently constructed freestanding townhomes in the Villas at Star Ranch Townhomes and has represented that the sales prices of townhomes constructed generally range from approximately \$229,995 to \$275,995 with square footage ranging from approximately 1,353 to 2,898. KB Home will be constructing similar townhomes in Star Ranch Parcel 22 Phase 2.

THE BONDS

Description..... The \$5,680,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) mature serially in varying amounts on September 1 of each of the years 2020 through 2036, as set forth on the inside cover page hereof. Interest accrues from the date of delivery, currently anticipated to be June 17, 2020 at the rates per annum set forth on the inside cover page hereof and is payable on September 1, 2020 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 The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2028, in whole or from time to time in part, on September 1, 2027, 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.”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See “TAXING PROCEDURES.” **The Bonds are obligations solely of the District and are not obligations of the City of Hutto, Texas; Williamson County, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.** See “THE BONDS - Source of and Security for Payment.”

Payment Record The District has previously issued ten (10) installments of unlimited tax new money bonds and seven (7) installments of unlimited tax refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued obligations. The proceeds of each installment of unlimited tax new money bonds included up to 24 months of capitalized interest. See “FINANCIAL STATEMENT - Outstanding Bonds.”

Authority for Issuance..... The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State, Chapter 1207 of the Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, the Special Act, an order adopted by the Board of Directors of the District on February 12, 2020, and 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”). 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 outstanding Unlimited Tax Refunding Bonds, Series 2012; Unlimited Tax Bonds, Series 2013; and Unlimited Tax Refunding Bonds, Series 2013A (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 elections held within the District on November 7, 2000 and May 12, 2012, voters within the District authorized a total of \$41,150,000 in new money unlimited tax bonds for water, wastewater, and drainage facilities, none of which remains authorized but unissued. See “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued” and “THE BONDS”. Additionally, the District has voted authority to issue unlimited tax refunding bonds pursuant to the election proposition in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued. The District is authorized to issue \$61,725,000 aggregate principal amount of refunding bonds as the total amount of new money unlimited tax bonds have been issued. The District has previously issued seven (7) series of unlimited tax refunding bonds, which used \$4,262,006.87 in refunding authorization, and the issuance of the Bonds will use an additional \$270,207.76 of the District’s voted authorization of unlimited tax refunding bonds. After the issuance of the Bonds, \$57,192,785.37 of voted authorization of refunding bonds will remain unissued.

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.
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 2020 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, Austin, Texas.
Verification Agent.....	Public Finance Partners, LLC, Minneapolis, Minnesota.
Paying Agent/Registrar	UMB Bank, N.A., Austin, Texas
and Escrow Agent	

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully 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)

2019 Certified Assessed Valuation	\$ 572,737,755 ^(a)
2020 Preliminary Assessed Valuation	\$ 566,054,664 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 35,130,000 ^(c)
Ratio of Gross Debt to 2019 Certified Assessed Valuation	6.13%
Ratio of Gross Debt to 2020 Preliminary Assessed Valuation	6.21%
2019 Tax Rate	
Debt Service	\$ 0.4344
Maintenance	<u>0.3121</u>
Total 2019 Tax Rate	<u>\$ 0.7465</u> ^(d)
Debt Service Fund Balance (as of May 13, 2020)	\$ 3,526,443 ^(e)
Percentage of current tax collections (Tax Years 2010-2019)	99.37% ^(f)
Percentage of total tax collections (Tax Years 2010-2019)	99.58% ^(f)
Average Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Average Requirement") (2020-2037, inclusive)	\$ 2,503,867
Tax Rate required to pay Average Requirement based upon 2019 Certified Assessed Valuation at 95% collections	\$ 0.47 /\$100 AV
Tax Rate required to pay Average Requirement based upon 2020 Preliminary Assessed Valuation at 95% collections	\$ 0.47 /\$100 AV
Maximum Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Maximum Requirement") (2035)	\$ 2,541,475
Tax Rate required to pay Maximum Requirement based upon 2019 Certified Assessed Valuation at 95% collections	\$ 0.47 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon 2020 Preliminary Assessed Valuation at 95% collections	\$ 0.48 /\$100 AV
Number of active connections as of April 1, 2020	
Single Family (includes duplexes and townhomes) - Occupied	1276
Single Family (includes duplexes and townhomes) - Vacant	8
Builder	7
Multifamily (1,018 total units/ 995 units occupied)	223
Commercial	40
School	1
Other	<u>5</u>
Total Number of Active Connections	1560
Estimated Population as of April 1, 2020	6,954 ^(g)

- (a) Assessed valuation of the District as of January 1, 2019 as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2020, as provided by WCAD and TCAD. No taxes will be levied on this assessed valuation unless it is certified by WCAD and TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied a 2019 tax rate of \$0.7465 at its meeting in September 2019.
- (e) Unaudited as of May 13, 2020. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections."
- (g) Based upon 3.5 residents per occupied single-family home (includes duplexes and townhomes) and 2.5 residents per occupied multi-family unit. According to the leasing staff at the Fairways at Star Ranch, the apartment units, as of April 1, 2020, were 96.5% occupied (382 units out of 396 units). According to the leasing staff at the Links at Forest Creek, the apartment units, as of April 1, 2020, were 99.1% occupied (218 units out of 220 units). According to the leasing staff at the Marquis at Star Ranch, the apartment units, as of April 1, 2020, were 98.3% occupied (395 units out of 402 units).

**OFFICIAL STATEMENT
relating to**

\$5,680,000

**WILLIAMSON COUNTY WATER, SEWER, IRRIGATION, AND DRAINAGE DISTRICT NO. 3
(A Political Subdivision of the State of Texas Located in Williamson and Travis Counties, Texas)**

UNLIMITED TAX REFUNDING BONDS, SERIES 2020

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 (the "District") of its \$5,680,000 Unlimited Tax Refunding Bonds, Series 2020 (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 February 12, 2020, 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"), the Constitution and general laws of the State of Texas (the "State") including House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, 1987 Texas General Laws, Chapter 650, now codified as Chapter 8486, Texas Special Districts Local Laws Code (the "Special Act"), Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

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. 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. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Purpose

The Bonds are being issued to achieve a debt service savings in the years 2020 through 2036, inclusive, by refunding a portion of the District's outstanding Unlimited Tax Refunding Bonds, Series 2012; Unlimited Tax Bonds, Series 2013; and Unlimited Tax Refunding Bonds, Series 2013A (collectively, the "Refunded Bonds"), to achieve a debt service savings, and to pay the costs of issuing the Bonds. See "DEBT SERVICE REQUIREMENTS SCHEDULE – TALBE 3."

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The Refunded Bonds

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

Year	Series 2012	Series 2013	Series 2013A	Total
2020	\$ -	\$ -	\$ 10,000	\$ 10,000
2021	-	-	10,000	10,000
2022	-	-	10,000	10,000
2023	530,000	125,000	10,000	665,000
2024	530,000	125,000	15,000	670,000
2025	555,000	150,000	15,000	720,000
2026	-	150,000	15,000	165,000
2027	-	150,000	15,000	165,000
2028	-	150,000	15,000	165,000
2029	-	175,000	415,000	590,000
2030	-	200,000	405,000	605,000
2031	-	225,000	425,000	650,000
2032	-	225,000	-	225,000
2033	-	225,000	-	225,000
2034	-	250,000	-	250,000
2035	-	250,000	-	250,000
2036	-	250,000	-	250,000
	\$ 1,615,000	\$ 2,650,000	\$ 1,360,000	\$ 5,625,000
Redemption Date:	7/22/2020	7/22/2020	7/22/2020	

At elections held within the District on November 7, 2000 and May 12, 2012 (collectively, the “Bond Elections”), voters within the District authorized a total of \$41,150,000 in new money unlimited tax bonds for water, wastewater, and drainage facilities, none of which remains authorized but unissued. See “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued” and “THE BONDS”. Additionally, the District has voted authority to issue unlimited tax refunding bonds pursuant to the election proposition in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued. The District is authorized to issue \$61,725,000 aggregate principal amount of refunding bonds as the total amount of new money unlimited tax bonds have been issued. The District has previously issued seven (7) series of unlimited tax refunding bonds, which used \$4,262,006.87 in refunding authorization, and the issuance of the Bonds will use an additional \$270,207.76 of the District’s voted authorization of unlimited tax refunding bonds. After the issuance of the Bonds, \$57,192,785.37 of voted authorization of refunding bonds will remain unissued.

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The Remaining Outstanding Bonds

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

Year	Series 2010A	Series 2011	Series 2012	Series 2013	Series 2013B	Series 2015	Series 2015A	Series 2016	Series 2017	Series 2019	Series 2019A	The Bonds	Total
2020	5,000	5,000	685,000	20,000	5,000	215,000	25,000	85,000	275,000	5,000	20,000	55,000	1,400,000
2021	5,000	5,000	715,000	100,000	-	210,000	25,000	85,000	225,000	5,000	25,000	5,000	1,405,000
2022	-	-	500,000	125,000	-	230,000	25,000	410,000	125,000	5,000	25,000	5,000	1,450,000
2023	-	-	-	-	-	230,000	25,000	415,000	125,000	5,000	25,000	655,000	1,480,000
2024	-	-	-	-	-	255,000	25,000	415,000	125,000	5,000	25,000	670,000	1,520,000
2025	-	-	-	-	-	250,000	5,000	435,000	125,000	5,000	25,000	725,000	1,570,000
2026	-	-	-	-	-	275,000	25,000	440,000	100,000	580,000	25,000	180,000	1,625,000
2027	-	-	-	-	-	270,000	25,000	465,000	100,000	615,000	25,000	180,000	1,680,000
2028	-	-	-	-	-	290,000	50,000	475,000	100,000	645,000	25,000	180,000	1,765,000
2029	-	-	-	-	-	310,000	50,000	500,000	100,000	245,000	25,000	605,000	1,835,000
2030	-	-	-	-	-	305,000	50,000	500,000	125,000	260,000	25,000	615,000	1,880,000
2031	-	-	-	-	-	325,000	50,000	530,000	350,000	5,000	25,000	655,000	1,940,000
2032	-	-	-	-	-	345,000	50,000	630,000	725,000	5,000	30,000	220,000	2,005,000
2033	-	-	-	-	-	340,000	75,000	315,000	825,000	245,000	30,000	220,000	2,050,000
2034	-	-	-	-	-	-	75,000	355,000	5,000	590,000	875,000	240,000	2,140,000
2035	-	-	-	-	-	-	75,000	-	5,000	1,035,000	885,000	240,000	2,240,000
2036	-	-	-	-	-	-	75,000	-	1,100,000	-	890,000	230,000	2,295,000
2037	-	-	-	-	-	-	100,000	-	1,350,000	-	925,000	-	2,375,000
2038	-	-	-	-	-	-	1,200,000	-	-	-	-	-	1,200,000
2039	-	-	-	-	-	-	1,275,000	-	-	-	-	-	1,275,000
	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$1,900,000</u>	<u>\$ 245,000</u>	<u>\$ 5,000</u>	<u>\$3,850,000</u>	<u>\$3,305,000</u>	<u>\$6,055,000</u>	<u>\$5,885,000</u>	<u>\$4,255,000</u>	<u>\$ 3,930,000</u>	<u>\$5,680,000</u>	<u>\$ 35,130,000</u>

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The 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 direct obligations of the United States 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	\$5,680,000.00
Net Original Issue Premium	<u>262,463.55</u>
Total Sources of Funds	\$5,942,463.55
Uses of Funds:	
Escrow Deposit	\$5,691,819.88
Costs of Issuance (includes municipal bond insurance premium)	203,229.54
Underwriter’s Discount	47,255.79
Deposit to Debt Service Fund (Rounding Amount)	<u>158.34</u>
Total Uses of Funds	\$5,942,463.55

THE BONDS

General Description

The Bonds will bear interest from the date of delivery, currently anticipated to be June 17, 2020 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, 2020 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”).

Redemption

Optional Redemption . . . The Bonds maturing on and after September 1, 2028, 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, 2027, 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. In the event of redemption of less than all of the Bonds, the particular maturities of the Bonds, or sinking fund installments in the case of Term Bonds, to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity or sinking fund installments in the case of the Term Bonds are to be redeemed; the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot or other customary random method in accordance with DTC Procedures.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order 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, or sinking fund installment in the case of Term Bonds, 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, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

DTC Redemption Provisions

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 is 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 (15th) 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

The Bonds are issued pursuant to the Bond Order, the Bond Elections, the Constitution and general laws of the State of Texas (the “State”) including the Special Act, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

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 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 all 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 annexes and dissolves the District and assumes all debts and liabilities of the District.

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

Payment Record

The District has previously issued ten (10) installments of new money unlimited tax bonds for water, wastewater, irrigation and drainage facilities and seven (7) installments of unlimited tax refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued obligations entitled: \$3,875,000 Unlimited Tax Bonds, Series 2006 (the “Series 2006 Bonds”); \$6,250,000 Unlimited Tax Bonds, Series 2007 (the “Series 2007 Bonds”); \$5,225,000 Unlimited Tax Bonds, Series 2008 (the “Series 2008 Bonds”); \$4,900,000 Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”); \$4,350,000 Unlimited Tax Refunding Bonds, Series 2010 (the “Series 2010 Bonds”); \$2,500,000 Unlimited Tax Bonds, Series 2010A (the “Series 2010A Bonds”); \$2,000,000 Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”); \$8,290,000 Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Bonds”); \$2,950,000 Unlimited Tax Bonds, Series 2013 (the “Series 2013 Bonds”); \$2,585,000 Unlimited Tax Refunding Bonds, Series 2013A (the “Series 2013A Bonds”); \$3,675,000 Unlimited Tax Bonds, Series 2013B (the “Series 2013B Bonds”); \$4,645,000 Unlimited Tax Refunding Bonds, Series 2015 (the Series 2015 Bonds”); \$3,350,000 Unlimited Tax Bonds, Series 2015A (the “Series 2015A Bonds”); \$6,375,000 Unlimited Tax Refunding Bonds, Series 2016 (the “Series 2016 Bonds”); \$6,425,000 Unlimited Tax Bonds, Series 2017 (the “Series 2017 Bonds”); \$4,325,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Series 2019 Bonds”); and \$3,965,000 Unlimited Tax Refunding Bonds, Series 2019A (the “Series 2019A Bonds”). The proceeds of each installment of new money unlimited tax bonds included up to 24 months of capitalized interest.

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, (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 redemption date from funds on deposit with the Escrow Agent and held in a separate Escrow Fund. 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 is 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 any 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 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 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") and, in the case of bonds payable from taxes, the District's voters. At the Bond Elections held within the District on November 7, 2000 and May 12, 2012, voters within the District authorized a total principal amount of \$41,150,000 in new money unlimited tax bonds for water, wastewater, irrigation, and drainage facilities, none of which remains authorized but unissued. Additionally, the District has voted authority to issue unlimited tax refunding bonds pursuant to the election proposition in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued. The total amount of new money bonds authorized by the voters has been issued; therefore, the District is authorized to issue \$61,725,000 in unlimited tax refunding bonds.

The District has previously issued seven (7) series of unlimited tax refunding bonds, which used \$4,262,006.87 in refunding authorization, and the issuance of the Bonds will use an additional \$270,207.76 of the District's voted authorization of refunding bonds. After the issuance of the Bonds, \$57,192,785.37 of voted authorization of refunding bonds will remain unissued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued – Table 5."

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code authorizes certain districts, such as the District, to issue bonds, subject to voter approval and, if applicable, the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of certain park and recreational facilities (other than swimming pools and golf courses). To date, the District has not voted any bonds for park and recreational facilities. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness which may be issued by the District. Any additional indebtedness issued by the District may dilute the security of the Bonds.

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 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 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.

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 carefully evaluate 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

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will not consolidate its water and wastewater system with any other district.

Annexation

The District is located entirely within the extraterritorial jurisdiction of the City of Hutto, Texas (the “City” or “Hutto”). Under House Bill 347 approved during the 86th Regular Legislative Session (“HB 347”), (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.

Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of April 1, 2020, the District had an estimated population of 6,954, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. 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.

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 or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Strategic Partnership Agreement

The District and the City entered into a Strategic Partnership Agreement in May 2006 pursuant to Section 43.0751, Texas Local Government Code, whereby certain anticipated commercial acreage in the District (approximately 116 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the limited purpose annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also entered into an Economic Development Agreement with Tack Development, as assignee of Commerce Properties, Inc., pursuant to which the City has agreed to grant 50% of the sales tax funds collected within the District to Tack Development or its assigns, the general partner for SRI, for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the Strategic Partnership Agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of utility infrastructure by the District. The City has recently indicated a desire to amend the Strategic Partnership Agreement with the District to annex for limited purposes additional commercial property within the District, and drafts of the applicable documentation have been initiated. No official action to amend the Strategic Partnership Agreement has been taken by the City at this time. See “THE DISTRICT – Consent Agreement” and “ – Strategic Partnership Agreement.”

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 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 Rating. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each 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 take any responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Williamson County, Texas; Travis County, Texas; 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, levied 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 Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic") 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").

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 this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of Executive Order GA-18 on April 27, 2020, which, among other things, requires Texans to minimize in-person contact with people who are not in the same household unless such people are involved in essential services or reopened services (subject to certain conditions and limitations pertaining to such reopened services) or essential daily activities and closes schools to in-person classroom attendance by students throughout the 2019-2020 school year. Also on April 27, 2020, the Governor issued The Governor's Report to Open Texas, which allowed certain businesses to reopen on May 1, 2020 with adherence to specified health protocols. Furthermore, 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 videoconference meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble large groups of people. In addition, Travis County, within which a portion of the District is located, has issued "stay home" orders for most citizens except when engaged in specific essential business functions. Travis County's "stay home" order does not prohibit homebuilding activity or construction activity within the District. 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 affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. These negative impacts may 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 is working with local, state, and national agencies to address the potential impact of COVID-19 upon 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. For more information regarding the District's current fund balances, see "FINANCIAL STATEMENT – Cash and Investment Balances – Table 7" and "– Current Investments – Table 8."

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 pandemic associated with the COVID-19 virus. 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 construction activity, particularly short-term interest rates at which developers 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 numerous and 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 economics.

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 developers 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 developers will be implemented or, if implemented, will be successful.

Developers under No Obligation to the District: There is no commitment from, or obligation of, any developers 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 developers 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 DEVELOPERS" 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 2019 Certified Assessed Valuation of the District is \$572,737,755. After issuance of the Bonds, the Maximum Requirement will be \$2,541,475 (2035) and the Average Requirement will be \$2,503,867 (2020 through 2037, inclusive). Assuming (1) no increase or decrease from the 2019 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 \$0.47 and \$0.47 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. The 2020 Preliminary Assessed Valuation of the District is \$566,054,664. Based upon the assumptions above, tax rates of \$0.48 and \$0.47 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 – TALBE 3" and "TAX DATA - Tax Adequacy for Debt Service."

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 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 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.

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 intends to 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 becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, 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 date.

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 the 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 "BOND INSURANCE" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

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 Texas 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 dismisses 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 water, sewer, irrigation, and drainage 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 (i) that 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 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 or may affect the valuation of such property.

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.

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."

Future Debt

The District no longer has any remaining authorized but unissued new money bonds (see “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5”), but reserves the right in the Bond Order to issue such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. 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. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

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.

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.

Environmental Regulation

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 Williamson, Hays, Travis, 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.

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. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extend of EPA and USACE jurisdiction.

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 will officially become final sixty (60) days after its publication in the Federal Register.

On January 23, 2020, the EPA and USACE finalized a replacement definition of “waters of the United States.” The proposed definition outlines six (6) categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The rule will become effective 60 days after publication in the Federal Register, which has not yet occurred.

Operations of the District are also 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 proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. Pursuant to the Clean Water Act and EPA regulations, the District is defined as a MS4 (Municipal Separate Storm Sewer System) as it is located in an urbanized area as defined by the EPA. The District is required to and has developed a stormwater management program (the "Stormwater Management Program"). The Stormwater Management Program must include certain minimum control measures as outlined in the Permit. These include pollution prevention and good housekeeping for facility operations, construction site runoff controls, post construction control measures, illicit discharge detection and elimination, and public education. For each minimum control measure, the District must utilize one or more best-management practices to achieve minimal compliance as outlined in the permit. The District has obtained TCEQ approval of the Stormwater Management Program and coverage under the permit, and must report progress under the permit annually to TCEQ. The District could incur substantial costs related to the Stormwater Management Program 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.

Drought Conditions

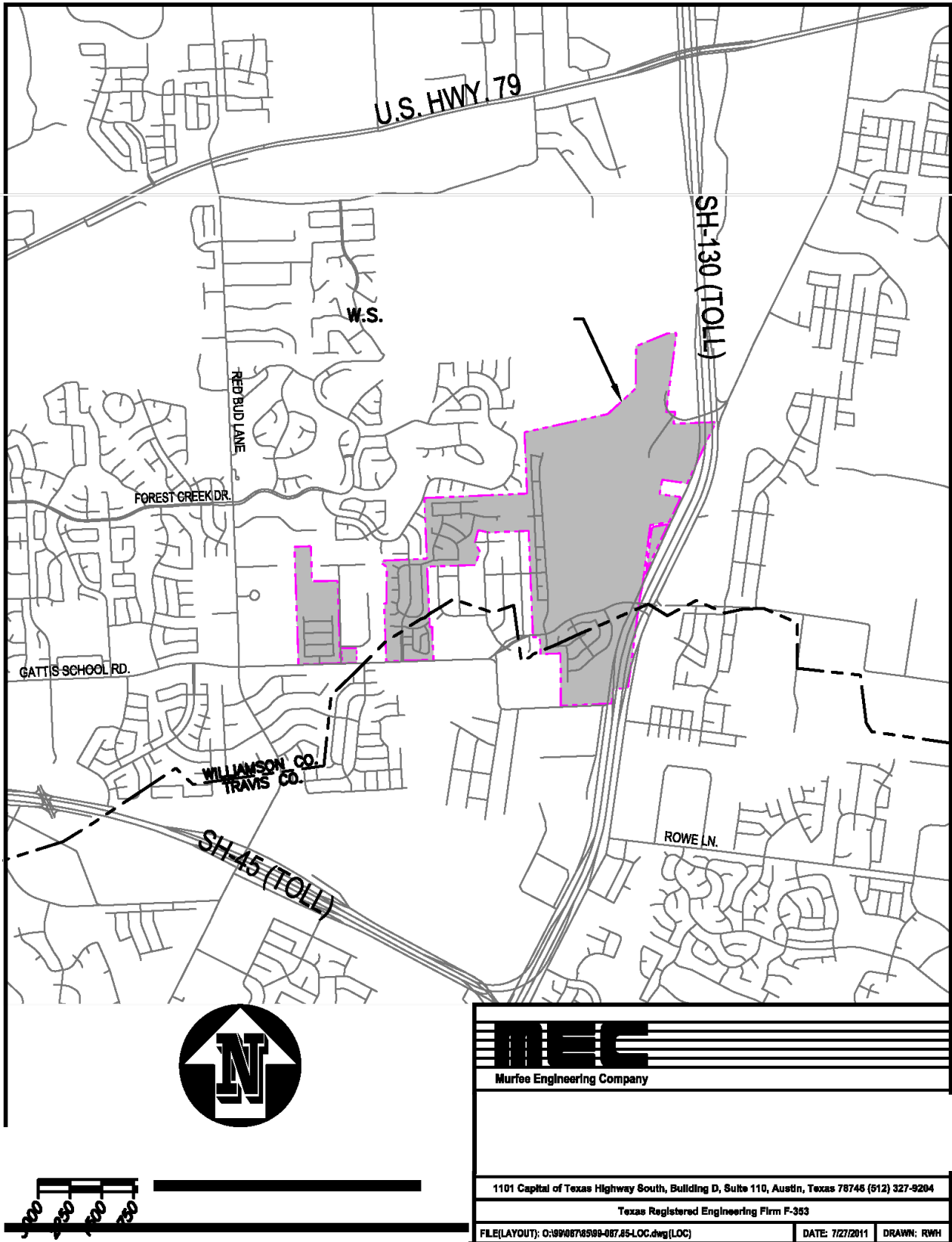
Central Texas, like other areas of the State, is experiencing drought conditions. The District adopted a water conservation and drought contingency plan and currently has implemented voluntary water restrictions for residents of the District. Manville Water Supply Corporation ("MWSC") provides water to the District in amounts sufficient to service the residents of the District, however, if drought conditions continue, water usage and rates could be impacted.

Storm Water

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). The study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities in the Central Texas area are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain 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 flood plain). 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."

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LOCATION MAP



THE DISTRICT

General

The District was legislatively created by the Special Act as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution and operates under the Special Act, and Chapters 49 and 54, Texas Water Code, as amended.

The District was created to provide water, wastewater, irrigation, and drainage services to the property within the District. The District is developed as a mixed-use development, including Star Ranch, Forest Creek and Silver Leaf subdivisions, the Star Ranch Golf Course and Clubhouse, multi-family development, and commercial and retail development. The District has entered into utility construction agreements with the various developers in the District in order to facilitate the construction of water, wastewater and drainage facilities to serve property within its boundaries.

Management of the District

Board of Directors

The District is governed by the Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors' terms of office are four years, with elections held within the District in November in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires November</u>
Rance Richter	President	20 years	2020
Jim Goldrick	Vice President	20 years	2020
Bob Dickerson	Director	10 years	2022
Lee Buckley	Asst. Secretary/Treasurer	20 years	2020
Vacancy			2022

Consultants

Tax Assessor/Collector

The portion of land and improvements in the District that is located in Williamson County is being appraised by the Williamson Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Williamson County Tax Assessor/Collector, Mr. Larry Gaddes, currently serves the District in this capacity under contract for the portions of the District located in Williamson County.

The portion of land and improvements in the District that is located in Travis County is being appraised by the Travis Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector, Mr. Bruce Elfant, currently serves the District in this capacity under contract for the portions of the District located in Travis County.

General Manager

The District contracts with Crossroads Utility Services LLC ("Crossroads") to serve as the General Manager and Operator for the District. Crossroads serves in a similar capacity for 28 other special districts in the Austin metropolitan area.

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, PLLC, certified public accountants, serves as bookkeeper to the District. Such firm serves as bookkeeper to 90 special districts.

Financial Advisor

Public Finance Group LLC serves as the District's financial advisor (the "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.

Bond Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel to the District 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 ("A&B") as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

The District is located primarily within the extraterritorial jurisdiction of the City and lies within both Williamson County and Travis County, Texas. The District is located immediately north of Priem Lane and immediately west of State Highway 130. The northern part of the District begins almost two miles south of the intersection of FM 685 and US 79.

Historical and Current Status of Development

Land Acquisition... The District, as originally created by the Special Act in 1987, contained approximately 368.07 acres comprised of two contiguous tracts of land including approximately 290.22 acres (the "Original Tract") owned by Theodor Timmerman, Earl Hagn and Tim Timmerman, each owning an undivided interest, and 77.85 acres owned by Timmerman Investments. From 1987 until 1999, no development or change in boundaries occurred within the District. In 1999, 29.26 acres were excluded from the District's boundaries and 275.35 acres were annexed into the District boundaries. In September 2001, approximately 64 acres owned by KPKMII were annexed into the District. In January 2006, approximately 58.46 acres owned by Len-Buf Land Acquisition of Texas, LP were annexed into the District. In July 2008, approximately 3.18 acres were annexed into the District. Finally, in January 2014, approximately 5.06 acres were annexed into the District, bringing the total acreage within the District to 751.256, as reflected on the District's most recent boundary map, which the surveyor who prepared such boundary map has certified as a more accurate description than manually adding and subtracting the land annexed and excluded from the District over time.

In June 1997, Theodor Timmerman, Earl Hagn and Tim Timmerman contributed the Original Tract and became limited partners in Brushy Creek, Ltd. ("BCL"), a Texas limited partnership whose general partner is Commerce Texas Properties, Inc. ("Commerce Properties"), a Texas corporation wholly owned by Tim Timmerman, who serves as president. Since that time, the limited partnership interests of BCL have been purchased and transferred to the Timmerman Family Limited Partnership, a Texas limited partnership comprised of Tim Timmerman and his family.

The 77.85 acre tract was purchased by PK-Tack, Ltd., a Texas limited partnership comprised of PK-Tack Development Company, Inc., a Texas corporation as general partner, and KPKMII, a Texas limited partnership as a limited partner which is currently comprised of the estate of Russell Parker, Maxwell United Holdings, LP, Thomas and Grace Maxwell Family Partnership and Clarence J. and Bernadette M. Kellerman Trust, as limited partners and KPKM, Inc., as general partner, which is a Texas corporation owned by the estate of Russell Parker and Clarence J. Kellerman.

In 1999, Tim Timmerman entered in a contract to purchase approximately 200 acres from Earl Klattenhoff and closed on 65 acres. Timmerman contributed a portion of 65 acres to SR Investments, Ltd. ("SRI"), a Texas limited partnership comprised of Timmerman Family Limited Partnership, as the limited partner and Commerce Properties, as general partner. SRI purchased additional acreage from BCL to develop Star Ranch Section 1. Development within the District commenced in 2000.

Property within the District has been developed as mixed use including single family homes, apartments, townhomes, duplexes, retail and commercial improvements as well as the Star Ranch Golf Course and Clubhouse, as further described below.

Residential Development... Approximately 317 acres within the District have been developed as the single-family residential subdivisions of: Star Ranch Sections 1, 2, 3, 4, 5-1, 5-2, 7-1A, and 7-1B; Forest Creek Sections 34, 35, 36, 37, 38, and 39; Silver Leaf Section 1, Phases 1 and 2, the Double Eagle Townhomes, the Villas at Star Ranch Townhomes, the Muirfield Townhomes, and the Brushy Creek Townhomes, encompassing a total of 970 completed single-family homes on 970 developed single-family lots and 320 completed duplex units or townhomes on 320 developed duplex or townhome lots. Additionally, construction of the utility facilities serving Star Ranch Parcel 22 Phase 2 (approximately 10.45 acres; platted as 66 townhome lots) began in February 2020 and is expected to be completed by September 2020.

Multi-Family Development... Multi-family development includes three apartment complexes on approximately 58.84 acres totaling 1,018 apartment units, consisting of: (i) the Marquis at Star Ranch Apartments (402 completed apartment units; approximately 21 acres), (ii) the Links at Forest Creek Apartments (220 completed apartment units; approximately 15.84 acres), and (iii) the Fairways at Star Ranch Apartments (396 completed apartment units; approximately 22 acres).

Retail/Commercial Development... To date, approximately 255.13 acres within the District have been developed as retail or commercial development, and approximately 66.60 acres remain undeveloped for retail and commercial purposes.

Star Ranch Golf Course and Clubhouse. The Star Ranch Golf Course and Club House, on approximately 183.52 acres, consists of an 18-hole golf course and a 15,000 square foot Club House which includes a restaurant, pro shop and meeting rooms. The Star Ranch Golf Course is a daily fee golf course open to the public.

Star Ranch, Phase 2, Section 2. All utility facilities to serve Star Ranch, Phase 2, Section 2 (8.086 acres, platted as four (4) commercial lots) have been completed. A Goodwill Industries store and a Learning Center are located on approximately 3.98 acres within the development.

Star Ranch, Phase 2, Section 3. All utility facilities to serve Star Ranch, Phase 2, Section 3 (2.681 acres, platted as three (3) commercial lots) have been completed. Star B Retail is located on approximately 1.56 acres within the development. There is also a detention pond on approximately 0.439 acres.

Star Ranch, Section 4 Retail Improvements. All utility facilities to serve Star Ranch, Section 4 retail improvements (platted as four retail/commercial lots on 5.49 acres) have been completed. A McDonald's restaurant and 7-11 Convenience Store have been constructed on approximately 2.76 acres.

Star Ranch Plaza. Star Ranch Plaza, an approximately 15,000 square foot retail center on 1.469 acres, was completed in the third quarter of 2017. Star Ranch Plaza contains various retail stores and medical and dental offices.

Star Ranch, Commercial Block B. All utility facilities to serve Star Ranch, Commercial Block B (3.88 acres) have been completed. Star Market was completed in in December 2018.

Forest Creek, Section 39 West. All utility facilities to serve Forest Creek, Section 39 West (7.47 acres) have been completed and a 40,600 square foot medical/office center on 5.85 acres and a daycare center on 1.62 acres have been constructed.

Longhorn Business Park. The Longhorn Business Park, a fully developed commercial office complex on approximately 5.06 acres, was annexed into the District in January 2014.

Hutto Nursing Center. Tack Development completed construction of a 55,951 square foot nursing home on approximately 5.732 acres, in early 2015.

HEB Star Ranch Commercial Center. HEB began construction of an approximately 120,000 square foot HEB Plus Store on approximately 30 acres in February 2016, which was completed in November 2016. SRI plans to develop the balance of the site (approximately 9 acres) into additional retail and commercial pad sites.

Star Ranch Station. SR Station LLC began construction on an approximately 15,000 square foot retail center on 1.738 acres called Star Ranch Station in April 2017, which was completed by the third quarter of 2017. Star Ranch Station contains various retail stores and restaurants.

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The following chart more completely describes the status of development within the District as of May 1, 2020:

Section	Acreage	Single Family Lots	Townhomes/ Duplex Units	Completed Units		Under Construction		Vacant Units	
				Single Family	Townhomes/ Duplex Units	Single Family	Townhomes/ Duplex Units	Single Family	Townhomes/ Duplex Units
A. Single Family Developed with Utility Facilities									
Star Ranch									
Section 1	23.85	59	18	59	18	-	-	-	-
Section 2	15.32	64	-	64	-	-	-	-	-
Section 3	8.31	37	-	37	-	-	-	-	-
Section 4	0.50	-	6	-	6	-	-	-	-
Section 5 Phase 1	24.51	87	-	87	-	-	-	-	-
Section 5 Phase 2	16.06	50	-	50	-	-	-	-	-
Section 7 Phase 1-A	8.49	27	-	27	-	-	-	-	-
Section 7 Phase 1-B	1.38	7	-	7	-	-	-	-	-
Subtotal	98.42	331	24	331	24	-	-	-	-
Forest Creek									
Section 34	27.10	105	-	105	-	-	-	-	-
Section 35	24.69	97	-	97	-	-	-	-	-
Section 36	27.83	95	-	95	-	-	-	-	-
Section 37	23.07	88	-	88	-	-	-	-	-
Section 38	15.06	58	-	58	-	-	-	-	-
Subtotal	117.75	443	-	443	-	-	-	-	-
Silver Leaf									
Section 1	29.04	114	-	114	-	-	-	-	-
Section 2	29.41	82	-	82	-	-	-	-	-
Subtotal	58.45	196	-	196	-	-	-	-	-
Townhomes									
Double Eagle Townhomes	6.99	-	62	-	62	-	-	-	-
Villas at Star Ranch Townhomes	19.99	-	131	-	131	-	-	-	-
Muirfield Townhomes	10.76	-	57	-	57	-	-	-	-
Brushy Creek Townhomes	4.75	-	46	-	46	-	-	-	-
Subtotal	42.49	-	296	-	296	-	-	-	-
Total	317.11	970	320	970	320	-	-	-	-
B. Commercial Developed with Utility Facilities									
Golf Course/Clubhouse	183.52								
Retail /Retail Centers	19.36								
Medical/Office Center	5.85								
Daycare Center	1.62								
Goodwill	2.70								
Learning Center	1.28								
Longhorn Business Park	5.06								
Nursing Home	5.73								
HEB Grocery Store	30.00								
Total	255.13								
B. Multi-Family Developed with Utility Facilities									
Apartments (1,018 Apartment Units)	58.84								
Total	58.84								
C. Utility facilities Under Construction									
Star Ranch Parcel 22 Phase 2 Townhomes	10.45								
Total	10.45								
Total Developed with Utility Facilities	641.53								
C. Remaining Developable Acreage									
Total	66.60								
D. Undevelopable Acreage									
	43.13								
Total District Acreage	751.26								

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 homebuilder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

THE DEVELOPERS

Role of Developers

In general, the activities of a landowner or 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, the 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 landowner or 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 the Developers

The Developers currently active within the District are KB Home Lone Star, Inc. ("KB Home"), a Texas Corporation, and Star Golf Development, Inc. ("Star Golf Development"), a Texas corporation.

As of May 1, 2020, approximately 641.53 acres within the District have been or are currently being developed by twenty development entities including: SRI, BCL, SR Market LLC, KPKMII, PK Tack, Trada, Len-Buf, SLII, Trammell Crow, Western, OLY Star Ranch, Tack Development, Tack Townhomes, LLC, HEB, KB Home, SR Station LLC, Star Golf Development, Central Southwest Texas Development, LLC, Brushy Creek Townhomes, LLC and Muirfield Townhomes, LLC. Any acquisition or development loans secured for such development have been repaid in full and there are no liens against any property. The following chart summarizes what each development entity has developed to date:

(Chart appears on following page)

Entity	Sections
SRI:	Star Ranch, Section 1
	Star Ranch, Section 3
	Star Ranch, Section 5 Phases 1 & 2
	Star Ranch, Section 6
	Star Ranch, Section 7 Phase 1A
	Retail Pads
BCL:	Star Ranch, Section 2
SR Market LLC:	Star Market
KPKMII:	Forest Creek, Section 34
	Forest Creek, Section 38
PK Tack:	Forest Creek, Section 35
	Forest Creek Section 36
	Forest Creek Section 37
Trada:	Multi-family (220 unit apt. complex)
	(the Links at Forest Creek – Forest Creek, Section 39)
Len-Buf	Silver Leaf, Section 1
SLII	Silver Leaf, Section 2
Trammell Crow:	Multi-family (396 unit apt. complex)
	(the Fairways at Star Ranch Apartments)
Western:	Multi-family (402 unit apt. complex)
	(Marquis at Star Ranch)
OLY Star Ranch:	Star Ranch Golf Course & Clubhouse
Tack Development:	Nursing Home (Hutto Nursing Center)
	Retail
Tack Townhomes, LLC	Double Eagle Townhomes
HEB Grocery Company, L.P.	HEB Plus Grocery Store
KB Home	Villas at Star Ranch Townhomes
SR Station LLC	Star Ranch Station
Star Golf Development	Star Ranch, Section 4
Central Southwest Texas Development, LLC	Star Ranch Plaza
	Star B Retail
Brushy Creek Townhomes, LLC	Brushy Creek Townhomes
Muirfield Townhomes, LLC	Muirfield Townhomes

Utility Construction Agreements

The District has entered into several utility construction agreements with various developers governing the development of water, wastewater, and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District.

Agricultural Waiver

Much of the undeveloped acreage within the District is subject to an agricultural exemption, however, SRI, Tack Development, KPKMII, Len-Buf, Star Golf Partners Ltd., PK Tack and BCL have executed agreements, respectively, which are recorded in the real property records of Williamson and Travis Counties, as applicable, and are covenants running with the land waiving the right to have certain portions of their respective land located in the District classified as agricultural, open-space or timberland. In addition, SRI, Tack Development, KPKMII, Len-Buf, Star Golf Partners Ltd., PK Tack and BCL have waived the right to have their lots and houses (if any) within such property classified as business inventory. Such agreements may not be modified without the approval of the TCEQ and is binding on purchasers of such land from each developer. See "TAXING PROCEDURES - Property Subject to Taxation by the District."

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), 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, Travis County, Williamson 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 District's waterworks and wastewater facilities is subject to regulation by, among others, the US 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 and wastewater systems to assure compliance with its rules.

Water Supply and Distribution

The District receives its potable water from Manville Water Supply Corporation ("MWSC") pursuant to a 40 year wholesale water supply agreement dated July 13, 2000 between the District, MWSC and Tack Development, which agreement was amended on August 13, 2001, August 21, 2006 and November 10, 2011 (as amended, the "Water Supply Agreement"). The Water Supply Agreement, prior to the November 10, 2011 amendment, provided for water in an amount sufficient to serve up to 2,600 living-unit-equivalents ("LUEs") based upon a phased LUE purchase schedule beginning with 250 LUEs in 2000 and the addition of 250 LUEs per fiscal year through the 2013-2014 fiscal year and the remainder paid during the 2014-2015 fiscal year. The November 10, 2011 amendment added Williamson County Municipal Utility District No. 22 ("WCMUD 22") as a party to the agreement, bringing additional area into the agreement for water service, and provided for water in an amount sufficient to serve up to 3,400 LUEs. The LUE purchase schedule was also changed to require payment for 100 LUEs per year through the 2026-2027 fiscal year and the remainder paid during the 2027-2028 fiscal year. Of the 3,400 LUEs provided by MWSC pursuant to the Water Supply Agreement, 800 LUEs are currently allocated to WCMUD 22 and 2,600 LUEs are allocated to the District, which the District anticipates serving at ultimate build-out.

Pursuant to the Water Supply Agreement, for each LUE to be purchased during a fiscal year, Tack Development, the District, or WCMUD 22 is required to pay MWSC a capital recovery fee for such LUE in the amount from time to time charged by MWSC to its own retail customers. A deposit in the amount of \$100 per LUE for all LUEs to be purchased during each fiscal year must be paid to MWSC at the start of each fiscal year, which is then credited against the LUE fees to be paid during that fiscal year. If Tack Development, the District, and WCMUD 22 fail to purchase or make deposits for water LUEs in accordance with the LUE purchase schedule, any and all LUEs not timely purchased are deemed forfeited for that fiscal year and the cumulative total commitment is reduced accordingly. Pursuant to the November 10, 2011 amendment, the District and WCMUD 22 allocate the LUEs to be purchased during each fiscal year between themselves. Additionally, the obligation of MWSC to continue delivery of water to the District is specifically conditioned on the District, Tack Development, or related entities contributing to MWSC a water storage facility site and two water well sites. Any defaults or disputes under the Water Supply Agreement are to be subject to arbitration by the parties.

According to MWSC's engineer, MWSC is a member owned, member controlled non-profit corporation currently serving 18,928 connections. MWSC's engineer has stated that the MWSC system consists of 24 active production wells with a combined capacity of 17,297 gallons per minute ("gpm"), which includes 1,320 gpm from the City of Pflugerville supply and 600 gpm from a City of Austin supply, sufficient to serve 28,828 LUEs with well capacity being the limiting component. MWSC's engineer has also stated that the current MWSC system capacity is supported by 16,350,000 gallons of total storage including 3,200,000 gallons elevated storage including a 1,000,000 gallon elevated storage tank across SH 130 from the District, and 13,150,000 gallons ground storage. MWSC has made system improvements expanding its delivery and supply capacity in both physical plant improvements as well as contractual supply and purchase agreements. The MWSC engineer states that the utility has sufficient water service capabilities to provide adequate service to its present and future customers. According to the District's engineer, MWSC delivers potable water to the District through four master meters for distribution to District customers through 8-inch and 12-inch water lines.

Wastewater Collection and Treatment

The District receives wastewater treatment service through a 40 year wholesale contract with SWWC Utilities, Inc. ("SWWC") (as amended, the "Wastewater Agreement"). Pursuant to the Wastewater Agreement, SWWC agrees to provide wastewater treatment service for ultimate build out within the District. SWWC has stated that its wastewater treatment plant is operated pursuant to a permit issued by the TCEQ, with permitted capacity for its Forest Creek wastewater treatment plant of 990,000 gallons per day ("gpd"). Additionally, SWWC has stated that

the Forest Creek wastewater treatment expansion of the wastewater treatment plant is complete, bringing its capacity up to the permitted maximum. SWWC, as of January 2017, is serving approximately 3,096 wastewater equivalent connections, including 882 equivalent connections located outside the boundaries of the District, with an average day flow of 489,000 gpd. The TCEQ approved the use of a lower flow (gallons per day) per connection design criteria for the Forest Creek WWTP based upon historical flow and connection records for the plant and service area collected from January 2006 through February 2009. The TCEQ concluded that using a flow factor of 200 gpd/ESFC is reasonable. The hydraulic capacity of the plant, as approved by the TCEQ, at 200 gallons per day per connection makes the 990,000 gpd existing plant capacity sufficient for 4,950 total connections. After excluding 882 ESFCs for customers outside the District, the existing capacity is adequate to serve the existing 2,214 ESFCs within the District plus the projected growth.

According to the District's Engineer, the ultimate build out of the District is estimated at 2,600 LUEs, under the current land plan. Additionally, SWWC has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development.

The District's wastewater is collected through 8-inch and 12-inch collection lines and is then conveyed via lift stations and a 24-inch gravity trunkline to the Forest Creek wastewater treatment plant. The District intends to own and operate the collection system within its boundary with the exception of the 24-inch gravity trunkline which is owned by SWWC. The majority of the current development within the District is primarily located in the southern area of the District. Wastewater from this area is collected and conveyed by the 24-inch wastewater line.

Storm Drainage

The storm drainage system that serves the District consists of curb and guttered streets and storm sewers. The collected storm water runoff is routed through detention and water quality ponds, thence into tributaries of Brushy Creek and ultimately to the Brazos River for portions of the District within Williamson County. The Travis County portions of the District drain into tributaries of Wilbarger Creek and ultimately into the Colorado River.

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 (1%) 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, no acreage located within the District is located within the 100-year flood plain, as shown on the following Federal Flood Insurance Administration Rate Maps: (i) No. 48491C0515E for Williamson County, Texas, dated September 26, 2008, (ii) No. 48491C0675E for Williamson County, Texas, dated September 26, 2008 and (iii) No. 48453C0280H for Travis County, Texas, dated September 26, 2008.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). The study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities in the Central Texas area are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain 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 flood plain). 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."

Water and Wastewater Operations Rate and Fee Schedule - Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service. The following schedule sets forth the rates and fees for the District's water and sewer service in effect as of May 8, 2019.

Water (monthly billings)

Base Rate for 5/8" meter:

Base Rate (2,000 gallons of water service and solid waste pick-up)	\$ 34.70 (minimum)
2,001 – 15,000 gallons of water used	\$ 4.00 per 1,000 gallons
Over 15,001 gallons of water used	\$ 5.25 per 1,000 gallons

Wastewater Usage Charge (monthly billings)

Single Family:

Base Rate:.....	\$ 56.74
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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					
	3/31/2020 ^(a)	9/30/2019 ^(b)	9/30/2018 ^(b)	9/30/2017 ^(b)	9/30/2016 ^(b)	9/30/2015 ^(b)
REVENUES						
Property taxes, including penalties	\$ 1,779,502	\$ 1,287,978	\$ 900,251	\$ 909,191	\$ 674,880	\$ 598,879
Service Revenues	1,345,015	2,728,311	2,585,651	2,419,003	2,155,020	2,121,371
System Connection Fees	-	32,050	104,025	96,825	130,275	48,200
Interest	33,189	96,118	49,545	15,573	10,478	8,295
Other	-	490	277	570	430	344
TOTAL REVENUES	\$ 3,157,705	\$ 4,144,947	\$ 3,639,749	\$ 3,441,162	\$ 2,971,083	\$ 2,777,089
EXPENDITURES						
Water/wastewater purchases	\$ 946,935	\$ 1,938,864	\$ 1,834,368	\$ 1,695,755	\$ 1,514,045	\$ 1,442,905
Garbage Collection Fees	134,357	259,940	241,102	212,081	187,040	180,496
Repairs/Maintenance	66,375	170,916	174,077	168,897	198,068	156,212
Tap Inspection Fees	750	5,925	43,653	43,676	31,655	30,661
Utilities	20,925	43,217	43,126	40,129	39,457	37,163
Director Fees	3,230	6,943	7,912	7,428	7,589	8,397
Legal Fees	30,823	85,958	88,486	74,395	78,038	77,721
Engineering Fees	56,276	83,076	82,173	90,873	96,811	108,137
Security Services	33,723	73,077	-	-	-	-
Management Fees	101,503	196,554	179,150	165,861	151,270	142,829
Bookkeeping Fees	14,250	27,750	25,500	24,750	24,750	24,750
Audit Fees	15,500	15,000	15,000	14,500	14,500	14,500
Insurance	778	10,731	9,204	7,935	6,044	5,928
Tax Appraisal/Collection Fees	5,424	7,571	5,611	5,994	4,796	4,417
Financial Advisor Fees	1,045	777	605	672	529	525
Other	29,626	55,382	97,138	41,308	42,004	8,551
Capital Outlay	866,041	-	-	23,548	1,433,938	183,226
TOTAL EXPENDITURES	\$ 2,327,560	\$ 2,981,681	\$ 2,847,105	\$ 2,617,802	\$ 3,830,534	\$ 2,426,418
NET REVENUES (DEFICIT)	\$ 830,145	\$ 1,163,266	\$ 792,644	\$ 823,360	\$ (859,451)	\$ 350,671
Beginning Fund Balance	\$ 4,591,072	\$ 3,427,806	\$ 2,635,162	\$ 1,811,802	\$ 2,671,253	\$ 2,320,582
Plus / (Less): Fund Transfer	-	-	-	-	-	-
Ending Fund Balance	\$ 5,421,218	\$ 4,591,072	\$ 3,427,806	\$ 2,635,162	\$ 1,811,802	\$ 2,671,253

(a) Unaudited as of March 31, 2020. Partial year. Represents six months of the District's current fiscal year.

(b) Audited.

DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3
Williamson County Water, Sewer, Irrigation, and Drainage District No. 3
\$5,680,000
Unlimited Tax Refunding Bonds, Series 2020
Dated Date: June 17, 2020
First Interest Payment Due: September 1, 2020

Year Ending 31-Dec	Less:			The Bonds				Total	
	Outstanding Debt	Refunded Debt	Total Debt	Principal (Due 9/01)	Interest		Principal and Interest	Debt Service Requirements	
					(Due 3/01)	(Due 9/01)			Total
2020	\$ 2,496,556	\$ 95,859	\$ 2,400,697	\$ 55,000	\$ -	\$ 33,768	\$ 33,768	\$ 88,768	\$ 2,489,465
2021	2,514,531	181,419	2,333,112	5,000	81,038	81,038	162,075	167,075	2,500,187
2022	2,519,706	181,119	2,338,587	5,000	80,938	80,938	161,875	166,875	2,505,462
2023	2,512,744	835,819	1,676,925	655,000	80,838	80,838	161,675	816,675	2,493,600
2024	2,499,669	820,869	1,678,800	670,000	67,738	67,738	135,475	805,475	2,484,275
2025	2,520,444	850,769	1,669,675	725,000	54,338	54,338	108,675	833,675	2,503,350
2026	2,499,269	274,169	2,225,100	180,000	39,838	39,838	79,675	259,675	2,484,775
2027	2,499,031	269,219	2,229,812	180,000	36,238	36,238	72,475	252,475	2,482,287
2028	2,523,656	264,269	2,259,387	180,000	32,638	32,638	65,275	245,275	2,504,662
2029	2,530,206	684,319	1,845,887	605,000	30,838	30,838	61,675	666,675	2,512,562
2030	2,517,906	681,619	1,836,287	615,000	24,788	24,788	49,575	664,575	2,500,862
2031	2,518,700	708,469	1,810,231	655,000	18,638	18,638	37,275	692,275	2,502,506
2032	2,528,831	263,438	2,265,394	220,000	12,088	12,088	24,175	244,175	2,509,569
2033	2,506,194	256,688	2,249,506	220,000	9,888	9,888	19,775	239,775	2,489,281
2034	2,531,919	274,375	2,257,544	240,000	7,688	7,688	15,375	255,375	2,512,919
2035	2,557,150	266,250	2,290,900	240,000	5,288	5,288	10,575	250,575	2,541,475
2036	2,543,481	258,125	2,285,356	230,000	2,588	2,588	5,175	235,175	2,520,531
2037	2,531,844	-	2,531,844	-	-	-	-	-	2,531,844
2038	1,283,531	-	1,283,531	-	-	-	-	-	1,283,531
2039	1,318,031	-	1,318,031	-	-	-	-	-	1,318,031
	\$ 47,953,400	\$ 7,166,791	\$ 40,786,609	\$ 5,680,000	\$ 585,400	\$ 619,168	\$ 1,204,568	\$ 6,884,568	\$ 47,671,177

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2019 Certified Assessed Valuation	\$ 572,737,755 ^(a)
2020 Preliminary Assessed Valuation	\$ 566,054,664 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 35,130,000 ^(c)
Ratio of Gross Debt to 2019 Certified Assessed Valuation	6.13%
Ratio of Gross Debt to 2020 Preliminary Assessed Valuation	6.21%
2019 Tax Rate	
Debt Service	\$ 0.4344
Maintenance	<u>0.3121</u>
Total 2019 Tax Rate	<u>\$ 0.7465</u> ^(d)
Debt Service Fund Balance (as of May 13, 2020)	\$ 3,526,443 ^(e)
Estimated Population as of April 1, 2020.....	6,954 ^(f)
Area of District: 751.26 acres	

- (a) Assessed valuation of the District as of January 1, 2019 as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2020, as provided by WCAD and TCAD. No taxes will be levied on this assessed valuation unless it is certified by WCAD and TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District's Board, at its meeting in September 2019, levied a total tax rate of \$0.7465. See "TAXING PROCEDURES."
- (e) Unaudited as of May 13, 2020. Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.5 residents per occupied single-family home (including duplexes and townhomes) and 2.5 residents per occupied multi-family unit.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Unissued
11/7/2000	Water, Sanitary Sewer & Drainage	\$ 31,345,000.00	\$ 31,345,000.00	\$ -
5/12/2012	Water, Sanitary Sewer & Drainage	<u>9,805,000.00</u>	<u>9,805,000.00</u>	<u>-</u>
	Total	\$ 41,150,000.00	\$ 41,150,000.00	\$ -
11/7/2000	Refunding	47,017,500.00	4,532,214.63	42,485,285.37
5/12/2012	Refunding	<u>14,707,500.00</u>	<u>-</u>	<u>14,707,500.00</u>
	Total	\$ 61,725,000.00 ^(a)	\$ 4,532,214.63 ^(b)	\$ 57,192,785.37 ^(b)

- (a) The propositions also authorize the issuance of refunding bonds in an amount not to exceed one and one-half (1.5) times the principal amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued. All new money bonds have been issued.
- (b) The calculation of the amount of remaining unissued refunding authorization is based on administrative guidance from the Attorney General. 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. Additionally, any net premium received by the District from the sale of Refunding Bonds, after deducting the Underwriter's discount, is also counted against the District's refunding authorization. The District has previously issued seven (7) series of refunding bonds, which used \$4,262,006.87 in refunding authorization, and the issuance of the Bonds will use an additional \$270,207.76 of the District's voted authorization of refunding bonds. After the issuance of the bonds, \$57,192,785.37 of voted authorization of refunding bonds will remain unissued (assuming the District issues its full amount of voter authorized new money bonds).

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
03/01/06	Water, Sanitary Sewer & Drainage	2006	\$ 3,875,000	\$ -
12/01/07	Water, Sanitary Sewer & Drainage	2007	6,250,000	-
12/01/08	Water, Sanitary Sewer & Drainage	2008	5,225,000	-
12/01/09	Water, Sanitary Sewer & Drainage	2009	4,900,000	-
12/01/10	Water, Sanitary Sewer & Drainage	2010A	2,500,000	10,000
12/01/11	Water, Sanitary Sewer & Drainage	2011	2,000,000	10,000
01/01/13	Water, Sanitary Sewer & Drainage	2013	2,950,000	245,000 ^(b)
12/01/13	Water, Sanitary Sewer & Drainage	2013B	3,675,000	5,000
01/01/15	Water, Sanitary Sewer & Drainage	2015A	3,350,000	3,305,000
09/13/17	Water, Sanitary Sewer & Drainage	2017	6,425,000	5,885,000
	Subtotal		\$ 41,150,000	\$ 9,460,000
B. Refunding Bonds				
06/01/10	Refunding	2010	\$ 4,350,000	\$ -
03/01/12	Refunding	2012	8,290,000	1,900,000 ^(b)
02/01/13	Refunding	2013A	2,585,000	- ^(b)
01/01/15	Refunding	2015	4,645,000	3,850,000
06/08/16	Refunding	2016	6,375,000	6,055,000
02/14/19	Refunding	2019	4,325,000	4,255,000
06/04/19	Refunding	2019A	3,965,000	3,930,000
06/17/20	Refunding	2020	5,680,000 ^(c)	5,680,000 ^(c)
	Subtotal		\$ 40,215,000	\$ 25,670,000
	Total		\$ 81,365,000	\$ 35,130,000 ^(a)

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

(b) Excludes the Refunded Bonds.

(c) The Bonds.

Cash and Investment Balances - Table 7 ^(a)

General Fund	\$ 5,400,273
Debt Service Fund	3,526,443 ^(b)
Capital Projects Fund	2,241,583

(a) Unaudited as of May 13, 2020.

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

Investment Authority and Investment Practices of the District

Under State law, the District is authorized to invest in (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 FDIC 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 FDIC 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 this 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 SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of 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 National Credit Union Share Insurance Fund, 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 and 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 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.

Under Texas 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 Texas 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 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, and any additions and changes to market value and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, re-visit, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

Current Investments - Table 8

The District, at May 13, 2020, is invested in Money Market, TexPool, and L.O.G.I.C., as shown below. 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 investments 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 securities are not issued to evidence the investment, but rather the District 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.

	Investment Value as of May 13, 2020
Cash	\$ 126,789
Money Market	2,226,021
TexPool	5,393,012
L.O.G.I.C.	3,422,477
Total Investments	\$ 11,168,298

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 may be authorized by State law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes for debt service and the tax burden for operation, maintenance, and/or general purposes is not included in these figures.

(Chart appears on following page)

Taxing Body	Gross Debt		% of Overlapping Gross Debt	Amount of Overlapping Gross Debt
	Amount	As of		
Williamson County ^(a)	1,047,414,956	4/30/2020	0.69%	7,227,163
Travis County ^(a)	992,335,000	4/30/2020	0.04%	396,934
Travis Co Healthcare District	7,285,000	4/30/2020	0.04%	2,914
EWC Higher Education Center	-	4/30/2020	0.00%	-
Hutto ISD ^(a)	324,328,813	4/30/2020	6.38%	20,692,178
Pflugerville ISD ^(a)	642,530,000	4/30/2020	0.44%	2,827,132
Round Rock ISD ^(a)	1,001,220,000	4/30/2020	0.45%	4,505,490
Austin Community College	404,420,000	4/30/2020	0.07%	283,094
TOTAL ESTIMATED OVERLAPPING DEBT				\$ 35,934,905
The District ^(b)	\$ 35,130,000	6/17/2020	100.00%	\$ 35,130,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 71,064,905
Ratio of Estimated and Overlapping Debt to Certified 2019 Assessed Valuation				12.41%

(a) A resident of the District can reside only in one county and one school district.

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

Overlapping Taxes for 2019

	2019 Tax Rates			Average Tax Bill ^(a)		
	Travis County	Williamson County		Travis County	Williamson County	
Overlapping Entity	Pflugerville ISD	Round Rock ISD	Hutto ISD	Pflugerville ISD	Round Rock ISD	Hutto ISD
District	\$0.746500	\$0.746500	\$0.746500	\$ 2,175	\$ 2,175	\$ 2,175
Williamson County		0.418719	0.418719		1,220	1,220
Travis County	0.369293			1,076		
Round Rock ISD		1.234800			3,597	
Hutto ISD			1.498350			4,365
Pflugerville ISD	1.450000			4,224		-
Travis County Healthcare District	0.105573			308		-
EWC Higher Education Center		0.046040	0.046040		134	134
Austin Community College District	0.104900	0.104900	0.104900	306	306	306
Williamson Co FM/RD District		0.040000	0.040000		117	117
Williamson County ESD No. 3		0.100000	0.100000		291	291
Upper Brushy Creek WC&ID No. 1A		0.020000	0.020000		58	58
TOTAL	\$2.776266	\$2.710959	\$2.974509	\$8,088.15	\$7,897.89	\$8,665.70

(a) Based upon 2019 average single-family home value of \$291,332, as provided by TCAD and WCAD.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2019 ^(a)		2018 ^(a)		2017 ^(a)	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 333,291,089	58.13%	\$ 321,202,430	60.62%	\$ 294,503,115	61.59%
Multi Family	137,154,966	23.92%	130,282,450	24.59%	122,266,964	25.57%
Vacant Land	6,220,362	1.08%	6,972,354	1.32%	4,257,969	0.89%
Acreage	5,202,364	0.91%	5,599,211	1.06%	7,609,791	1.59%
Rural Land Non-Qualified	30,874	0.01%	639,692	0.12%	1,266,964	0.26%
Commercial Real Property	89,833,536	15.67%	66,776,310	12.60%	52,228,104	10.92%
Utilities	2,778,733	0.48%	2,969,354	0.56%	2,757,596	0.58%
Tangible Personal Property	15,640,770	2.73%	14,797,115	2.79%	9,521,462	1.99%
Real Inventory	2,661,596	0.46%	3,660,189	0.69%	4,427,986	0.93%
Exempt	1,400,331	0.24%	1,030,598	0.19%	788,520	0.16%
Less: Adjustment	(20,899,468)	-3.65%	(24,047,675)	-4.54%	(21,483,129)	-4.49%
Total	\$ 573,315,153	100.00%	\$ 529,882,028	100.00%	\$ 478,145,342	100.00%

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

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 respective Tax Assessor/Collector of WCAD and TCAD. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2010	181,663,535 ^(a)	0.8150	1,524,785	1,475,872	96.79%	1,486,809	97.51%	9/30/2011 ^(b)
2011	209,800,052 ^(a)	0.8150	1,715,484	1,704,264	99.35%	1,707,380	99.53%	9/30/2012 ^(b)
2012	241,530,178 ^(a)	0.8150	1,962,169	1,959,305	99.85%	1,964,087	100.10%	9/30/2013 ^(b)
2013	272,272,656 ^(a)	0.8150	2,219,022	2,215,519	99.84%	2,231,064	100.54%	9/30/2014 ^(b)
2014	326,403,023 ^(a)	0.8082	2,637,989	2,635,351	99.90%	2,635,351	99.90%	9/30/2015 ^(b)
2015	391,863,780 ^(a)	0.7306	2,862,957	2,854,368	99.70%	2,854,368	99.70%	9/30/2016 ^(b)
2016	433,712,795 ^(a)	0.7230	3,135,744	3,120,065	99.50%	3,120,065	99.50%	9/30/2017 ^(b)
2017	478,145,342 ^(a)	0.7230	3,456,991	3,446,620	99.70%	3,446,620	99.70%	9/30/2018 ^(b)
2018	529,882,028 ^(a)	0.7230	3,831,047	3,819,554	99.70%	3,819,554	99.70%	9/30/2019 ^(b)
2019	572,737,755	0.7465	4,275,932	4,248,495	99.36%	4,260,172	99.63%	9/30/2020 ^(c)

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited. Reflects collections through March 31, 2020. Taxes were due with no penalty by January 31, 2020.

District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2019	2018	2017	2016	2015
Debt Service	\$ 0.4344	\$ 0.4820	\$ 0.5354	\$ 0.5145	\$ 0.5606
Maintenance	0.3121	0.2410	0.1876	0.2085	0.1700
Total	\$ 0.7465	\$ 0.7230	\$ 0.7230	\$ 0.7230	\$ 0.7306

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 2019 debt service tax rate of \$0.4344/\$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, constructing, acquiring, maintaining, repairing, or 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 which the District is authorized to levy for paying principal of and interest on the Remaining Outstanding Bonds, the Bonds, and any tax bonds which may be issued in the future. At an election held on November 7, 2000, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2019 maintenance and operations tax of \$0.3121/\$100 assessed valuation.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2019, 2018, and 2017 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2019 ^(a)	2018 ^(a)	2017 ^(a)
CWS Star Ranch SAF VIII et al	Apartments	\$ 50,600,000	\$ 50,565,219	\$ 48,290,836
Fairways at Star Ranch I LLC et al	Apartments	47,495,420	45,406,057	44,738,073
HEB Grocery Company LP	Grocery Store	27,807,615	26,876,435	20,259,020
Forest Creek Medical Center LP	Office Building	11,912,372	11,544,469	11,321,835
Tack Townhomes LLC	Townhomes	10,129,020	9,950,000	9,766,745
Round Rock M3-05 LLC	Apartments	9,775,174	9,873,087	9,900,857
SR Market LLC	Retail	9,270,049	(b)	(b)
Williamson Health Realty LLC	Nursing Home	8,640,481	8,388,955	10,115,071
VEB TX I LLC & VEB TX II LLC	Retail	8,465,000	(b)	(b)
Parth Capital Group LLC	Office Building	6,946,320	6,400,000	5,100,000
Muirfield Townhomes LLC	Townhomes	(b)	6,664,138	3,540,314
HEB Grocery Company LP	Land & Improvements	(b)	5,577,959	4,085,659
Total		<u>\$191,041,451</u>	<u>\$ 181,246,319</u>	<u>\$167,118,410</u>
Percent of Certified Assessed Valuation		33.36%	34.21%	34.95%

(a) Assessed Valuation reflects the adjusted value at September 30th as included in the audited financial statement.

(b) Not a principal taxpayer during the fiscal year.

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Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2019 Certified Assessed Valuation and 2020 Preliminary 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 - Impact on District Tax Rates."

Average Requirement on the Remaining Outstanding Bonds (2020 through 2037).....	\$2,503,867
\$0.47 Tax Rate on 2019 Certified Assessed Valuation of \$572,737,755 @ 95% collections produces.....	\$2,557,274
\$0.47 Tax Rate on 2020 Preliminary Assessed Valuation of \$566,054,664 @ 95% collections produces.....	\$2,527,434
Maximum Requirement on the Remaining Outstanding Bonds (2035).....	\$2,541,475
\$0.47 Tax Rate on 2019 Certified Assessed Valuation of \$572,737,755 @ 95% collections produces.....	\$2,557,274
\$0.48 Tax Rate on 2020 Preliminary Assessed Valuation of \$566,054,664 @ 95% collections produces.....	\$2,581,209

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/20.....	\$2,489,465 ^(a)
Audited Debt Service Fund Balance as of 9/30/2019.....	\$ 1,192,963 ^(b)
2019 Tax Levy @ 95% collections produces.....	\$ <u>2,363,574</u> ^(c)
Total Available for Debt Service.....	<u>\$3,556,537</u>
Projected Debt Service Fund Balance 9/30/20.....	\$1,067,072

(a) Interest payments on the Bonds begin September 1, 2020.

(b) Audited debt service fund balance of as of September 30, 2019; represents debt service fund balance after all 2019 debt service requirements have been paid.

(c) The District levied a 2019 debt service tax rate of \$0.4344 at its September 2019 meeting, collection of which was due with no penalty by January 31, 2020.

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 Remaining Outstanding Bonds, the 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 State law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – Debt Service Tax" and "-Maintenance Tax."

Property Tax Code and County Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board responsible for appraising property for all taxing units within the county. The Williamson Central Appraisal District (the "WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the portion of the District within Williamson County. The Travis Central Appraisal District (the "TCAD") has the responsibility for appraising property for all taxing units within Travis County, including the portion of the District within Travis County. Such appraisal values are subject to review and change by the Williamson Central and Travis Central Appraisal Review Boards (the "Appraisal Review Boards"). Except as described below, WCAD and TCAD are required to appraise all property within their respective appraisal districts on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining market value of property, WCAD and TCAD are required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of WCAD and TCAD consider most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may

require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Boards.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by WCAD and TCAD are subject to review and change by the Appraisal Review Boards. The appraisal rolls, as approved by the Appraisal Review Boards, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See "TAXING PROCEDURES – District and Taxpayer Remedies.

Property Subject to Taxation by the District

State Mandated Homestead Exemptions: State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions: The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

Personal Property: Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport Exemptions: Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing, or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property: Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Abatement Agreements: Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

Valuation of Property for Taxation

Generally, property in the District must be appraised by WCAD and TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Boards, 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. Developers 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.

The Property Tax Code requires WCAD and TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in WCAD and TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by WCAD and TCAD 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 each 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 WCAD and TCAD choose formally to include such values on its respective 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 Boards 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 WCAD and TCAD 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 became 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, sixty (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, 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 twenty-four (24) months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least twelve (12) months and no more than thirty-six (36) months. Additionally, the owner of a residence 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 residence 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

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 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 can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification 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 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: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the 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 on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any 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 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 2019". 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 - General - 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 "USE OF INFORMATION IN OFFICIAL STATEMENT – Securities Laws," "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "DTC Redemption Provisions," "Payment Record," "Remedies in Event of Default," "Annexation," and "Alteration of Boundaries"), "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 its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, 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

Public Finance Partners LLC will deliver to the District, on or before the date of delivery 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, 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.

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 is 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.

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.

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 1 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 it is 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 obligated person, 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 debt service reserve or a trustee.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be 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 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 this Order that authorizes such an amendment) of the Remaining 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.

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.

UNDERWRITING

The Underwriter of the Bonds has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$47,255.79 from the initial public offering prices therefore set forth on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public offering prices may be charged from time to time by the Underwriter.

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 and Crossroads; "THE DEVELOPERS" – SRI, KPKM II, PK Tack, Len-Buf, BCL, HEB Grocery Company L.P., KB Home, Central Southwest Texas Development, LLC, SR Station LLC, Muirfield Townhomes, Brushy Creek Townhomes, LLC, Tack Development, Star Golf Development, and Crossroads; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Williamson Central Appraisal District and Travis 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" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS" (except "Payment Record"), "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" - 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 Murfee Engineering Company, Inc., and has been included in reliance upon the authority of said firm in the field of civil engineering.

The Auditor: The District's financial statements for the fiscal year ended September 30, 2019 were prepared by Maxwell, Locke & Ritter LLP ("Maxwell, Locke & Ritter"), Certified Public Accountants. Maxwell, Locke & Ritter serves as auditor to 35 other special districts. See "Appendix A" for a copy of the District's Audited Financial Statements as of September 30, 2019.

Appraisal Districts: 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 Williamson Central Appraisal District and Travis Central Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

Tax Assessor/Collectors: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Mr. Larry Gaddes, A/C (Williamson County) and Mr. Bruce Elfant, A/C (Travis County) in reliance upon their authority in the field of tax assessing and collecting.

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 once the District has issued bonds or has assets or receipts in excess of \$250,000. Prior to selling bonds or having assets over \$250,000, the District is allowed under State law to file a financial report in lieu of an audit. 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 Williamson County Water, Sewer, Irrigation, and Drainage District No. 3, as of the date shown on the first page hereof.

/s/ Rance Richter

President, Board of Directors

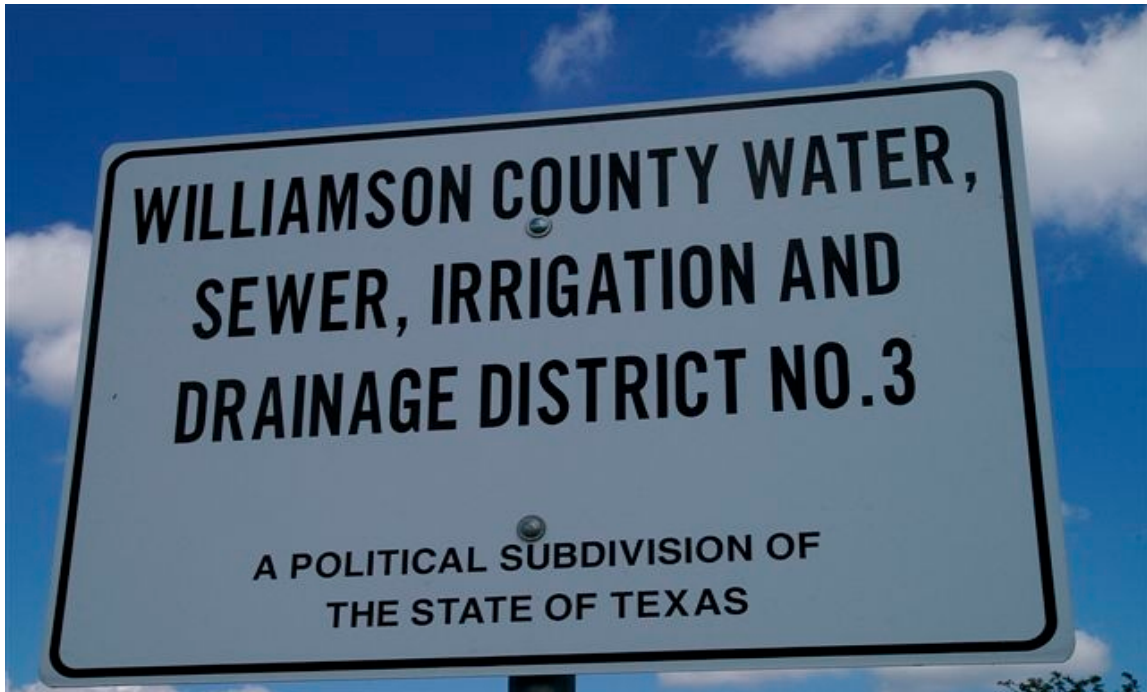
Williamson County Water, Sewer, Irrigation, and Drainage District
No. 3

/s/ Lee Buckley

Assistant Secretary/Treasurer, Board of Directors
Williamson County Water, Sewer, Irrigation, and
Drainage District No. 3

PHOTOGRAPHS

The following photographs were taken in the District. The homes and commercial establishments 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 audited financial statement of Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 for the fiscal year ended September 30, 2019. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**WILLIAMSON COUNTY
WATER, SEWER, IRRIGATION
AND DRAINAGE DISTRICT
NO. 3**

**Financial Statements and
Supplemental Information
as of and for the Year Ended
September 30, 2019 and
Independent Auditors' Report**



WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE DISTRICT NO. 3

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF WILLIAMSON

I, _____ of the
(Name of Duly Authorized District Representative)

WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE DISTRICT NO. 3
(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 on the **8th day of January, 2020**, its annual audit report for the fiscal year ended **September 30, 2019** and that copies of the annual audit report have been filed in the District's office, located at:

100 Congress Avenue, Suite 1300
Austin, Texas 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 the annual filing requirements of Texas Water Code Section 49.194.

Date: _____, _____ By: _____
(Signature of 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

Williamson County Water, Sewer, Irrigation and Drainage District No. 3:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2019, 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-22, 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 8, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 the management of Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2019. 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 financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the fund balance in the General Fund was \$4,591,072, an increase of \$1,163,266 from the previous fiscal year. General Fund revenues increased from \$3,639,749 in the previous fiscal year to \$4,144,947 in the current fiscal year due to an increase in service revenues and property taxes resulting from an increase in the property valuation of the District.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$1,056,769 at the end of the previous fiscal year to \$1,192,963 in the current fiscal year. Debt Service Fund revenues increased from \$2,615,434 in the previous fiscal year to \$2,662,120 in the current fiscal year due to an increase in the District's assessed valuation. The District made bond principal payments of \$1,410,000 and bond interest payments of \$1,099,244 during the current fiscal year. The District also received proceeds from two unlimited tax refunding bonds totaling \$8,290,000 to refund \$7,935,000 of outstanding debt.
- *Capital Projects Fund:* Fund balance restricted for capital projects decreased from \$2,644,551 in the previous fiscal year to \$2,635,635 in the current fiscal year. The Capital Projects Fund expended \$44,848 for the purchase of infrastructure and \$12,521 for the costs of bond issuance.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$1,560,952 during the current fiscal year. Net position increased from \$724,429 at September 30, 2018 to \$2,285,381 at September 30, 2019.

OVERVIEW OF THE DISTRICT

The District is a political subdivision of the State of Texas created effective June 18, 1987 by House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, which has since been codified as Chapter 8486 of the Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 751 acres of land. The District is located in southeast Williamson County and northeast Travis County and lies primarily within the extraterritorial jurisdiction of the City of Hutto. The District is divided among three school districts, Hutto Independent School District, Pflugerville Independent School District and Round Rock Independent School District. Access to the District is provided along FM 685 and State Highway 130. The District was created to provide water, wastewater and drainage services to the lands within the District.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 BASIC 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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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 (Decrease)
	2019	2018	
Current and Other Assets	\$ 9,424,531	\$ 7,984,796	\$ 1,439,735
Capital Assets	28,073,785	28,707,290	(633,505)
Total Assets	37,498,316	36,692,086	806,230
Deferred Outflows of Resources	1,651,071	1,645,248	5,823
Current Liabilities	2,410,927	2,206,442	204,485
Long-term Liabilities	34,453,079	35,406,463	(953,384)
Total Liabilities	36,864,006	37,612,905	(748,899)
Net Investment in Capital Assets	(3,418,494)	(3,714,374)	295,880
Restricted	1,109,280	998,798	110,482
Unrestricted	4,594,595	3,440,005	1,154,590
Total Net Position	<u>\$ 2,285,381</u>	<u>\$ 724,429</u>	<u>\$ 1,560,952</u>

The District's net position increased from \$724,429 in the previous fiscal year to \$2,285,381 in the current fiscal year. The District's unrestricted net position at September 30, 2019, which can be used to finance day to day operations, totaled \$4,594,595.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

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

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2019	2018	
Service revenues, including penalties	\$ 2,728,311	\$ 2,585,651	\$ 142,660
Property taxes, including penalties	3,841,235	3,513,302	327,933
Other	242,706	230,987	11,719
Total Revenues	6,812,252	6,329,940	482,312
Water/wastewater/garbage	2,198,804	2,075,470	123,334
Professional fees	410,668	392,639	18,029
Other	388,903	397,236	(8,333)
Debt service	1,468,279	1,305,815	162,464
Depreciation/amortization	784,646	779,303	5,343
Total Expenses	5,251,300	4,950,463	300,837
Change in Net Position	1,560,952	1,379,477	181,475
Beginning Net Position	724,429	(655,048)	1,379,477
Ending Net Position	<u>\$ 2,285,381</u>	<u>\$ 724,429</u>	<u>\$ 1,560,952</u>

Revenues were \$6,812,252 for the fiscal year ended September 30, 2019 while expenses were \$5,251,300. Net position increased by \$1,560,952 during the current fiscal year.

Property taxes totaled \$3,841,235 in the current fiscal year. 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 2019 (the 2018 tax year) was approximately \$530 million compared to \$478 million in fiscal year 2018 (the 2017 tax year). The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Williamson and Travis Central Appraisal Districts. The ad valorem tax rate for fiscal years 2019 and 2018 was \$0.7230 per \$100 of assessed valuation for both fiscal years. The District's primary revenue sources are service account fees and property taxes.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

ANALYSIS OF GOVERNMENTAL FUNDS

	<u>Governmental Funds by Year</u>			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 704,286	\$ 728,426	\$ 624,804	\$ 388,049
Cash equivalents/investments	8,211,037	6,858,427	9,042,027	2,704,575
Receivables	493,365	436,776	377,125	320,175
Prepaid expenditures	679	1,199	2,066	26,775
Total Assets	<u>\$ 9,409,367</u>	<u>\$ 8,024,828</u>	<u>\$10,046,022</u>	<u>\$ 3,439,574</u>
Accounts payable	521,561	404,351	379,543	280,501
Other payables	457,348	437,295	2,340,531	391,951
Total Liabilities	<u>978,909</u>	<u>841,646</u>	<u>2,720,074</u>	<u>672,452</u>
Deferred inflows of resources	<u>10,788</u>	<u>54,056</u>	<u>14,499</u>	<u>654</u>
Nonspendable	679	1,199	2,066	-
Restricted	3,828,598	3,701,320	4,676,287	954,666
Unassigned	<u>4,590,393</u>	<u>3,426,607</u>	<u>2,633,096</u>	<u>1,811,802</u>
Total Fund Balances	<u>8,419,670</u>	<u>7,129,126</u>	<u>7,311,449</u>	<u>2,766,468</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,409,367</u>	<u>\$ 8,024,828</u>	<u>\$10,046,022</u>	<u>\$ 3,439,574</u>

For the fiscal year ended September 30, 2019, the District's governmental funds reflect a fund balance of \$8,419,670. This fund balance includes a \$1,163,266 increase to the General Fund.

The Debt Service Fund reflects an increase of \$136,194 in fund balance during fiscal year 2019. The Debt Service Fund remitted bond principal of \$1,410,000 and interest of \$1,099,244 during fiscal year 2019. The District also received proceeds from two unlimited tax refunding bonds totaling \$8,290,000 to refund \$7,935,000 of outstanding debt. 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 \$8,916 decrease in fund balance for fiscal year 2019. The Capital Projects Fund expended \$44,848 for the purchase of infrastructure and \$12,521 for bond issuance costs.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on September 12, 2018. The budget included revenues of \$3,677,692 as compared to expenditures of \$3,642,879 during the current fiscal year. When comparing actual to the budget, the District had a positive variance of \$1,128,453 that was primarily attributable to service revenues in excess of the budget and budgeted capital outlay delayed until a subsequent fiscal year. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

As of September 30, 2019, the District's governmental activities had invested \$28,073,785 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	<u>9/30/2019</u>	<u>9/30/2018</u>
Capital Assets:		
Land	\$ 23,603	\$ 23,603
Water/Wastewater/Drainage Facilities	33,619,943	33,575,095
Equipment	18,747	18,747
Less: Accumulated Depreciation	<u>(5,588,508)</u>	<u>(4,910,155)</u>
Total Net Capital Assets	<u>\$ 28,073,785</u>	<u>\$ 28,707,290</u>

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2019**

LONG TERM DEBT

As of September 30, 2019, the District had the following balances outstanding on unlimited tax and refunding bonds:

	<u>Bonds Payable</u>
Series 2010A	\$ 10,000
Series 2011	10,000
Series 2012	3,515,000
Series 2013	2,895,000
Series 2013A	1,360,000
Series 2013B	5,000
Series 2015	3,850,000
Series 2015A	3,325,000
Series 2016	6,055,000
Series 2017	5,885,000
Series 2019	4,255,000
Series 2019A	<u>3,930,000</u>
Total bonds payable	<u><u>\$ 35,095,000</u></u>

The District owes approximately \$35 million to bond holders. During the year, the principal balance was reduced by \$1,410,000. The ratio of the District's long term debt to the total taxable assessed valuation for the 2018 tax year (\$529,882,028) is 6.6%. The District's estimated population, as provided by the District as of September 30, 2019, is 6,548. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for fiscal year 2020 (the 2019 tax year) is approximately \$573 million. The fiscal year 2020 tax rate is \$0.7465 on each \$100 of taxable value. Approximately 42% of the property tax will fund general operating expenses, and approximately 58% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2020 projects an operating fund balance increase of \$171,773. Compared to the fiscal year 2019 budget, revenues are expected to increase by approximately \$650,000 and expenditures are expected to increase by approximately \$513,000.

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**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
STATEMENT OF NET POSITION AND GOVERNMENTAL
FUNDS BALANCE SHEET
SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash on deposit	\$ 704,286	\$ -	\$ -	\$ 704,286	\$ -	\$ 704,286
Cash equivalents	4,349,943	1,199,301	576,035	6,125,279	-	6,125,279
Restricted investments	-	-	2,085,758	2,085,758	-	2,085,758
Receivables:						
Property taxes	3,523	7,265	-	10,788	-	10,788
Service accounts, no provision for uncollectible accounts	464,641	-	-	464,641	-	464,641
Interfund	11,958	772	1,200	13,930	(13,930)	-
Other	4,006	-	-	4,006	-	4,006
Prepaid expenditures	679	-	-	679	29,094	29,773
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	23,603	23,603
Water/wastewater/drainage facilities	-	-	-	-	28,036,331	28,036,331
Equipment	-	-	-	-	13,851	13,851
TOTAL ASSETS	\$ 5,539,036	\$ 1,207,338	\$ 2,662,993	\$ 9,409,367	28,088,949	37,498,316
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred charges on refundings	-	-	-	-	1,651,071	1,651,071
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	1,651,071	1,651,071
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,539,036	\$ 1,207,338	\$ 2,662,993	\$ 9,409,367	29,740,020	39,149,387
<u>LIABILITIES</u>						
Accounts payable	\$ 500,251	\$ 5,910	\$ 15,400	\$ 521,561	-	521,561
Accrued interest payable	-	-	-	-	90,948	90,948
Refundable deposits	412,998	-	-	412,998	-	412,998
Interfund payables	772	1,200	11,958	13,930	(13,930)	-
Intergovernmental payable	30,420	-	-	30,420	-	30,420
Bonds payable:						
Due within one year	-	-	-	-	1,355,000	1,355,000
Due after one year	-	-	-	-	34,453,079	34,453,079
TOTAL LIABILITIES	944,441	7,110	27,358	978,909	35,885,097	36,864,006
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred revenue - property taxes	3,523	7,265	-	10,788	(10,788)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	3,523	7,265	-	10,788	(10,788)	-
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Nonspendable	679	-	-	679	(679)	-
Restricted for:						
Debt service	-	1,192,963	-	1,192,963	(1,192,963)	-
Capital projects	-	-	2,635,635	2,635,635	(2,635,635)	-
Unassigned	4,590,393	-	-	4,590,393	(4,590,393)	-
TOTAL FUND BALANCES	4,591,072	1,192,963	2,635,635	8,419,670	(8,419,670)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,539,036	\$ 1,207,338	\$ 2,662,993	\$ 9,409,367		
Net position:						
Net investment in capital assets					(3,418,494)	(3,418,494)
Restricted for debt service					1,109,280	1,109,280
Unrestricted					4,594,595	4,594,595
TOTAL NET POSITION					\$ 2,285,381	\$ 2,285,381

The accompanying notes are an integral part of this statement.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Service revenues, including penalties	\$ 2,728,311	\$ -	\$ -	\$ 2,728,311	\$ -	\$ 2,728,311
System connection / inspection fees	32,050	-	-	32,050	-	32,050
Property taxes, including penalties	1,287,978	2,596,525	-	3,884,503	(43,268)	3,841,235
Interest	96,118	65,595	48,453	210,166	-	210,166
Other	490	-	-	490	-	490
TOTAL REVENUES	4,144,947	2,662,120	48,453	6,855,520	(43,268)	6,812,252
EXPENDITURES / EXPENSES:						
Current:						
Water / wastewater purchases	1,938,864	-	-	1,938,864	-	1,938,864
Garbage collection fees	259,940	-	-	259,940	-	259,940
Tap connection / inspection fees	5,925	-	-	5,925	-	5,925
Repairs and maintenance	170,916	-	-	170,916	-	170,916
Security services	73,077	-	-	73,077	-	73,077
Utilities	43,217	-	-	43,217	-	43,217
Director fees, including payroll taxes and reimbursements	6,943	-	-	6,943	-	6,943
Legal fees	85,958	-	-	85,958	-	85,958
Engineering fees	83,076	-	-	83,076	-	83,076
Operations / management fees	196,554	-	-	196,554	-	196,554
Bookkeeping fees	27,750	-	-	27,750	-	27,750
Audit fees	15,000	-	-	15,000	-	15,000
Insurance	10,731	-	-	10,731	-	10,731
Tax appraisal / collection	7,571	15,141	-	22,712	-	22,712
Financial advisor fees	777	1,553	-	2,330	-	2,330
Bank fees	43,981	-	-	43,981	-	43,981
Other professional fees	9,188	-	-	9,188	-	9,188
Public notice	478	-	-	478	-	478
Other	1,735	-	-	1,735	-	1,735
Debt service:						
Principal	-	1,410,000	-	1,410,000	(1,410,000)	-
Interest	-	1,099,244	-	1,099,244	(8,880)	1,090,364
Fiscal agent fees and other	-	4,000	-	4,000	-	4,000
Bond issuance costs	-	391,498	12,521	404,019	(30,104)	373,915
Capital outlay	-	-	44,848	44,848	(44,848)	-
Depreciation	-	-	-	-	678,353	678,353
Amortization	-	-	-	-	106,293	106,293
TOTAL EXPENDITURES / EXPENSES	2,981,681	2,921,436	57,369	5,960,486	(709,186)	5,251,300
Excess (deficit) of revenues over (under) expenditures / expenses	1,163,266	(259,316)	(8,916)	895,034	665,918	1,560,952
OTHER FINANCING SOURCES (USES):						
Issuance of refunding bonds	-	8,290,000	-	8,290,000	(8,290,000)	-
Payments to refunded bonds escrow agent	-	(8,095,955)	-	(8,095,955)	8,095,955	-
Bond discount	-	(68,997)	-	(68,997)	68,997	-
Bond premium	-	270,462	-	270,462	(270,462)	-
TOTAL OTHER FINANCING SOURCES, NET	-	395,510	-	395,510	(395,510)	-
CHANGE IN FUND BALANCES/ NET POSITION	1,163,266	136,194	(8,916)	1,290,544	270,408	1,560,952
FUND BALANCES / NET POSITION:						
Beginning of the year	3,427,806	1,056,769	2,644,551	7,129,126	(6,404,697)	724,429
End of the year	<u>\$ 4,591,072</u>	<u>\$ 1,192,963</u>	<u>\$ 2,635,635</u>	<u>\$ 8,419,670</u>	<u>\$ (6,134,289)</u>	<u>\$ 2,285,381</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (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 include 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 created effective June 18, 1987 by House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, which has since been codified as Chapter 8486 of the Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code pursuant to Article 16, Section 59 of the Texas Constitution. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) 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 basic 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 final amended 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. In addition, the government-wide Statement of Activities column reflects amortization and depreciation expense on the District’s capital assets, including infrastructure, original issue discounts, and deferred charges on refunding bonds.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- **Government-Wide Statements (continued) -**

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.

- **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 that 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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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.
- **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, deferred outflows of resources, 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 net 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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Basis of Accounting

- **Governmental Funds (continued)**

- **Fund Financial Statements (continued)** - The District reports deferred inflows of resources on its balance sheet. Deferred inflows 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 of resources is removed from the balance sheet and revenue is recognized.

Budgets and Budgetary Accounting - A budget was adopted on September 12, 2018 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.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include cash on deposit as well as investments with original maturities of three months or less. The investments, consisting of external investment pools and a trust account, are recorded at amortized cost. Restricted investments consist of escrowed bond proceeds.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management’s evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District believes all accounts were collectible at September 30, 2019.

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.

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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Capital Assets - Capital assets, which include land, equipment and water, wastewater and drainage facilities, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including equipment and water, wastewater and drainage facilities, 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 (other than land) are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Water, Wastewater and Drainage Facilities	10 - 50
Equipment	10 - 20

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.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities 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 premiums or discounts.

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.

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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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.

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 12 for additional information on those fund balance classifications.

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 at 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.

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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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

Recently Adopted Accounting Pronouncements - In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of a construction period. Under GASB Statement No. 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management has chosen to early implement GASB Statement No. 89 during the year ended September 30, 2019, the effect of which is reflected in the financial statements and within the footnotes.

Recently Issued Accounting Pronouncements - In June 2017, GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. 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, 2021.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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		\$ 8,419,670
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets	\$ 33,662,293	
Less: Accumulated depreciation	<u>(5,588,508)</u>	28,073,785
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.		10,788
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	(35,095,000)	
Bond discounts	177,077	
Bond premiums	(890,156)	
Bond insurance premium, net	29,094	
Deferred charges on refundings, net	1,651,071	
Accrued bond interest payable	<u>(90,948)</u>	<u>(34,218,862)</u>
Total net position		<u><u>\$ 2,285,381</u></u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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 - governmental funds		\$ 1,290,544
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital expenditures in year paid	\$ 44,848	
Bond principal in year paid	1,410,000	
Interest expenditures in year paid	8,880	
Tax revenue when collected	(43,268)	
Bond insurance premium	30,104	
Bond sales and refunding activity and related bond discount/premium	<u>(395,510)</u>	1,055,054
Governmental funds do not report:		
Depreciation	(678,353)	
Amortization of bond insurance premium	(1,010)	
Amortization of bond discounts	(7,401)	
Amortization of bond premiums	57,250	
Amortization of deferred charges on refundings	<u>(155,132)</u>	<u>(784,646)</u>
Change in net position		<u><u>\$ 1,560,952</u></u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

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, 2019, the carrying amount of the District's deposits was \$704,286 and the bank balance was \$713,203. The bank balance was covered by FDIC insurance and other pledged collateral.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) -

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.

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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) -

At September 30, 2019, the District held the following cash equivalents and investments:

Investment	Fair Value at 9/30/2019	Weighted Average Maturity (Days)	Investment Rating	
			Rating	Rating Agency
TexPool	\$ 2,730,435	1	AAAm	Standard & Poors
LOGIC	3,394,844	1	AAAm	Standard & Poors
Trust Account	2,085,758	1	Various	Various
	<u>\$ 8,211,037</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. 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.

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.

The Trust Account funds are valued using Level 1 inputs and are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. The TexPool and LOGIC 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*.

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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) -

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.

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 District'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, 2019, the District's bank deposits were 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 Williamson Central Appraisal District and Travis Central Appraisal District establish appraised values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector and Travis County Tax Assessor Collector bill and collect the District's property taxes. The Board set the tax rates for the 2019 fiscal year (2018 tax year) on September 12, 2018.

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 2018 tax roll. The 2018 tax rate, based on total taxable assessed valuation of \$529,882,028 was \$0.723 on each \$100 valuation and was allocated to the General Fund and Debt Service Fund at \$0.241 and \$0.482, respectively. The maximum allowable maintenance tax of \$1.00 was established by the voters on November 7, 2000.

Property taxes receivable at September 30, 2019, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 3,310	\$ 6,620	\$ 9,930
Prior years' levies	213	645	858
	<u>\$ 3,523</u>	<u>\$ 7,265</u>	<u>\$ 10,788</u>

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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, 2019:

	Interfund	
	Receivables	Payables
General Fund:		
Debt Service Fund	\$ -	\$ 772
Capital Projects Fund	11,958	-
Debt Service Fund:		
General Fund	772	-
Capital Projects Fund	-	1,200
Capital Projects Fund:		
General Fund	-	11,958
Debt Service Fund	1,200	-
	<u>\$ 13,930</u>	<u>\$ 13,930</u>

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated-				
Land	<u>\$ 23,603</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,603</u>
Capital assets being depreciated:				
Water/Wastewater/Drainage Facilities	33,575,095	44,848	-	33,619,943
Equipment	<u>18,747</u>	<u>-</u>	<u>-</u>	<u>18,747</u>
Total capital assets being depreciated	<u>33,593,842</u>	<u>44,848</u>	<u>-</u>	<u>33,638,690</u>
Less accumulated depreciation for:				
Water/Wastewater/Drainage Facilities	(4,906,421)	(677,191)	-	(5,583,612)
Equipment	<u>(3,734)</u>	<u>(1,162)</u>	<u>-</u>	<u>(4,896)</u>
Total accumulated depreciation	<u>(4,910,155)</u>	<u>(678,353)</u>	<u>-</u>	<u>(5,588,508)</u>
Capital assets being depreciated, net	<u>28,683,687</u>	<u>(633,505)</u>	<u>-</u>	<u>28,050,182</u>
Total capital assets, net of accumulated depreciation	<u>\$28,707,290</u>	<u>\$ (633,505)</u>	<u>\$ -</u>	<u>\$28,073,785</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2019:

Deferred charges on refundings - September 30, 2018	\$ 1,645,248
Additions from Series 2019 refunding	90,937
Additions from Series 2019A refunding	70,018
Retirements from Series 2010, 2012, 2013, 2015, 2016, 2019 and 2019A refundings	<u>(155,132)</u>
Deferred charges on refundings - September 30, 2019	<u><u>\$ 1,651,071</u></u>

8. LONG-TERM DEBT

The following is a summary of bond transactions of the District as of and for the year ended September 30, 2019:

	Unlimited Tax and Refunding Bonds
Bonds payable at September 30, 2018	<u>\$ 36,150,000</u>
Bonds issued	8,290,000
Bonds refunded	(7,935,000)
Bonds retired	(1,410,000)
Bond premium/discount, net of accumulated amortization	713,079
Bonds payable at September 30, 2019	<u><u>\$ 35,808,079</u></u>

Bonds payable at September 30, 2019, were comprised of the following issues:

Unlimited Tax Bonds:

\$10,000 - 2010A Unlimited Tax Bonds payable serially through the year 2021 at interest rates which range from 2.00% to 5.10%.

\$10,000 - 2011 Unlimited Tax Bonds payable serially through the year 2021 at interest rates which range from 2.75% to 4.50%.

\$2,895,000 - 2013 Unlimited Tax Bonds payable serially through the year 2036 at interest rates which range from 3.00% to 4.00%.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

8. LONG-TERM DEBT (continued) -

\$5,000 - 2013B Unlimited Tax Bonds payable serially through the year 2020 at interest rates which range from 4.625% to 6.25%.

\$3,325,000 - 2015A Unlimited Tax Bonds payable serially through the year 2039 at interest rates which range from 2.00% to 3.375%.

\$5,885,000 - 2017 Unlimited Tax Bonds payable serially through the year 2037 at interest rates which range from 2.00% to 3.125%.

Unlimited Tax Refunding Bonds:

\$3,515,000 - 2012 Unlimited Tax Refunding Bonds payable serially through the year 2025 at interest rates which range from 2.00% to 4.00%.

\$1,360,000 - 2013A Unlimited Tax Refunding Bonds payable serially through the year 2031 at interest rates which range from 2.00% to 3.125%.

\$3,850,000 - 2015 Unlimited Tax Refunding Bonds payable serially through the year 2033 at interest rates which range from 2.00% to 3.375%.

\$6,055,000 - 2016 Unlimited Tax Refunding Bonds payable serially through the year 2034 at interest rates which range from 2.00% to 4.00%.

\$4,255,000 - 2019 Unlimited Tax Refunding Bonds payable serially through the year 2035 at interest rates which range from 3.00% to 4.00%.

\$3,930,000 - 2019A Unlimited Tax Refunding Bonds payable serially through the year 2037 at interest rates which range from 2.00% to 3.00%.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

8. LONG-TERM DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2019, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2020	\$ 1,355,000	\$ 1,141,556	\$ 2,496,556
2021	1,410,000	1,104,532	2,514,532
2022	1,455,000	1,064,707	2,519,707
2023	1,490,000	1,022,744	2,512,744
2024	1,520,000	979,669	2,499,669
2025 - 2029	8,430,000	4,142,609	12,572,609
2030 - 2034	10,020,000	2,583,555	12,603,555
2035 - 2039	9,415,000	819,036	10,234,036
	<u>\$ 35,095,000</u>	<u>\$ 12,858,408</u>	<u>\$ 47,953,408</u>

\$1,192,963 is available in the Debt Service Fund to service the bonded debt as of September 30, 2019. All authorized tax bonds have been issued by the District at September 30, 2019.

On February 14, 2019, the District issued unlimited tax refunding bonds of \$4,325,000 (par value) with interest rates of 3.0% to 4.0% to currently refund \$1,950,000 of Series 2011 unlimited tax bonds with interest rates of 3.75% to 4.50% and \$2,345,000 of Series 2012 unlimited tax refunding bonds with interest rates of 4.00%. The bonds had maturity dates of September 1, 2022 through September 1, 2035. The first optional redemption date is March 21, 2019. The unlimited tax refunding bonds were issued at par plus a re-offering premium and, after paying issuance costs of \$207,904, the net proceeds were \$4,385,937. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2011 and Series 2012 bonds are paid. The current refunding met the requirements of an in-substance debt defeasance and the Series 2011 and Series 2012 bonds were removed from bonds payable. The reacquisition price exceeded the net carrying amount of the old debt by \$90,937. This amount is netted against the new debt and amortized over the life of the refunded debt which is the same as the life of the new debt issued. The current refunding resulted in an economic gain of \$176,980.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

8. LONG-TERM DEBT (continued) -

On June 4, 2019, the District issued unlimited tax refunding bonds of \$3,965,000 (par value) with interest rates of 2.0% to 3.0% to advance refund \$3,640,000 of Series 2013B unlimited tax bonds with interest rates of 4.625% to 6.25%. The bonds had maturity dates of September 1, 2021 through September 1, 2037. The first optional redemption date is September 1, 2019. The unlimited tax refunding bonds were issued at par plus an original issue discount and, after paying issuance costs of \$183,594, the net proceeds were \$3,710,018. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2013B bonds are paid. The advance refunding met the requirements of an in-substance debt defeasance and the Series 2013B bonds were removed from bonds payable. The reacquisition price exceeded the net carrying amount of the old debt by \$70,018. This amount is netted against the new debt and amortized over the life of the refunded debt which is the same as the life of the new debt issued. The advance refunding resulted in an economic gain of \$579,156.

9. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from cash and investments held in the Capital Projects Fund, subject to approval by the Texas Commission on Environmental Quality, or from operations. On November 7, 2000, a bond election held within the District approved authorization to issue \$31,345,000 of bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer report. On May 12, 2012, a bond election held within the District approved authorization to issue an additional \$9,805,000 of bonds to fund system facilities. As of September 30, 2019, the District has issued \$41,150,000 of Unlimited Tax Bonds to reimburse the developer for certain creation costs, operational advances, and water, wastewater and drainage improvements.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

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. INTERLOCAL AGREEMENTS

On February 22, 2012, the District entered into an “Agreement Concerning Management and Operation of District Facilities” with Williamson County Municipal Utility District No. 22 (“District No. 22”). Pursuant to this agreement, the District agreed to operate and maintain the water, wastewater, and drainage facilities within both Districts and to provide retail water and wastewater service to customers within the boundaries of both Districts. The District agreed to maintain separate accounting for revenues received from District No. 22 customers. Such revenues are used to compensate the District for the costs of providing services to District No. 22 customers. As of September 30, 2019, the District owed District No. 22 \$30,420 for collected revenues, net of allocated operating expenses.

In May 2006, the District and the City of Hutto (the “City”) executed a strategic partnership agreement pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District (approximately 116 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the limited purposes annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also agreed to grant 50% of such sales tax funds collected within the District to the developers for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the strategic partnership agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of utility infrastructure by the District.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2019**

12. 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.

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**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Service revenues, including penalties	\$ 2,728,311	\$ 2,364,412	\$ 363,899
System connection / inspection fees	32,050	24,000	8,050
Property taxes, including penalties	1,287,978	1,258,080	29,898
Interest	96,118	30,000	66,118
Other	490	1,200	(710)
TOTAL REVENUES	<u>4,144,947</u>	<u>3,677,692</u>	<u>467,255</u>
EXPENDITURES:			
Current:			
Water / wastewater purchases	1,938,864	1,794,621	(144,243)
Garbage collection fees	259,940	269,274	9,334
Tap connection / inspection fees	5,925	9,000	3,075
Repairs and maintenance	170,916	250,500	79,584
Security services	73,077	48,000	(25,077)
Utilities	43,217	41,700	(1,517)
Director fees, including payroll taxes and reimbursements	6,943	9,779	2,836
Legal fees	85,958	90,000	4,042
Engineering fees	83,076	116,000	32,924
Operations / management fees	196,554	190,922	(5,632)
Bookkeeping fees	27,750	24,750	(3,000)
Audit fees	15,000	15,500	500
Insurance	10,731	2,500	(8,231)
Tax appraisal / collection	7,571	4,000	(3,571)
Financial advisor fees	777	833	56
Bank fees	43,981	30,000	(13,981)
Other professional fees	9,188	17,500	8,312
Public notice	478	-	(478)
Other	1,735	3,000	1,265
Capital outlay	-	725,000	725,000
TOTAL EXPENDITURES	<u>2,981,681</u>	<u>3,642,879</u>	<u>661,198</u>
Excess of revenues over expenditures	1,163,266	<u>\$ 34,813</u>	<u>\$ 1,128,453</u>
FUND BALANCE:			
Beginning of the year	<u>3,427,806</u>		
End of the year	<u>\$ 4,591,072</u>		

TEXAS
SUPPLEMENTAL INFORMATION

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2019**

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER (RES.):	\$ 34.70 ⁽¹⁾	2,000	N	\$ 4.00	2,001 - 15,000
				\$ 5.25	Over 15,001
WATER (COM.):	\$ 15.00 ⁽¹⁾	-	N	\$ 4.00	0 - 15,000
				\$ 5.25	Over 15,001
WASTEWATER (RES.):	\$ 56.74	-	Y	N/A	Unlimited
WASTEWATER (COM.):	\$ 56.74	-	N	\$ 5.03	Unlimited

District employs winter averaging for wastewater usage? Yes ☒ No ☐

Total charges per 10,000 gallons usage:

Residential:	Water	\$ 66.70 ⁽¹⁾	Wastewater	\$ 56.74
Commercial:	Water	\$ 55.00 ⁽¹⁾	Wastewater	\$ 107.04

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
< 3/4"	1,525.0	1,514.0	1.0	1,514.0
1"	11.0	11.0	2.5	27.5
1 1/2"	9.0	9.0	5.0	45.0
2"	10.0	10.0	8.0	80.0
3"	6.0	6.0	15.0	90.0
4"	1.0	1.0	25.0	25.0
6"	-	-	50.0	-
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	1,562.0	1,551.0		1,781.5
Total Wastewater	1,558.0	1,545.0	1.0	1,545.0

⁽¹⁾ Water Usage and Solid Waste Pick-Up Charge Per Fee Unit.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2019**

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

Gallons pumped into system: 208,782

Gallons billed to customers: 206,185

<u>Water Accountability Ratio</u> (Gallons billed / Gallons Pumped) 98.8%
--

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: Travis, Williamson

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: City of Hutto, Texas (1)

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

Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which district is located: City of Hutto, Texas (1)

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? N/A

(1) - The commercial acreage within the District has been annexed by the City of Hutto, Texas for limited purposes.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2019**

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	15,000
Legal	85,958
Engineering	83,076
Financial Advisor	777
Purchased Services for Resale-	
Bulk Water and Wastewater Purchases	1,938,864
Contracted Services:	
Bookkeeping	27,750
General Manager	196,554
Appraisal District/Tax Collector	7,571
Other Contracted Services	82,265
Utilities	43,217
Repairs and Maintenance	170,916
Administrative Expenditures:	
Directors' Fees	6,943
Office Supplies	-
Insurance	10,731
Other Administrative Expenditures	44,459
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Tap Connection Expenditures	5,925
Solid Waste Disposal	259,940
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	1,735
TOTAL EXPENDITURES	<u><u>\$ 2,981,681</u></u>

Number of persons employed by the District:

☐ Full-Time

☒ Part-Time

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
TexPool	XXX0001	Varies	Daily	\$ 2,036,114	\$ -
LOGIC	XXX6001	Varies	Daily	2,313,829	-
Total General Fund				4,349,943	-
Debt Service Fund:					
TexPool	XXX0002	Varies	Daily	6,868	-
TexPool	XXX0003	Varies	Daily	111,418	-
LOGIC	XXX6002	Varies	Daily	1,081,015	-
Total Debt Service Fund				1,199,301	-
Capital Projects Fund:					
TexPool	XXX0021	Varies	Daily	121,228	-
TexPool	XXX0023	Varies	Daily	454,807	-
Trust Account	XXX3015	Varies	Daily	2,085,758	-
Total Capital Projects Fund				2,661,793	-
Total - All Funds				\$ 8,211,037	\$ -

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2019**

			Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year			\$ 12,199	\$ 41,857
2018 Original tax levy, less abatements			1,278,956	2,557,911
Tax adjustments			(367)	(732)
Total to be accounted for			1,290,788	2,599,036
Tax collections:				
Current year			1,275,279	2,550,559
Prior years			11,986	41,212
Total collections			1,287,265	2,591,771
Taxes Receivable, End of Year			\$ 3,523	\$ 7,265
Taxes Receivable, by Years				
2017 and prior			\$ 213	\$ 645
2018			3,310	6,620
Taxes Receivable, End of Year			\$ 3,523	\$ 7,265
Property Valuations:	2018	2017	2016	2015
Land and improvements	\$ 529,882,028 (a)	\$ 478,145,342 (a)	\$ 433,712,795 (a)	\$ 391,863,780 (a)
Total Property Valuations	\$ 529,882,028	\$ 478,145,342	\$ 433,712,795	\$ 391,863,780
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.2410	\$ 0.1876	\$ 0.2085	\$ 0.1700
Debt Service tax rates	0.4820	0.5354	0.5145	0.5606
Total Tax Rates per \$100 Valuation:	\$ 0.7230	\$ 0.7230	\$ 0.7230	\$ 0.7306
Original Tax Levy	\$ 3,831,047	\$ 3,456,991	\$ 3,135,744	\$ 2,862,957
Percent of Taxes Collected to Taxes Levied **	99.7%	99.7%	99.5%	99.7%
Maximum Maintenance Tax Rate Approved by Voters:	\$ 1.00	on	11/7/2000	

**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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019**

Fiscal Year Ending	Unlimited Tax Bonds Series 2010A			Unlimited Tax Bonds Series 2011			Unlimited Tax Refunding Bonds Series 2012			Unlimited Tax Bonds Series 2013		
	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total
	9/01	3/01, 9/01		9/01	3/01, 9/01		9/01	3/01, 9/01		9/01	3/01, 9/01	
2020	\$ 5,000	\$ 425	\$ 5,425	\$ 5,000	\$ 300	\$ 5,300	\$ 685,000	\$ 105,450	\$ 790,450	\$ 20,000	\$ 90,488	\$ 110,488
2021	5,000	213	5,213	5,000	150	5,150	715,000	84,900	799,900	100,000	89,688	189,688
2022	-	-	-	-	-	-	500,000	63,450	563,450	125,000	85,688	210,688
2023	-	-	-	-	-	-	530,000	48,450	578,450	125,000	81,938	206,938
2024	-	-	-	-	-	-	530,000	32,550	562,550	125,000	78,188	203,188
2025	-	-	-	-	-	-	555,000	16,650	571,650	150,000	74,438	224,438
2026	-	-	-	-	-	-	-	-	-	150,000	69,938	219,938
2027	-	-	-	-	-	-	-	-	-	150,000	65,438	215,438
2028	-	-	-	-	-	-	-	-	-	150,000	60,938	210,938
2029	-	-	-	-	-	-	-	-	-	175,000	56,438	231,438
2030	-	-	-	-	-	-	-	-	-	200,000	51,188	251,188
2031	-	-	-	-	-	-	-	-	-	225,000	45,188	270,188
2032	-	-	-	-	-	-	-	-	-	225,000	38,438	263,438
2033	-	-	-	-	-	-	-	-	-	225,000	31,688	256,688
2034	-	-	-	-	-	-	-	-	-	250,000	24,375	274,375
2035	-	-	-	-	-	-	-	-	-	250,000	16,250	266,250
2036	-	-	-	-	-	-	-	-	-	250,000	8,125	258,125
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 10,000</u>	<u>\$ 638</u>	<u>\$ 10,638</u>	<u>\$ 10,000</u>	<u>\$ 450</u>	<u>\$ 10,450</u>	<u>\$ 3,515,000</u>	<u>\$ 351,450</u>	<u>\$ 3,866,450</u>	<u>\$ 2,895,000</u>	<u>\$ 968,432</u>	<u>\$ 3,863,432</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019**

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2013A			Unlimited Tax Bonds Series 2013B			Unlimited Tax Refunding Bonds Series 2015			Unlimited Tax Bonds Series 2015A		
	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
2020	\$ 10,000	\$ 41,331	\$ 51,331	\$ 5,000	\$ 312	\$ 5,312	\$ 215,000	\$ 118,831	\$ 333,831	\$ 25,000	\$ 110,781	\$ 135,781
2021	10,000	41,031	51,031	-	-	-	210,000	112,381	322,381	25,000	110,281	135,281
2022	10,000	40,731	50,731	-	-	-	230,000	106,081	336,081	25,000	109,719	134,719
2023	10,000	40,431	50,431	-	-	-	230,000	99,181	329,181	25,000	109,156	134,156
2024	15,000	40,131	55,131	-	-	-	255,000	92,281	347,281	25,000	108,531	133,531
2025	15,000	39,681	54,681	-	-	-	250,000	84,631	334,631	25,000	107,656	132,656
2026	15,000	39,231	54,231	-	-	-	275,000	77,131	352,131	25,000	106,781	131,781
2027	15,000	38,781	53,781	-	-	-	270,000	68,881	338,881	25,000	105,906	130,906
2028	15,000	38,331	53,331	-	-	-	290,000	60,781	350,781	50,000	105,031	155,031
2029	415,000	37,881	452,881	-	-	-	310,000	52,081	362,081	50,000	103,281	153,281
2030	405,000	25,431	430,431	-	-	-	305,000	42,781	347,781	50,000	101,531	151,531
2031	425,000	13,281	438,281	-	-	-	325,000	33,250	358,250	50,000	99,906	149,906
2032	-	-	-	-	-	-	345,000	22,688	367,688	50,000	98,281	148,281
2033	-	-	-	-	-	-	340,000	11,475	351,475	75,000	96,656	171,656
2034	-	-	-	-	-	-	-	-	-	75,000	94,218	169,218
2035	-	-	-	-	-	-	-	-	-	75,000	91,781	166,781
2036	-	-	-	-	-	-	-	-	-	75,000	89,344	164,344
2037	-	-	-	-	-	-	-	-	-	100,000	86,906	186,906
2038	-	-	-	-	-	-	-	-	-	1,200,000	83,531	1,283,531
2039	-	-	-	-	-	-	-	-	-	1,275,000	43,031	1,318,031
	<u>\$ 1,360,000</u>	<u>\$ 436,272</u>	<u>\$ 1,796,272</u>	<u>\$ 5,000</u>	<u>\$ 312</u>	<u>\$ 5,312</u>	<u>\$ 3,850,000</u>	<u>\$ 982,454</u>	<u>\$ 4,832,454</u>	<u>\$ 3,325,000</u>	<u>\$ 1,962,308</u>	<u>\$ 5,287,308</u>

**WILLIAMSON COUNTY WATER, SEWER
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019**

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2016			Unlimited Tax Bonds Series 2017			Unlimited Tax Refunding Bonds Series 2019			Unlimited Tax Refunding Bonds Series 2019A			Annual Requirements for All Series		
	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
2020	\$ 85,000	\$ 219,850	\$ 304,850	\$ 275,000	\$ 167,626	\$ 442,626	\$ 5,000	\$ 169,900	\$ 174,900	\$ 20,000	\$ 116,262	\$ 136,262	\$ 1,355,000	\$ 1,141,556	\$ 2,496,556
2021	85,000	218,150	303,150	225,000	162,126	387,126	5,000	169,750	174,750	25,000	115,862	140,862	1,410,000	1,104,532	2,514,532
2022	410,000	216,450	626,450	125,000	157,626	282,626	5,000	169,600	174,600	25,000	115,362	140,362	1,455,000	1,064,707	2,519,707
2023	415,000	204,150	619,150	125,000	155,126	280,126	5,000	169,450	174,450	25,000	114,862	139,862	1,490,000	1,022,744	2,512,744
2024	415,000	191,700	606,700	125,000	152,626	277,626	5,000	169,300	174,300	25,000	114,362	139,362	1,520,000	979,669	2,499,669
2025	435,000	179,250	614,250	125,000	150,126	275,126	5,000	169,150	174,150	25,000	113,862	138,862	1,585,000	935,444	2,520,444
2026	440,000	166,200	606,200	100,000	147,626	247,626	580,000	169,000	749,000	25,000	113,362	138,362	1,610,000	889,269	2,499,269
2027	465,000	150,800	615,800	100,000	145,626	245,626	615,000	145,800	760,800	25,000	112,800	137,800	1,665,000	834,032	2,499,032
2028	475,000	132,200	607,200	100,000	143,126	243,126	645,000	121,200	766,200	25,000	112,050	137,050	1,750,000	773,657	2,523,657
2029	500,000	113,200	613,200	100,000	140,626	240,626	245,000	95,400	340,400	25,000	111,300	136,300	1,820,000	710,207	2,530,207
2030	500,000	93,200	593,200	125,000	137,626	262,626	260,000	85,600	345,600	25,000	110,550	135,550	1,870,000	647,907	2,517,907
2031	530,000	73,200	603,200	350,000	133,876	483,876	5,000	75,200	80,200	25,000	109,800	134,800	1,935,000	583,701	2,518,701
2032	630,000	52,000	682,000	725,000	123,376	848,376	5,000	75,000	80,000	30,000	109,050	139,050	2,010,000	518,833	2,528,833
2033	315,000	26,800	341,800	825,000	101,626	926,626	245,000	74,800	319,800	30,000	108,150	138,150	2,055,000	451,195	2,506,195
2034	355,000	14,200	369,200	5,000	76,876	81,876	590,000	65,000	655,000	875,000	107,250	982,250	2,150,000	381,919	2,531,919
2035	-	-	-	5,000	76,718	81,718	1,035,000	41,400	1,076,400	885,000	81,000	966,000	2,250,000	307,149	2,557,149
2036	-	-	-	1,100,000	76,562	1,176,562	-	-	-	890,000	54,450	944,450	2,315,000	228,481	2,543,481
2037	-	-	-	1,350,000	42,188	1,392,188	-	-	-	925,000	27,750	952,750	2,375,000	156,844	2,531,844
2038	-	-	-	-	-	-	-	-	-	-	-	-	1,200,000	83,531	1,283,531
2039	-	-	-	-	-	-	-	-	-	-	-	-	1,275,000	43,031	1,318,031
	<u>\$ 6,055,000</u>	<u>\$ 2,051,350</u>	<u>\$ 8,106,350</u>	<u>\$ 5,885,000</u>	<u>\$ 2,291,108</u>	<u>\$ 8,176,108</u>	<u>\$ 4,255,000</u>	<u>\$ 1,965,550</u>	<u>\$ 6,220,550</u>	<u>\$3,930,000</u>	<u>\$ 1,848,084</u>	<u>\$ 5,778,084</u>	<u>\$ 35,095,000</u>	<u>\$ 12,858,408</u>	<u>\$ 47,953,408</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2019**

	Bond Issue												
	Series 2010A	Series 2011	Series 2012	Series 2013	Series 2013A	Series 2013B	Series 2015	Series 2015A	Series 2016	Series 2017	Series 2019	Series 2019A	Total
Interest Rate	2.00% - 5.10%	2.75% - 4.50%	2.00% - 4.00%	3.00% - 4.00%	2.00% - 3.125%	4.625% - 6.250%	2.00% - 3.375%	2.00% - 3.375%	2.00% - 4.00%	2.00% - 3.125%	3.00% - 4.00%	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	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	
Maturity Dates	9/1/2021	9/1/2021	9/1/2025	9/1/2036	9/1/2031	9/1/2020	9/1/2033	9/1/2039	9/1/2034	9/1/2037	9/1/2035	9/1/2037	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 15,000	\$ 1,965,000	\$ 6,545,000	\$ 2,905,000	\$ 1,370,000	\$ 3,650,000	\$ 4,070,000	\$ 3,330,000	\$ 6,140,000	\$ 6,160,000	\$ -	\$ -	\$ 36,150,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	-	-	-	4,325,000	3,965,000	8,290,000
Retirements During the Current Fiscal Year:													
Refunded	-	(1,950,000)	(2,345,000)	-	-	(3,640,000)	-	-	-	-	-	-	(7,935,000)
Principal	(5,000)	(5,000)	(685,000)	(10,000)	(10,000)	(5,000)	(220,000)	(5,000)	(85,000)	(275,000)	(70,000)	(35,000)	(1,410,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 3,515,000</u>	<u>\$ 2,895,000</u>	<u>\$ 1,360,000</u>	<u>\$ 5,000</u>	<u>\$ 3,850,000</u>	<u>\$ 3,325,000</u>	<u>\$ 6,055,000</u>	<u>\$ 5,885,000</u>	<u>\$ 4,255,000</u>	<u>\$ 3,930,000</u>	<u>\$ 35,095,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 638</u>	<u>\$ 450</u>	<u>\$ 126,000</u>	<u>\$ 90,888</u>	<u>\$ 41,532</u>	<u>\$ 88,563</u>	<u>\$ 123,232</u>	<u>\$ 110,882</u>	<u>\$ 221,550</u>	<u>\$ 173,126</u>	<u>\$ 94,122</u>	<u>\$ 28,261</u>	<u>\$ 1,099,244</u>
Paying Agent's Name & Address:	Bank of Texas Austin, TX												
Bond Authority:	Tax Bonds*	Other Bonds	Refunding Bonds										
Amount Authorized by Voters	\$ 41,150,000	\$ -	\$ 61,725,000										
Amount Issued	(41,150,000)	-	(4,298,880)										
Remaining to be Issued	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,426,120</u>										

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

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2019:	<u>\$ 1,199,301</u>
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:	<u>\$ 2,397,670</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2019**

	Amounts					Percent of Fund Total Revenues				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
GENERAL FUND REVENUES:										
Property taxes, including penalties	\$ 1,287,978	\$ 900,251	\$ 909,191	\$ 674,880	\$ 598,879	31.1%	24.7%	26.4%	22.7%	21.6%
Service revenues, including penalties	2,728,311	2,585,651	2,419,003	2,155,020	2,121,371	65.8%	71.0%	70.3%	72.5%	76.4%
System connection / inspection fees	32,050	104,025	96,825	130,275	48,200	0.8%	2.9%	2.8%	4.4%	1.7%
Interest	96,118	49,545	15,573	10,478	8,295	2.3%	1.4%	0.5%	0.4%	0.3%
Other	490	277	570	430	344	-	-	-	-	-
TOTAL GENERAL FUND REVENUES	4,144,947	3,639,749	3,441,162	2,971,083	2,777,089	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Current:										
Water / wastewater purchases	1,938,864	1,834,368	1,695,755	1,514,045	1,442,905	46.8%	50.4%	49.3%	51.0%	52.0%
Garbage collection fees	259,940	241,102	212,081	187,040	180,496	6.3%	6.6%	6.2%	6.3%	6.5%
Repairs and maintenance	170,916	174,077	168,897	198,068	156,212	4.1%	4.8%	4.9%	6.7%	5.6%
Security services	73,077	48,960	-	-	-	1.8%	-	-	-	-
Tap connection / inspection fees	5,925	43,653	43,676	31,655	30,661	0.1%	1.2%	1.3%	1.1%	1.1%
Utilities	43,217	43,126	40,129	39,457	37,163	1.0%	1.2%	1.2%	1.3%	1.3%
Director fees, including payroll taxes and reimbursements	6,943	7,912	7,428	7,589	8,397	0.2%	0.2%	0.2%	0.3%	0.3%
Legal fees	85,958	88,486	74,395	78,038	77,721	2.1%	2.4%	2.2%	2.6%	2.8%
Engineering fees	83,076	82,173	90,873	96,811	108,137	2.0%	2.3%	2.6%	3.3%	3.9%
Operations / management fees	196,554	179,150	165,861	151,270	142,829	4.7%	4.9%	4.8%	5.1%	5.1%
Bookkeeping fees	27,750	25,500	24,750	24,750	24,750	0.7%	0.7%	0.7%	0.8%	0.9%
Audit fees	15,000	15,000	14,500	14,500	14,500	0.4%	0.4%	0.4%	0.5%	0.5%
Insurance	10,731	9,204	7,935	6,044	5,928	0.3%	0.3%	0.2%	0.2%	0.2%
Tax appraisal / collection	7,571	5,611	5,994	4,796	4,417	0.2%	0.2%	0.2%	0.2%	0.2%
Financial advisor fees	777	605	672	529	525	-	-	-	-	0.1%
Bank fees	43,981	39,919	33,412	28,669	-	1.1%	1.1%	1.0%	1.0%	-
Other professional fees	9,188	5,912	3,950	9,527	-	0.2%	0.2%	0.1%	0.3%	-
Public notice	478	632	-	-	-	-	-	-	-	-
Other	1,735	1,715	3,946	3,808	8,551	-	-	0.1%	0.1%	0.3%
Capital outlay	-	-	23,548	1,433,938	183,226	-	-	0.7%	48.3%	6.6%
TOTAL GENERAL FUND EXPENDITURES	2,981,681	2,847,105	2,617,802	3,830,534	2,426,418	72.0%	76.9%	76.1%	128.9%	87.4%
EXCESS (DEFICIT) OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 1,163,266	\$ 792,644	\$ 823,360	\$ (859,451)	\$ 350,671	28.0%	23.1%	23.9%	-28.9%	12.6%
DEBT SERVICE FUND REVENUES & OTHER FINANCING SOURCES:										
Property taxes, including penalties	\$ 2,596,525	\$ 2,573,494	\$ 2,251,936	\$ 2,241,644	\$ 2,073,979	90.9%	98.4%	99.3%	111.9%	83.0%
Interest	65,595	41,940	15,665	6,835	2,780	2.3%	1.6%	0.7%	0.3%	0.1%
Proceeds from refunding, net of payment to escrow agent	194,045	-	-	(244,988)	188,651	6.8%	-	-	-12.2%	7.6%
Bond proceeds	-	-	-	-	232,536	-	-	-	-	9.3%
TOTAL DEBT SERVICE FUND REVENUES & OTHER FINANCING SOURCES	2,856,165	2,615,434	2,267,601	2,003,491	2,497,946	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES & OTHER FINANCING USES:										
Tax appraisal / collection	15,141	16,015	14,789	15,815	15,197	0.5%	0.6%	0.7%	0.8%	0.6%
Financial advisor fees	1,553	1,725	1,658	1,746	1,805	0.1%	0.1%	0.1%	0.1%	0.1%
Principal	1,410,000	1,250,000	990,000	1,005,000	945,000	49.4%	47.8%	43.7%	50.2%	37.8%
Interest	1,099,244	1,265,753	1,113,650	1,112,487	1,144,115	38.5%	48.4%	49.1%	55.5%	45.8%
Fiscal agent fees and other	4,000	6,300	5,020	7,000	12,400	0.1%	0.2%	0.2%	0.3%	0.5%
Bond issuance costs	391,498	-	-	303,878	197,549	13.7%	-	-	15.2%	7.9%
Bond discount/premium	(201,465)	-	-	(549,551)	(14,285)	-7.1%	-	-	-27.4%	-0.6%
TOTAL DEBT SERVICE FUND EXPENDITURES & OTHER FINANCING USES	\$ 2,719,971	\$ 2,539,793	\$ 2,125,117	\$ 1,896,375	\$ 2,301,781	95.2%	97.1%	93.8%	94.7%	92.1%
EXCESS OF DEBT SERVICE FUND REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	\$ 136,194	\$ 75,641	\$ 142,484	\$ 107,116	\$ 196,165	4.8%	2.9%	6.2%	5.3%	7.9%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,551	1,542	1,451	1,344	1,282					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,545	1,536	1,444	1,347	1,285					

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019**

Complete District Mailing Address:	100 Congress Ave., Suite 1300
	Austin, TX 78701
District Business Telephone Number:	(512) 435-2300
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	April 10, 2019
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 09/30/19	Expense Reimbursements 09/30/19	Title at Year End
<u>Board Members :</u>				
Rance Richter	Elected 11/8/2016 - 11/3/2020	\$ 1,800	\$ 137	President
Jim Goldrick	Elected 11/8/2016 - 11/3/2020	\$ 1,650	\$ 376	Vice-President
Daniel Bates	Elected 11/6/2018 - 11/8/2022	\$ 1,050	\$ 247	Secretary / Treasurer
Lee Buckley	Elected 11/8/2016 - 11/3/2020	\$ 750	\$ 201	Assistant Sec. / Treasurer
Bob Dickerson	Elected 11/6/2018 - 11/8/2022	\$ 1,200	\$ 256	Director
<u>Consultants :</u>				
Crossroads Utility Services LLC	11/8/2010	\$ 416,042	\$ -	District Manager
Armbrust & Brown, PLLC	10/19/1999	\$ 89,804	\$ -	Attorney
		\$ 60,194	\$ -	Bond Related Services
Murfee Engineering Company, Inc.	10/19/1999	\$ 110,310	\$ -	Engineer
Bott & Douthitt, PLLC	10/01/2009	\$ 32,550	\$ 478	Bookkeeper
Maxwell Locke & Ritter LLP	02/09/2011	\$ 15,000	\$ -	Auditor
		\$ 1,500	\$ -	Bond Related Services
Public Finance Group LLC	04/9/2014	\$ 2,330	\$ -	Financial Advisor
		\$ 119,669	\$ -	Bond Related Services
McCall, Parkhurst & Horton, LLP	10/19/1999	\$ 85,807	\$ 1,374	Bond Related Services
Williamson Co. Tax Collector	10/19/1999	\$ 427	\$ -	Tax Collector
Travis Co. Tax Collector	09/23/2008	\$ 306	\$ -	Tax Collector

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

**OTHER
SUPPLEMENTAL INFORMATION**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
OSI-1. TOP TEN TAXPAYERS
SEPTEMBER 30, 2019**

Taxpayer	Type of Property	Tax Roll Year		
		2019	2018	2017
CWS Star Ranch SAF VIII et al	*	\$ 50,600,000	\$ 50,565,219	\$ 48,290,836
Fairways at Star Ranch I LLC et al	*	47,495,420	45,406,057	44,738,073
HEB Grocery Company LP	*	27,807,615	26,876,435	20,259,020
Forest Creek Medical Center LP	*	11,912,372	11,544,469	11,321,835
Tack Townhomes LLC	*	10,129,020	9,950,000	9,766,745
Round Rock M3-05 LLC	*	9,775,174	9,873,087	9,900,857
SR Market LLC	*	9,270,049	-	-
Williamson Health Realty LLC	*	8,640,481	8,388,955	10,115,071
VEB TX I LLC & VEB TX II LLC	*	8,465,000	-	-
Parth Capital Group LLC	*	6,946,320	6,400,000	5,100,000
Muirfield Townhomes LLC	*	-	6,664,138	3,540,314
HEB Grocery Company LP	*	-	5,577,959	4,085,659
Total		\$ 191,041,451	\$ 181,246,319	\$ 167,118,410
Percent of Assessed Valuation		33.3%	34.2%	35.0%

* Not provided. Total represents total assessed value for taxpayer.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2019**

Type of Property	Tax Roll Year					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 333,291,089	58.1%	\$ 321,202,430	60.6%	\$ 294,503,115	61.6%
Multi Family	137,154,966	23.9%	130,282,450	24.6%	122,266,964	25.6%
Vacant Land	6,220,362	1.1%	6,972,354	1.3%	4,257,969	0.9%
Acreage	5,202,364	0.9%	5,599,211	1.1%	7,609,791	1.6%
Rural Land Non Qualified	30,874	0.0%	639,692	0.1%	1,266,964	0.3%
Commercial Real Property	89,833,536	15.7%	66,776,310	12.6%	52,228,104	10.9%
Utilities	2,778,733	0.5%	2,969,354	0.6%	2,757,596	0.6%
Tangible Personal Property	15,640,770	2.7%	14,797,115	2.8%	9,521,462	2.0%
Real Inventory	2,661,596	0.5%	3,660,189	0.7%	4,427,986	0.9%
Exempt	1,400,331	0.2%	1,030,598	0.2%	788,520	0.2%
Less: Adjustments	(20,899,468)	-3.6%	(24,047,675)	-4.5%	(21,483,129)	-4.5%
Total Taxable Value	<u>\$ 573,315,153</u>	<u>100%</u>	<u>\$ 529,882,028</u>	<u>100%</u>	<u>\$ 478,145,342</u>	<u>100%</u>

APPENDIX B
FORM OF BOND COUNSEL OPINION

June 17, 2020

**WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE
DISTRICT NO. 3
UNLIMITED TAX REFUNDING BONDS, SERIES 2020
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,680,000**

AS BOND COUNSEL FOR WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE DISTRICT NO. 3 (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 February 12, 2020 authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized 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 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