

**NEW ISSUE -BOOK-ENTRY-ONLY**

*Delivery of the Bonds is subject to the opinion of Special Tax Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.*

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

**\$2,410,000**  
**WILLIAMSON-LIBERTY HILL MUNICIPAL UTILITY DISTRICT**  
**(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**  
**UNLIMITED TAX ROAD BONDS, SERIES 2018**

**Dated: April 25, 2018**

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

Interest on the \$2,410,000 Williamson-Liberty Hill Municipal Utility District Unlimited Tax Road Bonds, Series 2018 (the "Bonds") will accrue from the Date of Initial Delivery, defined below, and is payable September 1, 2018 and each March 1 and September 1 thereafter until the earlier of maturity or redemption, 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. 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/registrant for the Bonds is UMB, NA, Austin, Texas (the "Paying Agent" or "Paying Agent/Registrar"). The Bonds are obligations solely of Williamson-Liberty Hill Municipal Utility District (the "District") and are not obligations of the City of Liberty Hill, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District.

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

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The Bonds, when issued, will constitute valid and legally binding obligations of the District payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS - Source of and Security for Payment." This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Amended and Restated Official Statement (the "Official Statement") to obtain information essential to making an informed investment decision. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein.

The Bonds are offered by the initial purchaser (the "Initial Purchaser") subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Disclosure Counsel and Special Tax Counsel, and McLean & Howard, L.L.P., Bond Counsel and General Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about April 25, 2018 (the "Date of Initial Delivery") in Austin, Texas.

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\*This Official Statement has been amended and restated to correct CUSIP Numbers provided on page 2 hereof for the Term Bond due September 1, 2033 and Term Bond due September 1, 2040.

**MATURITIES**  
**(Due September 1)**

<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate <sup>(a)</sup></b>	<b>Initial Reoffering Yield <sup>(b)</sup></b>	<b>CUSIP Number <sup>(c)</sup></b>
2020	\$ 75,000	2.200%	2.300%	97002PAA6
2021	75,000	2.400%	2.500%	97002PAB4
2022	80,000	2.600%	2.700%	97002PAC2
2023	85,000	2.800%	2.900%	97002PAD0
2024	85,000	3.000%	3.100%	97002PAE8
2025 *	90,000	3.100%	3.200%	97002PAF5
2026 *	95,000	3.150%	3.300%	97002PAG3
2027 *	100,000	3.250%	3.400%	97002PAH1
2028 *	105,000	3.375%	3.500%	97002PAJ7
2029 *	105,000	3.450%	3.600%	97002PAK4
2030 *	110,000	3.600%	3.700%	97002PAL2
2031 *	115,000	3.650%	3.800%	97002PAM0
\$245,000 3.750% <sup>(a)</sup> Term Bond Due September 1, 2033 * Yield 3.900% <sup>(b)</sup> CUSIP 97002AP3 <sup>(c)</sup> \$1,045,000 4.00% <sup>(a)</sup> Term Bond Due September 1, 2040 * Yield 4.000% <sup>(b)</sup> CUSIP 97002AW8 <sup>(c)</sup>				

- \* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2025, in whole or from time to time in part, on September 1, 2024, 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. The Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Bonds are designated as term bonds by the Initial Purchaser of the Bonds. See "THE BONDS - Redemption."
- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.250000% of par, resulting in a net effective interest rate to the District of 3.971209%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ 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. Neither the Initial Purchaser, the District, nor Public Finance Group LLC, the District's financial advisor (the "Financial Advisor") is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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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.

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

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

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR 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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of The GMS Group, L.L.C. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.250000% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Initial Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices or the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district

bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the 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 or Developer, 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 neither the District nor Developer assumes any obligation to update any such forward-looking statements. See “RISK FACTORS – Forward-Looking Statements.”

### **NO MUNICIPAL BOND RATINGS OR INSURANCE**

No application has been made to a rating service or municipal bond insurance company, nor is it expected that the District would have been successful in obtaining an investment grade rating or bond insurance commitment had such applications been made.

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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. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Investment in the Bonds is subject to certain risk factors. See "RISK FACTORS."

### THE DISTRICT

- The District..... Williamson-Liberty Hill Municipal Utility District (the "District"), a political subdivision of the State of Texas, was created by HB 2734 approved by the 80<sup>th</sup> Texas Legislature, Regular Session effective June 15, 2007 as a conservation and reclamation district. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, and a bond election held within the District on November 8, 2011. The District also has road powers under Section 52, Article III of the Texas Constitution. The District contains approximately 228.227 acres. See "THE DISTRICT – General."
- Location ..... The District is located entirely within the extraterritorial jurisdiction of the City of Liberty Hill, Texas ("Liberty Hill" or the "City"), and is situated in southeastern Williamson County approximately three miles east of downtown Liberty Hill. The District is bound to the west by CR 266 and to the north by State Highway 29. The Austin central business district is approximately 16 miles to the southwest. The District lies in close proximity to State Highway 183. See "LOCATION MAP" and "THE DISTRICT - Location."
- The Developer ..... The Developer currently active within the District is F-L HM Owner LP, a Delaware limited partnership (the "Developer"), comprised of (i) F-L HM GP, LLC, a Delaware limited liability company ("F-L HM GP"), as general partner and (ii) F-L HM Holdings, LLC, a Delaware limited liability company ("F-L HM Holdings"), as the sole limited partner. F-L HM Holdings is also the sole member of F-L HM GP. F-L HM Holdings consists of two members: FCA Highlands, LLC, a Delaware limited liability company ("FCA Highland") which is the Administrative Member and one other entity.
- On July 10, 2014, the Developer purchased the entire acreage within the District (approximately 228 acres), with equity-financed cash, by special warranty deed from IMH Special Asset NT 192, LLC, a Delaware limited liability company, which had received a deed in lieu of foreclosure to the property from the prior owner. See "THE DEVELOPER."
- Status of Development ..... The District contains approximately 228.227 acres, all of which is developable (although the completed and contemplated development phases contain small amounts of open space). As of March 5, 2018, approximately 69.897 acres (or 30.6% of developable acres within the District) has been developed with utility facilities as the single family residential subdivision Orchard Ridge, which encompass a total of 182 single-family lots, which include 50 completed homes, 9 homes under construction, and 123 vacant single-family lots. Additionally, the District contains approximately 32.213 acres, which encompasses 183 single-family lots, with utility facilities currently under construction, with completion anticipated by May 1, 2018. See "THE DISTRICT – Historical and Current Status of Development."
- Homebuilders ..... According to the Developer, there are currently four active homebuilders within the District: Lennar, Pacesetter, Dreamfinders, and Buffington (although no additional lot closings remain under the Dreamfinders and Buffington contracts). The Developer anticipates homes in the District to range in price from approximately \$200,000 to \$468,000, with square footage anticipated to range from approximately 1,400 to 3,600 square feet. See "THE DEVELOPER – Homebuilders within the District."

## THE BONDS

Description .....	The Bonds in the aggregate principal amount of \$2,410,000 mature serially in varying amounts on September 1 of each year from 2020 through 2031, inclusive, and as Term Bonds which mature September 1, 2033 and September 1, 2040. Interest accrues from the Date of Initial Delivery at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2018 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, 2025, in whole or from time to time in part, on September 1, 2024, 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. The Term Bonds are subject to mandatory sinking fund 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 upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." <b>The Bonds are obligations solely of the District and are not obligations of the City of Liberty Hill, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District.</b> See "THE BONDS - Source of and Security for Payment."
Payment Record .....	The Bonds constitute the first installment of bonds issued by the District for road construction. See "FINANCIAL STATEMENT - Outstanding Bonds." The proceeds of the Outstanding Bonds included 24 months of capitalized interest.
Authority for Issuance .....	The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas including Chapter 8199 of the Texas Special District Local Law Code, a bond election held within the District on November 8, 2011 and an order (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."
Use of Proceeds.....	<p>The proceeds of the Bonds will be used to finance the District's share of the construction costs associated with roads, and improvements in aid thereof, serving the District.</p> <p>The remaining Bond proceeds will be used to: (i) capitalize approximately twenty-four months' interest requirements on the Bonds; (ii) pay developer interest; (iii) pay certain engineering costs; and (iv) pay costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."</p>
Bonds Authorized But Unissued.....	At an election held within the District on November 8, 2011, voters within the District authorized a total of \$5,635,000 in bonds for roads, and improvements in aid thereof, and the issuance of \$8,452,500 in refunding bonds for roads. In addition, on November 8, 2011, the voters within the District authorized the issuance of \$74,185,000 in bonds for water, wastewater, and drainage facilities, \$4,880,000 in bonds for parks and recreational facilities, and the issuance of \$111,277,500 in refunding bonds for water, wastewater, and drainage facilities and \$7,320,000 in refunding bonds for parks and recreational facilities. After the sale of the Bonds, the District will have \$3,225,000 remaining in authorized but unissued road bonds. See "FINANCIAL STATEMENT - Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt."
No Municipal Bond Rating or Insurance .....	In connection with the sale of the Bonds, the District has not applied for a rating or a municipal bond insurance commitment on the Bonds, nor is it expected that an investment grade rating or a municipal bond insurance commitment would have been received had applications been made.

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 will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2018 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

Bond Counsel and General Counsel ..... McLean & Howard L.L.P., Austin, Texas

Special Tax Counsel and Disclosure Counsel ..... McCall, Parkhurst & Horton, L.L.P.

Financial Advisor ..... Public Finance Group LLC, Austin, Texas

Engineer..... Gray Engineering, Inc., Austin, Texas

Paying Agent / Registrar ..... UMB Bank, NA, Austin, Texas

**RISK FACTORS**

The purchase and ownership of the Bonds involve certain risk factors and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "RISK FACTORS," with respect to investment in the Bonds.

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**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

2017 Certified Assessed Valuation	\$ 15,662,366	(a)
Estimated Assessed Valuation as of December 1, 2017	\$ 24,100,000	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 2,410,000	(c)
Ratio of Gross Debt to 2017 Certified Assessed Valuation	15.39%	
Ratio of Gross Debt to Estimated Assessed Valuation as of December 1, 2017	10.00%	
2017 Tax Rate		
Debt Service	\$ -	
Maintenance	<u>0.9500</u>	
<b>Total 2017 Tax Rate</b>	<u>\$ 0.9500</u>	(d)
Debt Service Fund Balance (after the issuance of the Bonds)	\$ 191,412	(e)
Percentage of current tax collections (Tax Years 2013-2018)	100.00%	(f)
Percentage of total tax collections (Tax Years 2013-2018)	100.00%	(f)
Average Annual Debt Service Requirement of the Bonds ("Average Requirement") (2018-2040, inclusive)	\$ 159,524	
Tax Rate required to pay Average Requirement based upon 2017 Certified Assessed Valuation at 95% collections	\$ 1.08	/\$100 AV
Tax Rate required to pay Average Requirement based upon Estimated Assessed Valuation as of December 1, 2017 at 95% collections	\$ 0.70	/\$100 AV
Maximum Annual Debt Service Requirement of the Bonds ("Maximum Requirement") (2040)	\$ 176,800	
Tax Rate required to pay Maximum Requirement based upon 2017 Certified Assessed Valuation at 95% collections	\$ 1.19	/\$100 AV
Tax Rate required to pay Maximum Requirement based upon Estimated Assessed Valuation as of December 1, 2017 at 95% collections	\$ 0.78	/\$100 AV
Number of active connections as of March 5, 2018		
Single Family - Complete and Occupied	50	
Single Family - Builder	<u>9</u>	
<b>Total Number of Active Connections</b>	<b>59</b>	
Estimated Population as of March 5, 2018	175	(g)

*(Footnotes appear on following page)*

- 
- (a) The certified assessed valuation as of January 1, 2017, as provided by Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."
  - (b) The estimated assessed valuation as of December 1, 2017, as provided by WCAD, is included solely for purposes of illustration. See "TAXING PROCEDURES."
  - (c) Includes the Bonds.
  - (d) The District's Board, at its meeting in July 2017, levied a total maintenance tax rate of \$0.95. See "TAXING PROCEDURES."
  - (e) Twenty-four months of capitalized interest (\$191,412) at an interest rate of 3.971209% per annum which is to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the District's Debt Service Fund.
  - (f) See "TAX DATA – Tax Collections."
  - (g) Based upon 3.5 residents per completed and occupied single family home.

*[The remainder of this page intentionally left blank]*

**OFFICIAL STATEMENT  
relating to**

**\$2,410,000**

**Williamson-Liberty Hill Municipal Utility District  
(A Political Subdivision of the State of Texas Located in Williamson County, Texas)  
UNLIMITED TAX ROAD BONDS, SERIES 2018**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Williamson-Liberty Hill Municipal Utility District (the “District”), a political subdivision of the State of Texas (the “State”), of its \$2,410,000 Unlimited Tax Road Bonds, Series 2018 (the “Bonds”).

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”), pursuant to Article III, Section 52 of the Constitution and general laws of the State including Chapter 8199 of the Texas Special District Local Laws Code, and a bond election held within the District on November 8, 2011.

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 McLean & Howard, L.L.P., 901 S. MoPac Expressway, Building II, Suite 225, Austin, Texas 78746 or from the District’s Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, Austin, 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” and “OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period” for a description of the District undertaking to provide certain information on a continuing basis.

**THE BONDS**

**General Description**

The Bonds will bear interest from the Date of Initial Delivery 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, 2018 and each March 1 and September 1 thereafter until maturity or earlier redemption 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. 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 and registrar for the Bonds is UMB, NA, Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

**Redemption**

*Optional 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, 2025, in whole or from time to time in part, on September 1, 2024, 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.

*Mandatory Sinking Fund Redemption...* In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2033 and September 1, 2040 are subject to mandatory sinking fund redemption prior to maturity by lot or other customary redemption method in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

<b>\$245,000 Term Bond Maturing September 1, 2033*</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2032	\$ 120,000
2033*	125,000

<b>\$1,045,000 Term Bond Maturing September 1, 2040*</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2034	\$ 130,000
2035	135,000
2036	145,000
2037	150,000
2038	155,000
2039	160,000
2040*	170,000

\*Stated Maturity

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

*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 redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for optional redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such 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 Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity 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.

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 have 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.

**DTC Redemption Provision**

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. 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 (“Book-Entry-Only-System”). 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 shall be 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, 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 the denominations of \$5,000 or any integral multiple thereof.

*Limitation on Transfer of Bonds . . .* Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15<sup>th</sup>) (whether or not a business day) calendar day of the month preceding each interest payment date (the “Record Date”) and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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

## **Authority for Issuance**

At an election held within the District on November 8, 2011, voters within the District authorized a total of \$5,635,00 in aggregate principal amount of new money bonds for roads. The Bonds constitute the first installment of bonds issued by the District. After the issuance of the Bonds, the District will have \$3,225,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for roads. Additionally, at the election held in the District on November 8, 2011, the voters within the District also approved the issuance of \$74,185,000 in aggregate principal amount of new money bonds for the acquisition and construction of water, wastewater, and drainage facilities, and \$4,880,000 in aggregate principal amount of new money bonds for the acquisition and construction of parks and recreational facilities. At the election held in the District on November 8, 2011, the voters within the District also approved the issuance of refunding bonds in the amounts of \$111,277,500 for water, wastewater, and drainage facilities, \$7,320,000 for parks and recreational facilities, and \$8,452,500 for roads. The District has not issued any bonds for water, wastewater, or drainage facilities or for refunding purposes.

The Bonds are issued pursuant to the terms and provisions of the Bond Order; and Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including Chapter 8199 of the Texas Special District Local Laws Code.

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

The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against 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.

Under prior Texas law, a municipality could annex and dissolve a municipality utility district located within its extraterritorial jurisdiction without the consent of the District or its residents. Under legislation effective December 1, 2017, certain municipalities may annex a special district 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. 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. The District, the City of Liberty Hill, and the Developer are parties to that certain "Amended and Restated Development and Consent to the Creation of a Municipal Utility District" effective May 18, 2016 (the "Consent and Development Agreement") which governs development of the lands within the District. The Consent and Development Agreement provides in relevant part that the City will not annex any of the lands within the District without the consent of the Developer prior to December 31, 2030. 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.

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

## **Payment Record**

The Bonds constitute the first installment of bonds issued by the District. See "FINANCIAL STATEMENT – Outstanding Bonds." The proceeds of the Outstanding Bonds included 24 months of capitalized interest.

## **Flow of Funds**

The Bond Order creates a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart on the books and record of the District from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of the State of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

*Debt Service Fund...* The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on and Paying Agent fees in respect to the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) the amount received from proceeds of the Bonds representing capitalized 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 Paying Agent when due.

*Capital Projects Fund...* The Capital Projects Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct road facilities, then in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund

## **Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar, UMB, NA, having an office for payment in Austin, Texas. Any 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.

## **Defeasance of Outstanding Bonds**

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

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

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Registrar 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 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 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 public accounting 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 without 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 Securities 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 its 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.

#### **Record Date**

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

#### **Issuance of Additional Debt**

##### **Road Bonds**

According to the District's engineer, the Developer has funded to date a total of \$3,313,128 (excluding engineering fees) for the construction of roads within the District. The proceeds of the Bonds will be used, in part, to reimburse the Developer \$1,873,625 leaving approximately \$1,439,503 left owing to the Developer. According to the District's Engineer, the \$3,225,000 in principal amount of road bonds authorized but unissued (after issuance of the Bonds), should be sufficient to reimburse the developer for the road improvements constructed to date within the District. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to issue refunding bonds, as well as revenue bonds and notes without voter approval. At an election held in the District on November 8, 2011, the voters within the District have approved the issuance of up to \$8,452,500 in refunding bonds for roads. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds." Neither Texas Law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

##### **Water, Wastewater, and Storm Drainage Bonds**

Furthermore, at an election held in the District on November 8, 2011, the voters within the District also approved the issuance of up to \$74,185,000 in new money bonds for water, wastewater, and drainage facilities, none of which has been issued to date (according to the District's Engineer, the Developer has funded to date approximately \$6,706,699 [excluding engineering fees] for the construction of water, wastewater, and drainage facilities within the District). Additionally, voters within the District have approved the issuance of up to \$111,227,500 in refunding bonds for water, wastewater, and drainage facilities. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds." Neither Texas Law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

##### **Parks and Recreation Bonds**

At an election held in the District on November 8, 2011, the voters within the District approved the issuance of up to \$4,880,000 in new money bonds for parks and recreational facilities, none of which has been issued to date. Additionally, voters within the District have approved the issuance of up to \$5,635,000 in refunding bonds for parks and recreational facilities. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds." Neither Texas Law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of bonds related to water, wastewater, storm drainage, and park and recreational facilities is subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or

environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

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

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district “shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic.” Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “NO MUNICIPAL BOND RATINGS OR INSURANCE”.

The Bonds are not rated and 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 covenants 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 omit 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 non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

### **Additional Covenants**

The District additionally covenants 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 provides 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, subject to 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 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 system with the water 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 consolidate its water system with that of any other district.

### **Annexation**

The District lies entirely within the extraterritorial jurisdiction of the City. Under prior Texas law, the territory within the District may be annexed in whole, but not in part, by the City without the consent of the District. Under legislation effective December 1, 2017, certain municipalities may annex a special district 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. When the District is abolished, the City must assume the assets, functions and obligations of the District including the Bonds. Under the Consent and Development Agreement, the City of Liberty Hill agreed to not annex any of the lands within the District without the consent of the Developer prior to December 31, 2030. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

### **Alteration of Boundaries**

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

### **Approval of the Bonds**

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

### **Amendments to the Bond Order**

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) 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.*

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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## USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the District's share of the construction costs associated with roads, and the improvements in aid, thereof. The remaining Bond proceeds will be used to: (i) capitalize approximately twenty-four months' interest requirements on the Bonds; (ii) pay developer interest; (iii) pay certain engineering costs; and (iv) pay costs associated with the issuance of the Bonds. All roadways are designed and constructed in accordance with the applicable standards of Liberty Hill and Williamson County. Pursuant to Section 8199.108 of the Texas Special District Local Laws Code, the District became responsible for repair and maintenance of any streets within the District effective July 1, 2017.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$1,873,625 is required for construction costs, and \$536,375 is required for non-construction costs, including \$191,412.27 of capitalized interest (approximately twenty-four months' interest estimated at 3.971209%).

### Construction Costs

A.	Highland Meadows Street Improvements, Ph. 1		
	1 Road Improvements	\$	1,800,000
	2 Change Order No. 2		<u>73,625</u>
	<b>Total Construction Costs</b>	<b>\$</b>	<b><u>1,873,625</u></b>

### Non-Construction Costs

A.	Legal Fees (2.16%)		
	B. Fiscal Agent Fees (2.5%)	\$	52,056
	C. Interest Costs		
	1 Capitalized Interest (24 months estimated @ 3.971209%)		191,412
	2 Developer Interest <sup>(a)</sup>		98,000
	D. Bond Discount (2.75%)		66,275
	E. Bond Issuance Expenses/Cost of Issuance		26,509
	F. Bond Application Fee (0.63%)		20,000
	G. Attorney General Fee (0.10%)		2,410
	I. Contingency		<u>19,463</u>
	<b>Total Non-Construction Costs</b>	<b>\$</b>	<b><u>536,375</u></b>
	<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$</b>	<b><u><u>2,410,000</u></u></b>

(a) Preliminary; subject to change. The amount of Developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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## RISK FACTORS

### General

The Bonds, which are obligations of the District and are not obligations of the City of Liberty Hill, Texas; Williamson County, Texas; the State of Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of and Security for Payment.”

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “RISK FACTORS - Registered Owners' Remedies.”

### Factors Affecting Taxable Values and Tax Payments

*Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which 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 changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies.

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

The competitive position of 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 Developer will be implemented or, if implemented, will be successful.

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

*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 2017 Certified Assessed Valuation of the District is \$15,662,366. After issuance of the Bonds, the Maximum Requirement will be \$176,800 (2040) and the Average Requirement will be \$159,524 (2018 through 2040, inclusive). Assuming (1) no increase or decrease from the 2017 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 \$1.19 and \$1.08 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 District's Estimated Assessed Valuation as of December 1, 2017, is \$24,100,000. Based upon the assumptions above and the Estimated Assessed Valuation as of December 1, 2017, tax rates of \$0.78 and \$0.70 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" and "TAX DATA - Tax Adequacy for Debt Service."

*Dependence Upon the Developer, Lot Owners and Homebuilders:* The growth of the tax base is dependent upon additional development of lots in the District and the construction of homes thereon. The Developer is under no obligation to continue to market, or improve, or to develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer or any related party. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom such party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DEVELOPER."

The three principal taxpayers in the District (based on the 2017 tax rolls provided by WCAD), F-L HM Owner LP, Dream Finders Homes LLC, and Buffington Texas Classic Homes LLC, represent \$15,358,735 or 98.06% of the District's 2017 Certified Taxable Assessed Valuation of \$15,662,366. The Developer represents \$11,369,202 or 72.58% of such assessed valuation. If the Developer or homebuilders (or other principal taxpayer) were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

*Undeveloped Acreage . . .* Approximately 126.117 acres of developable land (including small amounts of open space which are anticipated to be included in future development phases) within the District has not been provided with water, wastewater and storm drainage and detention facilities as of March 5, 2018. Such acreage excludes approximately 32.213 acres with water, wastewater, and storm drainage and detention facilities currently under construction, with completion anticipated by May 1, 2018. In the opinion of the District's engineers, the remaining authorized but unissued bonds should be sufficient to fund water, sanitary sewer and drainage services to all areas now within the District. See "THE BONDS – Alteration of Boundaries" and "THE DISTRICT – Historical and Current Status of Development."

*Development and Home Construction in the District . . .* As of March 5, 2018, approximately 128 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. See "Maximum Impact on District Tax Rates" above.

### **Tax Collections and Foreclosure Remedies**

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by 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. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution

against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

### **Marketability**

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

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

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

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

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

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

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

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (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.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney's fees, costs of abstract and

research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

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

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

### **Future Debt**

The District has reserved in the Bond Order the right to issue the remaining \$3,225,000 authorized but unissued Unlimited Tax Road Bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District, including up to \$74,185,000 in bonds for water, wastewater, and drainage facilities and \$4,880,000 in bonds for parks and recreational facilities. The District has also reserved the right to issue \$111,277,500 in refunding bonds for water, wastewater, and drainage facilities, \$5,635,000 in refunding bonds for parks and recreational facilities, and \$8,452,500 in refunding bonds for roads authorized at the November 8, 2011 election. All of the remaining \$3,225,000 Unlimited Tax Road Bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to approval of the Attorney General of the State of Texas. In the opinion of the District's engineer, the remaining authorization should be sufficient to reimburse the Developer for the development within the District. See "THE BONDS – Issuance of Additional Debt."

As of the date March 1, 2018, the Developer has advanced funds in the approximate amount of \$10,019,827 to construct roads, water, wastewater, and drainage facilities to serve the property within the District. Following the issuance of the Bonds, the District will still owe the Developer approximately \$8,146,202 for additional road, water, wastewater, and drainage facilities which have been constructed to date.

### **Forward-Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the District or Developer, 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 and Developer assume 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 and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

### **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 an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Williamson, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

On November 26, 2014, the EPA announced a new proposed ozone NAAQS range of between 65-70 ppb. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

On October 1, 2015, the EPA adopted new NAAQS for ground level ozone of 70 ppb; however, the EPA Administrator sent a letter to governors on June 6, 2017 informing them that the EPA is extending the deadline for promulgating initial area designations by one year for the 2015 ozone NAAQS.

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 Safe Drinking Water Act, potable (drinking) water provided by the District to more than sixty (60) end users for consumption is subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ has adopted rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

Operation of the District's sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring and enforcing wastewater discharge permits. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System ("TPDES") program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities

and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

### **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. As of the date hereof, legislation has been introduced in the United States Congress that, if enacted, would make significant changes to the Code, including, among other provisions, changes to the federal income tax rates for individuals and corporations. 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.

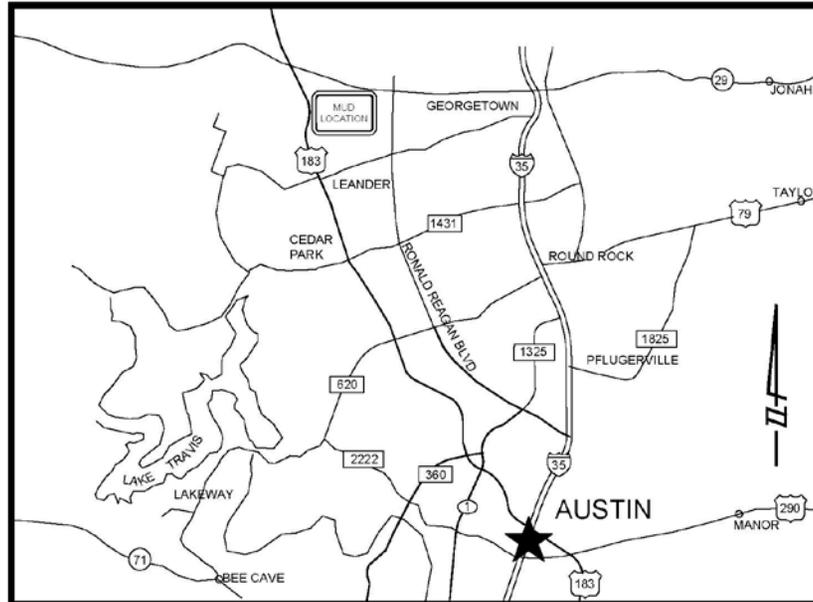
### **Drought Conditions**

Central Texas, like other areas of the State, is susceptible to drought conditions. The District adopted a water conservation and drought contingency plan and currently has implemented voluntary water restrictions for residents of the District. The City of Georgetown provides water to the District in amounts sufficient to service the residents of the District; however, if the District experiences drought conditions, water usage and rates could be impacted.

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# LOCATION MAP

## WILLIAMSON-LIBERTY HILL MUD EXHIBIT



VICINITY MAP  
NTS

MUD TO DOWNTOWN AUSTIN: 30 MILES  
MUD TO ROUND ROCK: 25 MILES  
MUD TO CEDAR PARK: 11 MILES  
MUD TO GEORGETOWN: 11 MILES

M:\PROJECTS\152744\152744.dwg, AND/OR AUTOCAD AND/OR MICROSOFT OFFICE, DATE: 08/20/18, LITERATURE FOR HANSHILL, LGA

PROJECT NO.	XXXXXXX	DRAWN BY	XXX
DATE	XXXXXX	CHECKED BY	XX


**GRAY**  
ENGINEERING

8034 N. Capital of Texas Hwy.  
Austin, Texas 78759  
Suite 100  
(512) 452-0371  
FAX (512) 454-9933  
TELE FAX 42344

## THE DISTRICT

### General

The District was created by HB 2734 approved by the 80<sup>th</sup> Texas Legislature, Regular Session effective June 15, 2007 (codified as Chapter 8199, Special Districts Local Laws Code, the "Enabling Act"), as a conservation and reclamation district.

The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, and confirmed pursuant to an election held within the District on November 8, 2011. The District also has road powers under Section 52, Article III of the Texas Constitution. Pursuant to the Enabling Act, after July 1, 2017, the District is also responsible for the costs of repair and maintenance of any streets within the District. The repair and maintenance of District streets must meet all applicable construction standards and regulations of the City of Liberty Hill and Williamson County, Texas. The District has adopted a street maintenance and repair program policy, which is subject to change by the Board of Directors, that requires each annual budget to anticipate street repair and maintenance expenses to be incurred during the fiscal year. Additionally, the District will establish a street repair and maintenance fund into which funds allocated for such purposes will be deposited and reserved until funds are sufficient for the needed repairs and maintenance. The District currently anticipates using maintenance taxes and other lawfully available funds to pay for such repair and maintenance costs.

At the time of creation, the District contained approximately 228 acres of land. Since the creation of the District, there have been no exclusions or annexations of land.

### Management

#### *Board of Directors*

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Morris Green	President	2018	3 ½ Years
Matthew Smith	Vice President	2018	3 ½ Years
Britt Fisher	Secretary	2018	3 ½ Years
Scott Shepard	Assistant Secretary	2020	2 ½ Years
Kyle Spencer	Director	2020	2 ½ Years

#### *Consultants*

##### **Tax Assessor/Collector**

Land and improvements in the District are being appraised by the Williamson Central Appraisal District ("WCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Williamson County Tax Assessor/Collector, Bruce Elfant, currently serves the District in this capacity under contract.

##### **Engineer**

The District's consulting engineer is Gray Engineering, Inc. (the "Engineer"). Such firm serves as consulting engineer to 11 other special districts.

##### **Bookkeeper**

Municipal Accounts & Consulting, L.P., certified public accountants, serves as bookkeeper to the District. Such firm serves as bookkeeper to 25 other 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.

### **Special Tax Counsel and Disclosure Counsel**

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

### **Bond Counsel and General Counsel**

The District employs McLean & Howard, L.L.P. ("McLean & Howard") as Bond Counsel and General Counsel. Fees paid to McLean & Howard for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

### **Location**

The District is located entirely within the extraterritorial jurisdiction of the City of Liberty Hill, Texas ("Liberty Hill" or the "City"), and is situated in southeastern Williamson County approximately three miles east of downtown Liberty Hill. The District is bound to the west by CR 266 and to the north by State Highway 29. The Austin central business district is approximately 16 miles to the southwest. The District lies in close proximity to State Highway 183.

### **Historical and Current Status of Development**

The District was created by HB 2734 approved by the 80<sup>th</sup> Texas Legislature, Regular Session effective June 15, 2007, codified as Chapter 8199, Special District Local Laws Code, as a conservation and reclamation district.

The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, and confirmed pursuant to an election held within the District on November 8, 2011. The District also has road powers under Section 52, Article III of the Texas Constitution. Pursuant to the Enabling Act, after July 1, 2017, the District is also responsible for the costs of repair and maintenance of any streets within the District. The repair and maintenance of District streets must meet all applicable construction standards and regulations of the City of Liberty Hill and Williamson County, Texas. The District has adopted a street maintenance and repair program policy, which is subject to change by the Board of Directors, that requires each annual budget to anticipate street repair and maintenance expenses to be incurred during the fiscal year. Additionally, the District will establish a street repair and maintenance fund into which funds allocated for such purposes will be deposited and reserved until funds are sufficient for the needed repairs and maintenance. The District currently anticipates using maintenance taxes and other lawfully available funds to pay for such repair and maintenance costs.

The District as originally created contained approximately 228 acres. Since the creation of the District, there have been no annexations or exclusions of land.

As of March 5, 2018, the Developer has completed the development of utility facilities serving approximately 69.897 acres within the District, developed as Orchard Ridge Phase 1 Infrastructure (20.858 acres); Phase 1A (17.290 acres platted as 82 single-family lots); Phase 1B (14.771 acres platted as 61 single-family lots); and Phase 1C (16.978 acres platted as 39 single-family lots). Included in such acreage is a completed amenity center on approximately 3.228 acres. Additionally, the Developer has commenced construction on the development of utility facilities to serve approximately 32.213 acres to be developed as Orchard Ridge Phase 2A (10.491 acres platted as 61 single-family lots); Phase 2B (7.771 acres platted as 53 single-family lots); Phase 2C (5.294 acres platted as 24 single-family lots); and Phase 2D (8.657 acres platted as 45 single-family lots), with construction currently anticipated to be completed by May 1, 2018. Additionally, the Developer has represented that Orchard Ridge Phase 2E is currently under design. The District makes no representation that any of the lots currently under construction or design will be completed.

*[The remainder of this page intentionally left blank]*

The following chart reflects the status of development as of March 5, 2018:

Section	Acreage <sup>(a)</sup>	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Single Family Developed with Utility Facilities</b>					
Orchard Ridge Phase 1 Infrastructure (includes Amenity Center on 3.228 acres)	20.858	-	-	-	-
Orchard Ridge Phase 1A	17.290	82	33	4	45
Orchard Ridge Phase 1B	14.771	61	17	5	39
Orchard Ridge Phase 1C	16.978	39	-	-	39
<b>Total Single Family Developed with Utilities</b>	<b>69.897</b>	<b>182</b>	<b>50</b>	<b>9</b>	<b>123</b>
<b>B. Utility Facilities Currently Under Construction<sup>(b)</sup></b>					
Orchard Ridge Phase 2A	10.491	61			
Orchard Ridge Phase 2B	7.771	53			
Orchard Ridge Phase 2C	5.294	24			
Orchard Ridge Phase 2D	8.657	45			
<b>Total Utility Facilities Currently Under Construction</b>	<b>32.213</b>	<b>183</b>			
<b>C. Utility Facilities Currently Under Design</b>					
Orchard Ridge Phase 2E	43.243	107			
Orchard Ridge Phase 3A	20.881	61			
Orchard Ridge Phase 3B	14.269	91			
Orchard Ridge Phase 3C	7.753	40			
Orchard Ridge Phase 3D	12.998	43			
<b>Total Utility Facilities Currently Under Design</b>	<b>99.144</b>	<b>342</b>			
<b>D. Total Developed or Currently Under Construction or Design</b>	<b>201.254</b>	<b>707</b>			
<b>E. Remaining Developable Acreage</b>	<b>26.973</b>				
<b>Total District Acreage</b>	<b>228.227</b>				

(a) Includes Open Space.

(b) Expected to be completed by May 1, 2018.

### 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 the ability to sell lots and/or property and of any homebuilder to sell completed homes as described in this Official Statement under the caption “RISK FACTORS.” If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. The District’s Engineer estimates that the \$74,185,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. See “THE BONDS – Issuance of Additional Debt.” The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in their sole discretion. Accordingly, the District makes no representation that future development will occur.

### Development Agreement with the City of Liberty Hill

The District, the City of Liberty Hill, and Developer are parties to that certain “Amended and Restated Development and Consent to the Creation of a Municipal Utility District” effective May 18, 2016 (the “Consent and Development Agreement”) which governs development of the lands within the District. Among other matters, the Consent and Development Agreement specifies the development standards applicable to development of the lands within the District, and obligates the Developer to pay certain fees and construct infrastructure required for development of the lands within the District.

## **THE DEVELOPER**

### **Role of Developer**

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 Developer**

The Developer currently active within the District is F-L HM Owner, LP, a Delaware limited partnership (the "Developer"), comprised of (i) F-L HM GP, LLC, a Delaware limited liability company ("F-L HM GP"), as general partner and (ii) F-L HM Holdings, LLC, a Delaware limited liability company ("F-L HM Holdings"), as the sole limited partner. F-L HM Holdings is also the sole member of F-L HM GP. F-L HM Holdings consists of two members: FCA Highland, LLC, a Delaware limited liability company ("FCA Highland") which is the Administrative Member and one other entity.

For more information concerning the Developer, see "APPENDIX B – Unaudited Financial Statement of the Developer." Neither the Developer, nor any other person or entity related to or affiliated with the Developer, is responsible for, liable for, or has made any commitment for payment of the Bonds or other obligations of the District or to construct or complete development of the land within the District, and the inclusion of the Developer's financial statements and description of its financial arrangements or organization herein should not be construed as an implication to that effect. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District, and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time. Because of the foregoing, financial information concerning the Developer will neither be updated nor provided following issuance of the Bonds, except as described herein under "CONTINUING DISCLOSURE OF INFORMATION."

### **Acquisition and Development Financing**

On July 10, 2014, the Developer purchased the entire acreage within the District (approximately 228 acres) with equity-financed cash, by special warranty deed from IMH Special Asset NT 192, LLC, a Delaware limited liability company, which had received a deed in lieu of foreclosure to the property from the prior owner. There is no outstanding loan for the purchase of the property.

The Developer has stated that it intends to develop the property within the District, in phases, as single family lots, which, in turn, will be sold to homebuilders on which single family homes will be constructed. As of February 28, 2018, the Developer has developed Phase 1 (69.897 acres platted as 182 single family lots) from the proceeds of a combination of cash and a development loan from American Bank, NA, Austin, Texas ("American Bank"), in the maximum principal amount of \$3,000,000 (the "Phase 1 Development Loan"). According to the Developer, the terms of the Phase 1 Development Loan include interest payments monthly as it accrues beginning in September 24, 2016 and continue on the same day of each succeeding month until August 24, 2018 at which point all principal and interest will become due and payable. According to the Developer, it is in material compliance with the terms of the Phase 1 Development Loan.

Additionally, the Developer has entered into a second development loan with American Bank, (the "Phase 2 Development Loan") for the development of Orchard Ridge, Phase 2 (32.213 acres, platted as 183 single family lots) all of which is currently under construction, with completion expected by May 1, 2018. See "THE DISTRICT – Historical and Current Status of Development." According to the Developer, the Phase 2 Development Loan is also structured as a revolving line of credit in the maximum principal amount of \$3,500,000, which together with cash otherwise available to the Developer will be used by the Developer to complete the development of utility facilities and street paving to serve Orchard Ridge, Phase 2.

The terms of the Phase 2 Development Loan include the payment of interest monthly accruing from January 20, 2018, through June 20, 2019 at which point all principal and interest will become due and payable. According to the Developer, it is in material compliance with the terms of the Phase 2 Development Loan.

**Homebuilders within the District**

According to the Developer, there are currently four active homebuilders within the District: Lennar, Pacesetter, Dreamfinders and Buffington (although no additional lot closings remain under the Dreamfinders and Buffington contracts). The Developer anticipates home in the District to range in price from approximately \$200,000 to \$468,000, with square footage anticipated to range from approximately 1,400 to 3,600 square feet. See “THE DEVELOPER – Homebuilders within the District.”

Home construction in the District began in June 2016. The following chart illustrates the number of homes built per year starting in 2016.

Calendar Year	No. of Single-Family Homes Constructed
2017	39
2018	20*

\* As of March 5, 2018; includes 11 completed homes and 9 homes under construction.

**Utility Construction Agreements**

The District and Developer are parties to the following agreements (collectively, the “Reimbursement Agreements”): (i) that certain “Utility and Park Development Agreement” dated March 11, 2016 and (ii) that certain “Road Improvements Construction and Reimbursement Agreement” dated March 11, 2016. The Reimbursement Agreements generally obligate the Developer to fund and construct all water, wastewater, drainage and road improvements and facilities required for development of the lands within the District. The Reimbursement Agreements also obligate the District to issue its bonds to purchase the facilities or to otherwise reimburse the Developer’s eligible costs at such time as a sufficient tax base has been developed within the District. The District’s obligation to issue its bonds for Developer reimbursement is subject to the terms and conditions set forth in the Reimbursement Agreements.

**Agricultural Waiver**

A portion of the undeveloped acreage within the District is subject to an agricultural exemption; however, the Developer has executed an agreement, which is recorded in the real property records of Williamson County, and is a covenant running with the land, waiving the right to have certain land located within the District classified as agricultural, open-space or timberland. In addition, the Developer has waived the right to have the lots and houses (if any) classified as business inventory. Such agreement may not be modified without the approval of the TCEQ and is binding on purchasers of such land from the developer. See “TAXING PROCEDURES – Property Subject to Taxation by the District.”

**THE SYSTEM**

**Regulation**

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 their rules.

**Water Supply and Distribution**

The City of Georgetown and the Developer are parties to that certain “Water Service Agreement” effective December 13, 2017 setting for the terms and conditions under which Georgetown has agreed to provide retail water service within the District and certain adjacent lands being developed by the Developer. Under the Water Service Agreement, Georgetown agreed to provide up to 850 living unit equivalents (“LUEs”) of retail water service to all such lands. Georgetown’s obligation to provide service is subject to certain conditions, including construction of the internal water distribution facilities and payment of impact fees by the Developer. According to the District’s engineer, the 850 LUEs of water service capacity available under the Water Service Agreement is sufficient for full buildout.

**Wastewater Collection and Treatment**

Pursuant to the Consent and Development Agreement, the City of Liberty Hill agreed to provide retail wastewater service to all lands within the District as required for full build-out. Construction of the wastewater interceptor line, lift station and force main required for the provision of wastewater service by the City to lands within the District has been completed. Wastewater generated within the District

is transported, treated and disposed at the City of Liberty Hill’s Central Wastewater Treatment Plant. According to the District’s Engineer, the City’s Central Wastewater Treatment Plant is authorized under Permit No. 11845-002 to treat and dispose 5.30 MGD of wastewater effluent. The existing wastewater treatment and disposal facilities have sufficient capacity to serve the anticipated full build-out of the District.

**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 Wilbarger Creek and ultimately to the Colorado River.

**100-Year Flood Plain**

A portion of the District is affected by the 100-year flood plain, as identified by the Federal Flood Insurance Administration Rate Map No. 48453C0280H for Williamson County, Texas, dated September 26, 2008. Such acreage is contained within the open space portion of Orchard Ridge Phase 2E which is currently under design. See “THE DISTRICT – Historical and Current Status of Development.” No lots are developed nor are any expected to be developed on land that is located within the boundary of the 100-year Flood Plain.

**Water, Wastewater and Drainage Operations - Rate and Fee Schedule - Table 1**

The City of Georgetown provides retail water services to residents within the District at rates higher to the water rates charged than City of Georgetown residents. The City of Liberty Hill provides retail wastewater services to residents within the District at rates higher to the wastewater rates charged than City of Liberty Hill residents. The following rates, effective December 13, 2017, are charged by the Cities of Georgetown and Liberty Hill, respectively, to District residents.

Water (monthly billings)

Residential:

Out-of- District Rates:

Monthly Base Charge

Meter Size

5/8” .....	\$18.50
3/4” .....	27.50
1” .....	46.00
1 1/2” .....	91.50
2” .....	146.50
3” .....	293.50
4” .....	458.50
6” .....	916.50
8” .....	1,466.50

Volume Charge for all meter sizes:

0-10,000 gallons .....	\$1.75 per 1,000 gallons
10,001–12,000 .....	2.40 per 1,000 gallons
12,001–40,000 .....	4.00 per 1,000 gallons
40,001 -60,000 .....	6.50 per 1,000 gallons
60,001+ .....	8.50 per 1,000 gallons

Wastewater (monthly billings)

Monthly Base Charge

All Meter Sizes..... \$48.15 per LUE

Wholesale Customer Monthly Minimum Charges ..... \$3,600

**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."

	Budget	Fiscal Year End			
	9/30/2018 <sup>(a)</sup>	9/30/2017 <sup>(b)</sup>	9/30/2016 <sup>(c)</sup>	9/30/2015 <sup>(c)</sup>	9/30/2014 <sup>(c)</sup>
<b>REVENUES</b>					
Property taxes, including penalties	\$ 145,849	\$ 83,582	\$ 1,066	\$ 905	\$ 708
Interest	25	442	-	-	-
Developer Advance	-	53,555	87,807	91,074	-
Other	-	275	3	8	12
<b>TOTAL REVENUES</b>	<b>\$ 145,874</b>	<b>\$ 137,854</b>	<b>\$ 88,876</b>	<b>\$ 91,987</b>	<b>\$ 720</b>
<b>EXPENDITURES</b>					
Wastewater Expense	\$ -	\$ 3,593	\$ 25,200	\$ 43,200	\$ 10,800
Management & Operations	12,000	-	-	-	-
Utilities	5,000	4,566	1,150	-	-
Purchased Water	36,000	39,897	-	-	-
Tax Appraisal/Collection Fees	120	159	-	-	-
Legal Fees	35,000	15,705	-	-	-
Engineering Fees	12,000	8,454	-	-	-
Bookkeeping Fees	15,000	17,640	-	-	-
Financial Advisor Fees	750	750	-	-	-
Insurance	3,000	2,816	-	-	-
Director Fees	6,520	2,422	-	-	-
Audit Fee	2,500	-	-	-	-
Repairs & Maintenance	5,000	-	-	-	-
Other	6,225	4,337	57,718	34,669	34,622
<b>TOTAL EXPENDITURES</b>	<b>\$ 139,115</b>	<b>\$ 100,339</b>	<b>\$ 84,068</b>	<b>\$ 77,869</b>	<b>\$ 45,422</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 6,759</b>	<b>\$ 37,515</b>	<b>\$ 4,808</b>	<b>\$ 14,118</b>	<b>\$ (44,702)</b>
<b>Beginning Fund Balance</b>	<b>\$ 63,548</b>	<b>\$ 26,033</b>	<b>\$ 21,225</b>	<b>\$ 7,107</b>	<b>\$ 51,809</b>
<b>Plus / (Less): Fund Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 70,307</b>	<b>\$ 63,548</b>	<b>\$ 26,033</b>	<b>\$ 21,225</b>	<b>\$ 7,107</b>

(a) Approved budget for fiscal year ended 9/30/2018. Preliminary; subject to change.

(b) Audited.

(c) Unaudited.

**DEBT SERVICE REQUIREMENTS – TABLE 3**

**Williamson-Liberty Hill Municipal Utility District**

**\$2,410,000**

**Unlimited Tax Road Bonds, Series 2018**

**Dated Date: April 25, 2018**

**First Interest Payment Due: September 1, 2018**

Year Ending 31-Dec	The Bonds				Principal and Interest	Total Debt Service Requirements
	Principal (Due 9/01)	Interest				
		(Due 3/01)	(Due 9/01)	Total		
2018	\$ -	\$ -	\$ 30,031	\$ 30,031	\$ 30,031	\$ 30,031
2019	-	42,902	42,902	85,804	85,804	85,804
2020	75,000	42,902	42,902	85,804	160,804	160,804
2021	75,000	42,077	42,077	84,154	159,154	159,154
2022	80,000	41,177	41,177	82,354	162,354	162,354
2023	85,000	40,137	40,137	80,274	165,274	165,274
2024	85,000	38,947	38,947	77,894	162,894	162,894
2025	90,000	37,672	37,672	75,344	165,344	165,344
2026	95,000	36,277	36,277	72,554	167,554	167,554
2027	100,000	34,781	34,781	69,561	169,561	169,561
2028	105,000	33,156	33,156	66,311	171,311	171,311
2029	105,000	31,384	31,384	62,768	167,768	167,768
2030	110,000	29,573	29,573	59,145	169,145	169,145
2031	115,000	27,593	27,593	55,185	170,185	170,185
2032	120,000	25,494	25,494	50,988	170,988	170,988
2033	125,000	23,244	23,244	46,488	171,488	171,488
2034	130,000	20,900	20,900	41,800	171,800	171,800
2035	135,000	18,300	18,300	36,600	171,600	171,600
2036	145,000	15,600	15,600	31,200	176,200	176,200
2037	150,000	12,700	12,700	25,400	175,400	175,400
2038	155,000	9,700	9,700	19,400	174,400	174,400
2039	160,000	6,600	6,600	13,200	173,200	173,200
2040	170,000	3,400	3,400	6,800	176,800	176,800
	<u>\$ 2,410,000</u>	<u>\$ 614,514</u>	<u>\$ 644,545</u>	<u>\$ 1,259,059</u>	<u>\$ 3,669,059</u>	<u>\$ 3,669,059</u>

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value – Table 4**

2017 Certified Assessed Valuation		\$ 15,662,366	(a)
Estimated Assessed Valuation as of December 1, 2017		\$ 24,100,000	(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 2,410,000	(c)
Ratio of Gross Debt to 2017 Certified Assessed Valuation		15.39%	
Ratio of Gross Debt to Estimated Assessed Valuation as of December 1, 2017		10.00%	
2017 Tax Rate			
Debt Service	\$	-	
Maintenance		<u>0.9500</u>	
<b>Total 2017 Tax Rate</b>	<b>\$</b>	<b><u>0.9500</u></b>	(d)
Debt Service Fund Balance (after the issuance of the Bonds)		\$ 191,412	(e)

Area of District: 228.77 acres  
Estimated Population as of March 5, 2018: 175 (f)

- (a) The certified assessed valuation as of January 1, 2017, as provided by WCAD. See "TAXING PROCEDURES."  
 (b) The estimated assessed valuation as of December 1, 2017, as provided by WCAD, is included solely for purposes of illustration. See "TAXING PROCEDURES."  
 (c) The Bonds.  
 (d) The District's Board at its meeting in July 2017 levied a total maintenance tax rate of \$0.95. See "TAXING PROCEDURES."  
 (e) Includes approximately twenty-four months of capitalized interest (\$191,412.27) at an interest rate of 3.971209% per annum which is to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the District's Debt Service Fund.  
 (f) Based upon 3.5 residents per completed and occupied single family home.

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

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/8/2011	Water, Wastewater and Drainage	\$ 74,185,000	\$ -	\$ 74,185,000
11/8/2011	Water, Wastewater and Drainage Refunding (b)	111,277,500	-	111,277,500
11/8/2011	Parks and Recreation	4,880,000	-	4,880,000
11/8/2011	Parks and Recreation Refunding (b)	7,320,000	-	7,320,000
11/8/2011	Roads	5,635,000	2,410,000 (a)	3,225,000
11/8/2011	Roads Refunding (b)	<u>8,452,500</u>	<u>-</u>	<u>8,452,500</u>
<b>Total</b>		<b>\$ 211,750,000</b>	<b>\$ 2,410,000</b>	<b>\$ 209,340,000</b>

- (a) The Bonds.  
 (b) The proposition approved by the voters authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the par amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$111,277,500 in water, wastewater and drainage refunding bonds, \$7,320,000 in park and recreational facilities refunding bonds, and \$8,452,500 in road refunding bonds.

*[The remainder of this page intentionally left blank]*

**Outstanding Bonds - Table 6**

<b>Dated Date</b>	<b>Purpose</b>	<b>Original Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding after the Issuance of the Bonds</b>
04/25/18	Roads	2018	\$ 2,410,000	\$ 2,410,000 <sup>(a)</sup>
	<b>Subtotal</b>		<b>\$ 2,410,000</b>	<b>\$ 2,410,000</b>

(a) The Bonds.

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

General Fund	\$ 95,111
Debt Service Fund	191,412 <sup>(b)</sup>
Capital Projects Fund	-

(a) Unaudited as of February 14, 2018.

(b) Includes approximately twenty-four months of capitalized interest at an interest rate of 3.971209% per annum which is to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. 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 Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or by 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 the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the “PFIA”) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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 Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) 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 and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

**Current Investments - Table 8**

The District, as of February 14, 2018, was invested in TexPool. This investment portfolio is generally representative of the District’s investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District’s audited financial statements.

<b>Investment Value as of February 14, 2018</b>		
Cash	\$	11,979
TexPool		<u>83,132</u>
<b>Total Investments</b>	<b>\$</b>	<b>95,111</b>

**Estimated Overlapping Debt Statement**

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

<b>Taxing Body</b>	<b>Total Tax Supported Debt</b>		<b>% of Overlapping Net Debt</b>	<b>Amount of Overlapping Net Debt</b>
	<b>Amount</b>	<b>As of</b>		
Williamson County	\$ 872,279,942	1/31/2018	0.029%	\$ 255,548
Leander Independent School District	992,698,034	1/31/2018	0.068%	675,284
Austin Community College	297,583,965	1/31/2018	0.009%	25,815
Williamson County ESD No. 4	(a)	1/31/2018	0.000%	-
Williamson Co. FM/RD	(a)	1/31/2018	0.000%	<u>-</u>
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 956,646</b>
The District <sup>(b)</sup>	\$ 2,410,000	3/6/2018	100.00%	<u>\$ 2,410,000</u>
<b>TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT</b>				<b><u>\$ 3,366,646</u></b>
<b>Ratio of Direct and Estimated Overlapping Debt to 2017 Certified Assessed Valuation</b>				<b>21.50%</b>
<b>Ratio of Direct and Estimated Overlapping Debt to Estimated Assessed Valuation as of December 1, 2017</b>				<b>13.97%</b>

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

**Overlapping Taxes for 2017**

Overlapping Entity	2017 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill <sup>(a)</sup>
	Williams County	Williams County
Williams County	\$0.426529	\$ 1,194
Leander Independent School District	1.511870	4,233
Williams County ESD No. 4	0.098250	275
Williams Co. FM/RD	0.040000	112
The District	<u>0.950000</u>	<u>2,660</u>
<b>Total</b>	<b><u>\$3.026649</u></b>	<b><u>\$ 8,475</u></b>

(a) Based upon the 2017 average single-family home value of \$280,000 as provided by WCAD.

**TAX DATA**

**Classification of Assessed Valuation - Table 9**

Type Property	2017 <sup>(a)</sup>		2016 <sup>(a)</sup>		2015 <sup>(b)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family Residential	\$ -	0.00%	\$ -	0.00%	\$ -	0.00%
Vacant Platted Lots/Tracts	6,049	0.04%		0.00%		0.00%
Acreage, Land Only	5,614,975	35.85%	7,942,045	319.01%	5,579,292	279.57%
Farm and Ranch	44,000	0.28%	44,000	1.77%	34,000	1.70%
Real Inventory	10,022,884	63.99%	-	0.00%	-	0.00%
Exempt Property	-	0.00%	-	0.00%	-	0.00%
Adjustments & Exemptions	<u>(25,542)</u>	<u>-0.16%</u>	<u>(5,496,439)</u>	<u>-220.78%</u>	<u>(3,617,651)</u>	<u>-181.28%</u>
<b>Total</b>	<b>\$ 15,662,366</b>	<b>100.00%</b>	<b>\$ 2,489,606</b>	<b>100.00%</b>	<b>\$ 1,995,641</b>	<b>100.00%</b>

(a) Provided by WCAD.

(b) Assessed Valuation reflects the adjusted value at September 30<sup>th</sup> of each respective year as included in the audited financial statement.

**Tax Collections - Table 10**

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Year	Assessed Valuation	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2013	\$ 74,491	\$ 0.9500	\$ 708	\$ 708	100.00%	\$ 708	100.00%	9/30/2014 <sup>(a)</sup>
2014	95,246	0.9500	\$ 905	905	100.00%	905	100.00%	9/30/2015 <sup>(a)</sup>
2015	1,995,641	0.9500	\$ 18,959	18,959	100.00%	18,959	100.00%	9/30/2016 <sup>(a)</sup>
2016	2,489,606	0.9500	\$ 79,467 <sup>(c)</sup>	79,467	100.00%	79,467	100.00%	9/30/2017 <sup>(a)</sup>
2017	15,662,366	0.9500	\$ 148,792	148,792	100.00%	148,972	100.12%	9/30/2018 <sup>(b)</sup>

(a) Audited.

(b) Unaudited as of February 14, 2018. Taxes are due with no penalty by January 31, 2018.

(c) Adjusted Tax Levy.

**District Tax Rates - Table 11**

	Tax Rates per \$100 Assessed Valuation				
	2017	2016	2015	2014	2013
<b>Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Maintenance</b>	<u>0.9500</u>	<u>0.9500</u>	<u>0.9500</u>	<u>0.9500</u>	<u>0.9500</u>
<b>Total</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>

**Tax Rate Limitation**

The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 8, 2011, 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 2017 maintenance and operation tax of \$0.9500/\$100 assessed valuation. See "THE DISTRICT – General."

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided by WCAD based on the 2017, 2016 and 2015 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Name	Type of Property	2017	2016	2015
F-L HM Owner LP <sup>(b)</sup>	Land and Improvements	\$ 11,369,202	\$ 2,462,356	\$ 84,945
Buffington Texas Classic Homes <sup>(c)</sup>	Land and Improvements	1,674,226	(a)	(a)
Dream Finders Homes <sup>(c)</sup>	Land and Improvements	1,172,535	(a)	(a)
Dream Finders Homes LLC <sup>(c)</sup>	Land and Improvements	1,142,772	(a)	(a)
Individual Homeowners	Land and Improvements	225,971	27,250	27,250
DFH Wildwood LLC	Land and Improvements	49,400	(a)	(a)
Canon Financial Services Inc.	Tangible Personal Business	9,814	(a)	(a)
<b>Total</b>		<u>\$ 15,643,920</u>	<u>\$ 2,489,606</u>	<u>\$ 112,195</u>
Percent of Assessed Valuation		99.88%	100.00%	5.62%

- (a) Not a principal taxpayer during the year shown.
- (b) The Developer
- (c) The designated taxpayer is concentrated in the homebuilding industry. See "THE DEVELOPER – Homebuilders within the District" and "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments – Dependence Upon the Developer, Lot Owners, and Builders."

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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 2017 certified assessed valuation, estimated assessed valuation as of December 1, 2017 and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds (at an interest rate of 3.971209% per annum). No available debt service funds are reflected in these computations. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Bonds (2018 through 2040).....	\$159,524
\$1.08 Tax Rate on 2017 Certified Assessed Valuation of \$15,662,366 @ 95% collections produces .....	\$160,696
\$0.70 Tax Rate on the Estimated Assessed Valuation as of December 1, 2017 of \$24,100,000 @ 95% collections produces .....	\$160,265
Maximum Requirement on the Bonds (2040).....	\$176,800
\$1.19 Tax Rate on 2017 Certified Assessed Valuation of \$15,662,366 @ 95% collections produces .....	\$177,063
\$0.78 Tax Rate on the Estimated Assessed Valuation as of December 1, 2018 of \$24,100,000 @ 95% collections produces .....	\$178,581

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/18.....	\$30,031 <sup>(a)</sup>
Capitalized Interest included in Bond proceeds ..... 191,412 <sup>(b)</sup>	
Total Available for Debt Service.....	<u>\$191,412</u>
Projected Debt Service Fund Balance as of September 30, 2018.....	\$161,381

- (a) Interest requirements on the Bonds are payable September 1, 2018.
- (b) Represents approximately two years of capitalized interest at an interest rate of 3.971209% per annum which is to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

**Property Tax Code and County Wide Appraisal District**

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

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

## **Property Subject to Taxation by the District**

**General:** Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by WCAD to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. Furthermore, subject to certain conditions, the Texas Constitution provides that the surviving spouse of a 100 percent disabled veteran will qualify for the ad valorem tax exemption on the same or subsequently qualified homestead for the same portion of the market value to which the disabled veteran's exemption would have applied, as if the exemption was in effect on the date the disabled veteran died.

Also partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

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

**Tax Abatement:** Williamson County and the District may enter into tax abatement agreements with owners of real property. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

**Freeport Goods and Goods-in-Transit Exemption:** Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only is such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has not taken action to tax goods-in-transit.

## **Valuation of Property for Taxation**

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

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

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

## **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against WCAD 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 the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2017". 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 "RISK FACTORS - 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**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McLean & Howard, L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkurst & Horton L.L.P., Special Tax Counsel, that will address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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 Initial Purchaser a certificate, dated as of the Date of Initial 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.

### **No Material Adverse Change**

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

## **TAX MATTERS**

### **Opinion**

On the Date of Initial Delivery of the Bonds, Special Tax 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, Special Tax 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 D -- Form of Special Tax Counsel Opinion."

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Bond Counsel that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate, and (c) covenants of the District relating to arbitrage and the application of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become included in gross income 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 Special Tax Counsel is conditioned on compliance by the District with the covenants and requirements, and Special Tax Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by 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. Special Tax Counsel's opinion represents its legal judgement based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Special Tax Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original

issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

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

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

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

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

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

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

## State, Local and Foreign Taxes

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

## Information Reporting and Backup Withholding

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

## Future and Proposed Legislation

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

## Qualified Tax-Exempt Obligations for Financial Institutions

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

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

## CONTINUING DISCLOSURE OF INFORMATION

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

## Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A, if such audited financial statements as provided in Appendix A are then available. In addition, the District has agreed to provide information with respect to the Developer. The District will be obligated to provide information concerning the Developer only if and so long as (1) such persons owns more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions) or any preliminary or estimated assessed valuation provided by WCAD, (2) such person has made tax or other payments to the District which were used or available to pay more than 20% of the District's debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such person is obligated to the District to provide or pay for District facilities or debt in the amount which exceeds 20% of the amount of the District's bonds then outstanding. 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 and when audited financial statements become available. 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 become 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 notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "– Annual Reports."

### **Availability of Information from the 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.

This continuing disclosure agreement may be amended by the District 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 (1) 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 (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

### **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 to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

### **OFFICIAL STATEMENT**

#### **Preparation**

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT." The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in 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" – Gray Engineering, Inc. ("District Engineer"); "THE DEVELOPER" – F-L HM Owner LP; "FINANCIAL STATEMENT - Unlimited Tax Road Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Williamson 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" – McLean & Howard L.L.P.; "PROJECTED DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS" (except "Payment Record"), "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings") – McLean & Howard L.L.P.

## **Consultants**

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

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

**Auditor:** The District's financial statements for fiscal year ending September 30, 2017 were audited by McCall Gibson Swedlund Barfoot PLLC, Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2017 have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

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

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

## **Certification as to Official Statement**

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

*[The remainder of this page intentionally left blank]*

**Annual Audits**

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

This Official Statement was approved by the Board of Directors of Williamson-Liberty Hill Municipal Utility District, as of the date shown on the first page hereof.

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Morris Green  
President, Board of Directors  
Williamson-Liberty Hill Municipal Utility District

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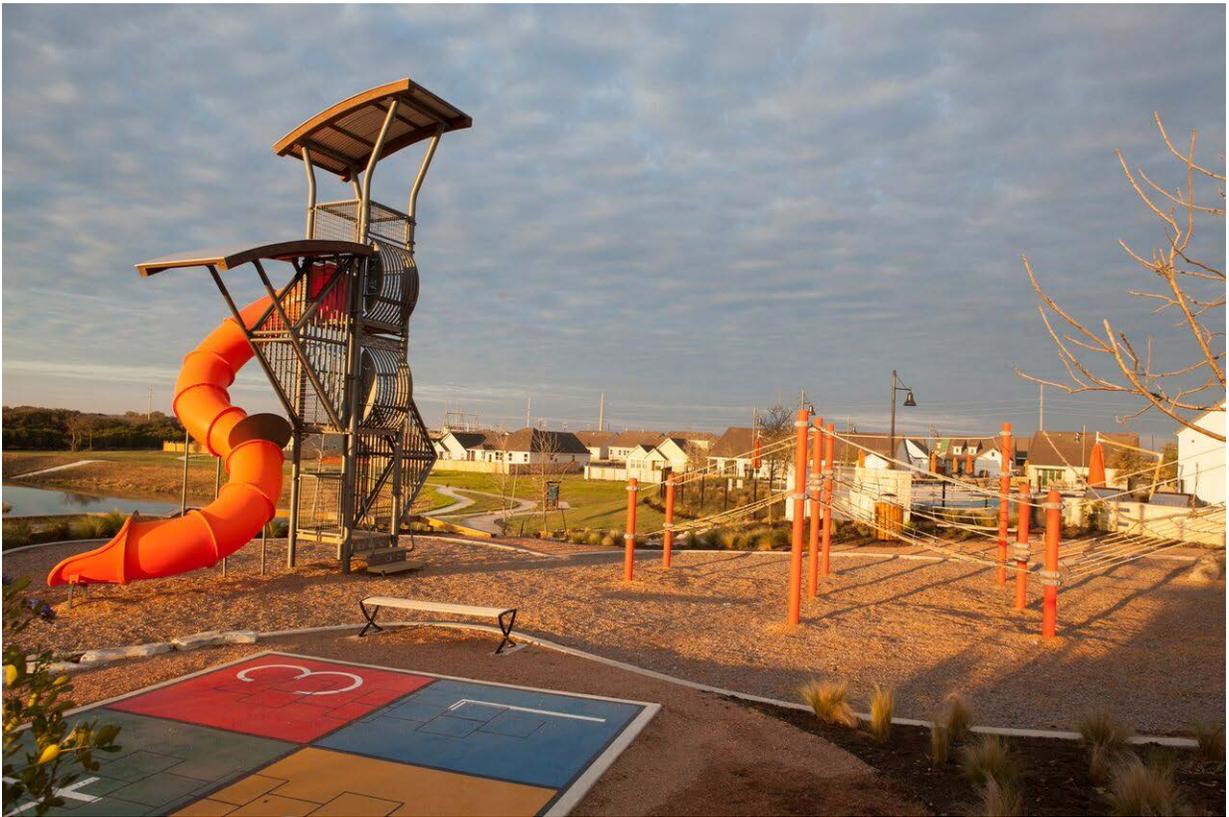
Britt Fisher  
Secretary, Board of Directors  
Williamson-Liberty Hill Municipal Utility District

## PHOTOGRAPHS

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





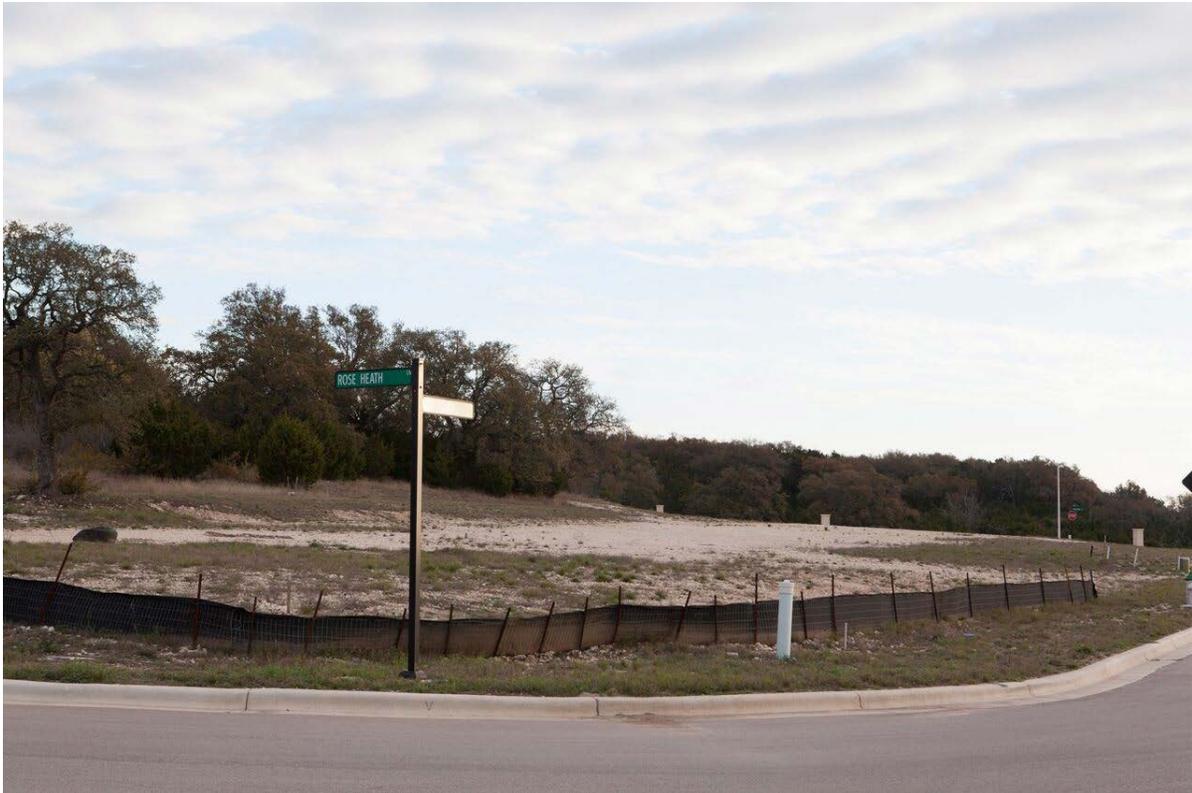












**APPENDIX A**  
**Audited Financial Statements**

The information contained in this appendix has been excerpted from the audited financial statements of Williamson-Liberty Hill Municipal Utility District for the fiscal year ended September 30, 2017. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT**

**WILLIAMSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**



**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT**

**WILLIAMSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2017**



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ANNUAL FILING AFFIDAVIT

STATE OF TEXAS  
COUNTY OF WILLIAMSON

I, Morris Green of the  
(Name of Duly Authorized District Representative)

WILLIAMSON-LIBERTY HILL MUNICIPAL UTILITY DISTRICT  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the District's Board of Directors on **January 8, 2018**, its annual audit report for the fiscal year or period ended **September 30, 2017** and that copies of the annual audit report have been filed in the District's office, located at

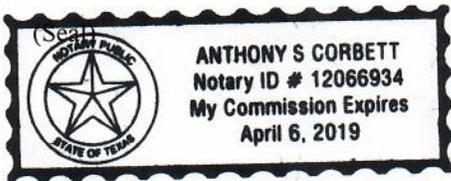
901 S. Mopac Expressway, Suite 225, Building II, Austin, Texas 78746  
(Address of District's Office)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: January 8, 2018

By: Morris Green  
(Signature of District Representative)  
Morris Green, Board President  
(Typed Name and Title District Representative)

Sworn to and subscribed to before me this the 8th day of January, 2018.



Anthony S. Corbett  
(Signature of Notary)

My Commission Expires On: 4-6-2019  
Notary Public in and for the State of Texas.



# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
(713) 462-0341  
Fax (713) 462-2708  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@mgsbpllc.com)

9600 Great Hills Trail  
Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Williamson-Liberty Hill  
Municipal Utility District  
Williamson County, Texas

We have audited the accompanying financial statements of the governmental activities and the major fund of Williamson-Liberty Hill Municipal Utility District (the "District"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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.



Board of Directors  
Williamson-Liberty Hill  
Municipal Utility District

## **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 the major fund of the District as of September 30, 2017, 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 the Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund 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 supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Austin, Texas

January 8, 2018



**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Management's discussion and analysis of Williamson-Liberty Hill Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2017. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the basic financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide portion of these statements provides both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of the government-wide statements is the Statement of Net Position. The Statement of Net Position is the District-wide statement of its financial position presenting information that includes all of the District's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The government-wide portion of the Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, operating costs and general expenditures.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**FUND FINANCIAL STATEMENTS (Continued)**

The governmental fund is reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in the Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. The budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, liabilities exceeded assets by \$587,093 as of September 30, 2017.

A portion of the District’s net position reflects its net investment in capital assets (e.g. drainage facilities, as well as street improvements and intangible assets, less any debt used to acquire those assets that is still outstanding).

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

The following is a comparative analysis of government-wide changes in net position:

	Summary of Changes in the Statement of Net Position		
	2017	2016 (Unaudited)	Change Positive (Negative)
Current and Other Assets	\$ 75,418	\$ 30,274	\$ 45,144
Intangible Assets (Net of Accumulated Amortization)	3,237,538	1,968,627	1,268,911
Capital Assets (Net of Accumulated Depreciation)	<u>6,887,034</u>	<u>7,028,312</u>	<u>(141,278)</u>
Total Assets	<u>\$ 10,199,990</u>	<u>\$ 9,027,213</u>	<u>\$ 1,172,777</u>
Due to Developer	\$ 10,775,213	\$ 9,345,823	\$ (1,429,390)
Other Liabilities	<u>11,870</u>	<u>4,241</u>	<u>(7,629)</u>
Total Liabilities	<u>\$ 10,787,083</u>	<u>\$ 9,350,064</u>	<u>\$ (1,437,019)</u>
Net Position:			
Net Investment in Capital Assets	\$ (294,260)	\$ (46,058)	\$ (248,202)
Unrestricted	<u>(292,833)</u>	<u>(276,793)</u>	<u>(16,040)</u>
Total Net Position	<u>\$ (587,093)</u>	<u>\$ (322,851)</u>	<u>\$ (264,242)</u>

The following table provides a summary of the District's operations for the years ended September 30, 2017, and September 30, 2016. The District's net position decreased by \$264,242.

	Summary of Changes in the Statement of Activities		
	2017	2016 (Unaudited)	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 79,467	\$ 1,066	\$ 78,401
Charges for Services	4,115		4,115
Other Revenues	<u>717</u>	<u>3</u>	<u>714</u>
Total Revenues	\$ 84,299	\$ 1,069	\$ 83,230
Expenses for Services	<u>348,541</u>	<u>332,270</u>	<u>(16,271)</u>
Change in Net Position	\$ (264,242)	\$ (331,201)	\$ 66,959
Net Position, Beginning of Year	<u>(322,851)</u>	<u>8,350</u>	<u>(331,201)</u>
Net Position, End of Year	<u>\$ (587,093)</u>	<u>\$ (322,851)</u>	<u>\$ (264,242)</u>

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**FINANCIAL ANALYSIS OF THE DISTRICT’S GOVERNMENTAL FUNDS**

The District’s General Fund fund balance as of September 30, 2017, was \$63,548, an increase of \$37,515 from the prior year, primarily due to tax revenues and developer advances exceeding operating expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors annually adopts an unappropriated budget for the General Fund and did not amend the budget during the current fiscal year. Actual revenues were \$61,119 more than budgeted revenues, primarily due to greater than expected tax revenues. Actual expenditures were \$9,819 more than budgeted expenditures, primarily due to water service, wastewater service and utility expenditures not being budgeted for.

**INTANGIBLE ASSETS**

Intangible assets as of September 30, 2017, total \$3,237,538 and include the right to receive water and wastewater service from the City of Georgetown (“Georgetown”) and the City of Liberty Hill (“Liberty Hill”), respectively, in exchange for water and wastewater facilities that have been conveyed to Georgetown and Liberty Hill, respectively. See also Note 5.

**CAPITAL ASSETS**

The District’s capital assets as of September 30, 2017, amount to \$6,887,034 (net of accumulated depreciation). These capital assets include street improvements and drainage system. See also Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2017	2016 (Unaudited)	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Street Improvements	3,995,074	4,077,028	(81,954)
Drainage System	2,891,960	2,951,284	(59,324)
Total Net Capital Assets	\$ 6,887,034	\$ 7,028,312	\$ (141,278)

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**LONG-TERM DEBT ACTIVITY**

As of September 30, 2017, the District had no long-term debt.

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The adopted budget for fiscal year 2018 projects an increase in General Fund fund balance of \$6,759. Compared to the fiscal year 2017 budget, revenues are expected to increase by approximately \$55,000 and expenditures are expected to increase by approximately \$49,000. The fiscal year 2017 tax rate has been established at \$0.95 on each \$100 of taxable value and will be used to fund general operations.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Williamson-Liberty Hill Municipal Utility District c/o McLean & Howard, LLP, Barton Oaks Plaza, Building II, 901 S. Mopac Expressway, Suite 225, Austin, Texas 78746.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET  
SEPTEMBER 30, 2017**

	General Fund	Adjustments	Statement of Net Position
<b>ASSETS</b>			
Cash	\$ 19,983	\$	\$ 19,983
Investments	55,135		55,135
Receivables - Other	300		300
Intangible Assets (Net of Accumulated Amortization):			
Right to Receive Water Service		1,154,310	1,154,310
Right to Receive Wastewater Service		2,083,228	2,083,228
Capital Assets (Net of Accumulated Depreciation):			
Street Improvements		3,995,074	3,995,074
Drainage System		2,891,960	2,891,960
<b>TOTAL ASSETS</b>	<b>\$ 75,418</b>	<b>\$ 10,124,572</b>	<b>\$ 10,199,990</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 11,870	\$	\$ 11,870
Due to Developer		10,775,213	10,775,213
<b>TOTAL LIABILITIES</b>	<b>\$ 11,870</b>	<b>\$ 10,775,213</b>	<b>\$ 10,787,083</b>
<b>FUND BALANCE</b>			
Unassigned	\$ 63,548	\$ (63,548)	\$ -
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 75,418</b>		
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ (294,260)	\$ (294,260)
Unrestricted		(292,833)	(292,833)
<b>TOTAL NET POSITION</b>		<b>\$ (587,093)</b>	<b>\$ (587,093)</b>

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

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2017**

Total Fund Balance - Governmental Fund	\$	63,548
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental fund.		10,124,572
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental fund. These liabilities at year end consist of -

Due to Developer		<u>(10,775,213)</u>
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Total Net Position - Governmental Activities	\$	<u>(587,093)</u>
--	----	------------------

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

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
<b>REVENUES</b>			
Property Taxes	\$ 79,467	\$	\$ 79,467
Penalty and Interest	4,115		4,115
Investment Revenues	442		442
Miscellaneous Revenues	<u>275</u>		<u>275</u>
<b>TOTAL REVENUES</b>	<u>\$ 84,299</u>	<u>\$ - 0 -</u>	<u>\$ 84,299</u>
<b>EXPENDITURES/EXPENSES</b>			
Service Operations:			
Professional Fees	\$ 24,909	\$	\$ 24,909
Contracted Services	17,799		17,799
Purchased Water Service	39,897		39,897
Purchased Wastewater Service	3,593		3,593
Utilities	4,566		4,566
Other	9,575		9,575
Depreciation		141,278	141,278
Amortization		<u>106,924</u>	<u>106,924</u>
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 100,339</u>	<u>\$ 248,202</u>	<u>\$ 348,541</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES/EXPENSES</b>	<u>\$ (16,040)</u>	<u>\$ (248,202)</u>	<u>\$ (264,242)</u>
<b>OTHER FINANCING SOURCES</b>			
Developer Contributions	<u>\$ 53,555</u>	<u>\$ (53,555)</u>	<u>\$ -0-</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 37,515	\$ (37,515)	\$
<b>CHANGE IN NET POSITION</b>		(264,242)	(264,242)
<b>FUND BALANCE/NET POSITION - OCTOBER 1, 2016</b>	<u>26,033</u>	<u>(348,884)</u>	<u>(322,851)</u>
<b>FUND BALANCE/NET POSITION - SEPTEMBER 30, 2017</b>	<u>\$ 63,548</u>	<u>\$ (650,641)</u>	<u>\$ (587,093)</u>

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

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net Change in Fund Balance - Governmental Fund	\$	37,515
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not account for depreciation or amortization. However, in the Statement of Net Position, capital assets and intangible assets are depreciated and amortized and depreciation and amortization expense is recorded in the Statement of Activities.		(248,202)
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Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability.		(53,555)
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Change in Net Position - Governmental Activities	\$	<u>(264,242)</u>
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The accompanying notes to the financial statements are an integral part of this report.

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**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 1. CREATION OF DISTRICT**

Williamson-Liberty Hill Municipal Utility District (the “District”), was created by a special act of the Texas Legislature effective June 15, 2007, in accordance with the Constitution of the State of Texas and Chapters 49 and 54 of the Texas Water Code. Pursuant to the provision of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, and to construct parks and recreational facilities for the residents of the District. The District’s Board of Directors held its first meeting on June 26, 2007.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by a five-member elected Board of Directors. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

- Net Investment in Capital Assets – This component of net position consists of capital assets and intangible assets, including restricted capital assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses in the government-wide Statement of Activities.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Funds

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Intangible Assets

Intangible assets, consisting of rights to receive water and wastewater service, are reported in the government-wide Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City of Georgetown (“Georgetown”) and the City of Liberty Hill, Texas (“Liberty Hill”), respectively. Based on the terms of the applicable contracts, wastewater assets are amortized over the contract term, which is twenty years, and water assets are considered indefinite lived assets and not amortized as of September 30, 2017.

Capital Assets

Capital assets, which include street improvements and the drainage system, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Street Improvements	50
Drainage System	50

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions

The District has no employees. The Internal Revenue Service has determined that the District's directors are considered to be "employees" for federal payroll tax purposes only. A separate pension plan has not been established for the directors.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District had no such amounts.

*Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District had no such amounts.

*Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District had no such amounts.

*Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances. The District had no such amounts.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

*Unassigned:* all other spendable amounts in the General Fund.

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

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.

**NOTE 3. LONG TERM DEBT**

The District had no bonds outstanding as of the year ended September 30, 2017.

As of September 30, 2017, the District had \$74,200,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water, sewer and drainage system within the District. The District also had \$4,900,000 of bonds authorized for the acquisition and construction of park and recreational facilities and \$5,600,000 for the construction of roads.

**NOTE 4. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Deposits (Continued)

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount and the bank balance of the District's deposits was \$19,983. All of the bank balance was covered by federal depository insurance.

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth and yield, sixth. 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." No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. Authorized investments are summarized as follows: (1) obligations of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by explicit full faith and credit of the United States,

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 4. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

(5) certain A rated or higher obligations of states, agencies, counties, cities, and other political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) insured or collateralized certificates of deposit, (8) certain fully collateralized repurchase agreements secured by delivery, (9) certain bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

As of September 30, 2017, the District had the following investment and maturity:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
TexPool	\$ 55,135	\$ 55,135
TOTAL INVESTMENTS	<u>\$ 55,135</u>	<u>\$ 55,135</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2017, the District's investment in TexPool was rated AAAM by Standard and Poor's.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 5. INTANGIBLE ASSETS**

In accordance with the Water Service Agreement with Georgetown (see Note 10) and the Development Agreement with Liberty Hill (see Note 11), and upon completion of construction, certain water and wastewater facilities have been conveyed to Georgetown and Liberty Hill for operations and maintenance. In exchange for the conveyance of these assets, Georgetown and Liberty Hill agree to provide water and wastewater services, respectively, to the retail customers within the District, which results in an intangible asset of the District.

As of September 30, 2017, the District had the following intangible assets:

	<u>October 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2017</u>
<b>Intangibles Not Being Amortized-</b>				
Right to Receive Water Service	\$ 1,154,310	\$ - 0 -	\$ - 0 -	\$ 1,154,310
<b>Intangibles Subject to Amortization-</b>				
Right to Receive Wastewater Service	\$ 824,766	\$ 1,375,835	\$ - 0 -	\$ 2,200,601
<b>Accumulated Amortization</b>				
Right to Receive Wastewater Service	<u>10,449</u>	<u>106,924</u>	<u>          </u>	<u>117,373</u>
<b>Total Amortizable Intangible Assets, Net of Accumulated Amortization</b>	<u>\$ 814,317</u>	<u>\$ 1,268,911</u>	<u>\$ - 0 -</u>	<u>\$ 2,083,228</u>
<b>Total Intangible Assets, Net of Accumulated Amortization</b>	<u>\$ 1,968,627</u>	<u>\$ 1,268,911</u>	<u>\$ - 0 -</u>	<u>\$ 3,237,538</u>

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2017:

	October 1, 2016	Increases	Decreases	September 30, 2017
<b>Capital Assets Subject to Depreciation:</b>				
Street Improvements	\$ 4,097,685	\$ - 0 -	\$ - 0 -	\$ 4,097,685
Drainage System	<u>2,966,237</u>			<u>2,966,237</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 7,063,922</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 7,063,922</u>
<b>Accumulated Depreciation</b>				
Street Improvements*	\$ 20,657	\$ 81,954	\$ - 0 -	\$ 102,611
Drainage System	14,953	59,324		74,277
<b>Total Accumulated Depreciation</b>	<u>\$ 35,610</u>	<u>\$ 141,278</u>	<u>\$ - 0 -</u>	<u>\$ 176,888</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 7,028,312</u>	<u>\$ (141,278)</u>	<u>\$ - 0 -</u>	<u>\$ 6,887,034</u>

\* Street improvements are dedicated by the Developer to Williamson County on behalf of the District and are maintained by Williamson County.

**NOTE 7. PROPERTY TAX**

On November 8, 2011, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. During the year ended September 30, 2017, the District levied an ad valorem maintenance tax rate of \$0.95 per \$100 of assessed valuation, which resulted in a tax levy of \$23,651 on the adjusted taxable valuation of \$2,489,606 for the 2016 tax year. This maintenance tax is to be used by the General Fund to pay expenditures for maintenance and operations.

The District's tax calendar is as follows:

Levy Date	-	October 1, as soon thereafter as practicable.
Lien Date	-	January 1.
Due Date	-	Upon receipt but not later than January 31.
Delinquent Date	-	February 1, at which time the taxpayer is liable for penalty and interest.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 8. 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 to effectively manage its risk. All risk management activities are account for in the General Fund. Expenditures and claims are recognized when it is probably 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.

**NOTE 9. UNREIMBURSED COSTS**

The District has executed facilities and operating costs reimbursement agreements with a Developer. The agreements call for the Developer to fund costs associated with the construction of water, sewer and drainage facilities, as well as impact fees, roads, and operating advances. Future reimbursements will come from proceeds of future bond issues to the extent approved by the Commission. As of September 30, 2017, the District owes the Developer \$10,775,213, of which \$356,381 consists of operating advances to the District.

**NOTE 10. CITY OF GEORGETOWN**

On February 7, 2007, the Developer's predecessor-in-interest entered into a Non-Standard Water and Wastewater Services Agreement ("Service Agreement") with Chisholm Trail Special Utility District ("CTSUD"). The Service Agreement set forth the terms and conditions under which CTSUD agreed to furnish retail water and sewer service to customers within the District in a quantity not to exceed the Service Commitment (as defined in the Service Agreement). The Service Agreement was subsequently amended from time to time, including the termination of CTSUD's obligation to provide retail sewer service to lands within the District.

On July 10, 2014, the Developer acquired all rights and interests of the prior developer in and to the Service Agreement, as amended. On September 30, 2015, the Developer assigned its rights duties and interests in and to the Service Agreement, as amended, to the District. On September 12, 2014, CTSUD assigned all of its rights and interests in the Service Agreement, as amended, to the City of Georgetown (the "City").

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2017**

**NOTE 10. CITY OF GEORGETOWN (Continued)**

Under the Service Agreement, as amended, the District, through the Developer, will construct and finance water system facilities required for retail water service within the District. Upon completion of construction, the water system facilities are conveyed to the City for operation and maintenance, and the City is responsible for meter reading, billing and furnishing retail water service to customers within the District.

Under the Service Agreement, the District has agreed to pay water impact fees to the City for the purchase of water system capacity for service to lands within the District. Upon payment, the District has a guaranteed reservation and commitment of capacity in the City's waterworks system for the living unit equivalents for which impact fees have been paid.

The Service Agreement has no specified end date or term limits and thus will continue in perpetuity or until terminated by the parties.

**NOTE 11. CITY OF LIBERTY HILL**

On May 18, 2016, the District entered an Amended and Restated Development and Consent to the Creation of a Municipal Utility District Agreement (the "Development Agreement") with Liberty Hill. The Development Agreement provides that the District will fund, design, construct and install all required wastewater facilities. The Development Agreement contemplates that the District will issue bonds from time to time, when economically feasible and allowed by law and appreciable regulations, to finance the construction of wastewater facilities. Upon completion of construction, the wastewater facilities will be conveyed to Liberty Hill. Upon conveyance of the wastewater facilities to Liberty Hill, Liberty Hill will assume responsibility for the operation and maintenance of the wastewater facilities and will provide retail wastewater service to all customers located within the District. The term of the Development Agreement is limited to 20 years from the effective date, as defined.

**NOTE 12. ECONOMIC DEPENDENCY**

From inception, the District has been dependent upon the Developer for operating advances. The Developer continues to own a substantial portion of the taxable property within the District. The Developer's willingness to make advances in future years will directly affect the District's ability to meet future obligations. During the current fiscal year, the Developer advanced the District \$53,555 to fund operations. Advances from inception total \$356,381. These advances, plus interest, are subject to reimbursement from future bond issues in accordance with the rules of the Commission.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
REQUIRED SUPPLEMENTARY INFORMATION  
SEPTEMBER 30, 2017**



**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 23,175	\$ 79,467	\$ 56,292
Penalty and Interest		4,115	4,115
Investment Revenues	5	442	437
Miscellaneous Revenues		275	275
<b>TOTAL REVENUES</b>	<u>\$ 23,180</u>	<u>\$ 84,299</u>	<u>\$ 61,119</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 48,200	\$ 24,909	\$ 23,291
Contracted Services	27,050	17,799	9,251
Purchased Water Service		39,897	(39,897)
Purchased Wastewater Service		3,593	(3,593)
Utilities		4,566	(4,566)
Other	15,270	9,575	5,695
<b>TOTAL EXPENDITURES</b>	<u>\$ 90,520</u>	<u>\$ 100,339</u>	<u>\$ (9,819)</u>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<u>\$ (67,340)</u>	<u>\$ (16,040)</u>	<u>\$ 51,300</u>
<b>OTHER FINANCING SOURCES</b>			
Developer Contributions	<u>\$ 67,340</u>	<u>\$ 53,555</u>	<u>\$ (13,785)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ -0-	\$ 37,515	\$ 37,515
<b>FUND BALANCE - OCTOBER 1, 2016</b>	<u>26,033</u>	<u>26,033</u>	
<b>FUND BALANCE - SEPTEMBER 30, 2017</b>	<u>\$ 26,033</u>	<u>\$ 63,548</u>	<u>\$ 37,515</u>

See accompanying independent auditor's report.

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**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT**

**SUPPLEMENTARY INFORMATION REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

**SEPTEMBER 30, 2017**



**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

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

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):**

Based on the rate order dated: \*

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	N/A				
WASTEWATER:	N/A				

\* The District does not provide water and sewer services. Retail water service is provided by the City of Georgetown (as assigned by Chisholm Trail Special Utility District) and wastewater service is provided by the City of Liberty Hill.

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: \***

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
5/8"	_____	_____	x 1.0	_____
≤3/4"	_____	_____	x 1.0	_____
1"	_____	_____	x 2.5	_____
1½"	_____	_____	x 5.0	_____
2"	_____	_____	x 8.0	_____
3"	_____	_____	x 15.0	_____
4"	_____	_____	x 25.0	_____
6"	_____	_____	x 50.0	_____
8"	_____	_____	x 80.0	_____
10"	_____	_____	x 115.0	_____
Total Water Connections	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>
Total Wastewater Connections	<u>N/A</u>	<u>N/A</u>	x 1.0	<u>N/A</u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: \***

\* The District does not provide water and sewer services. Retail water service is provided by the City of Georgetown (as assigned by Chisholm Trail Special Utility District) and wastewater service is provided by the City of Liberty Hill.

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes  No

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes  No

County or Counties in which District is located:

Williamson County, Texas

Is the District located within a city?

Entirely  Partly  Not at all

City in which District is located:

N/A

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

Entirely  Partly  Not at all

ETJ in which District is located:

City of Liberty Hill, Texas

Are Board Members appointed by an office outside the District?

Yes  No

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

PROFESSIONAL FEES:	
Engineering	\$ 8,454
Legal	15,705
Financial Advisor	<u>750</u>
TOTAL PROFESSIONAL FEES	<u>\$ 24,909</u>
PURCHASED SERVICES:	
Purchased Water Service	\$ 39,897
Purchased Wastewater Service	<u>3,593</u>
TOTAL PURCHASED SERVICES	<u>\$ 43,490</u>
CONTRACTED SERVICES:	
Appraisal District	\$ 158
Bookkeeping	17,640
Tax Collector	<u>1</u>
TOTAL CONTRACTED SERVICES	<u>\$ 17,799</u>
UTILITIES -	
Electricity	<u>\$ 4,566</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 2,250
Insurance	2,816
Legal Notices	1,907
Office Supplies and Postage	1,361
Payroll Taxes	172
Travel and Meetings	40
Other	<u>1,029</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 9,575</u>
TOTAL EXPENDITURES	<u>\$ 100,339</u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u> TexPool	XXXX0001	Varies	Daily	\$ <u>55,135</u>	\$ <u>- 0 -</u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Maintenance Taxes	
TAXES RECEIVABLE -		
OCTOBER 1, 2016	\$ -0-	
Adjustments to Beginning		
Balance	55,816	\$ 55,816
Original 2016 Tax Levy	\$ 23,651	
Adjustment to 2016 Tax Levy	23,651	23,651
TOTAL TO BE		
ACCOUNTED FOR		\$ 79,467
 TAX COLLECTIONS:		
Prior Years	\$ 55,816	
Current Year	23,651	79,467
 TAXES RECEIVABLE -		
SEPTEMBER 30, 2017		\$ -0-

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
PROPERTY VALUATIONS:				
Land	\$ 7,977,045	\$ 5,604,293	\$ 5,604,292	\$ 5,192,165
Improvements	9,000	9,000	9,000	18,583
Personal Property	-	-	-	-
Exemptions	<u>(5,496,439)</u>	<u>(3,617,652)</u>	<u>(5,518,046)</u>	<u>(5,136,257)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 2,489,606</u>	<u>\$ 1,995,641</u>	<u>\$ 95,246</u>	<u>\$ 74,491</u>
TAX RATES PER \$100 VALUATION:				
Maintenance	<u>\$ 0.95</u>	<u>\$ 0.95</u>	<u>\$ 0.95</u>	<u>\$ 0.95</u>
ADJUSTED TAX LEVY*	<u>\$ 23,651</u>	<u>\$ 18,959</u>	<u>\$ 905</u>	<u>\$ 708</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED				
	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>

\* Based upon adjusted tax at time of audit for the period in which the tax was levied.

Maintenance Tax – Maximum operations and maintenance tax rate of \$1.00 per \$100 of assessed valuation approved by voters on November 8, 2011.

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
GENERAL FUND - FIVE YEARS**

	Amounts		
	2017	2016*	2015*
<b>REVENUES</b>			
Property Taxes	\$ 79,467	\$ 1,066	\$ 905
Penalty and Interest	4,115		
Investment Revenues	442	3	2
Miscellaneous Revenues	275		6
<b>TOTAL REVENUES</b>	<b>\$ 84,299</b>	<b>\$ 1,069</b>	<b>\$ 913</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 24,909	\$ 32,122	\$ 17,832
Contracted Services	17,799	13,728	10,390
Purchased Water Service	39,897		
Purchased Wastewater Service	3,593	25,200	43,200
Utilities	4,566	1,150	
Other	9,575	11,868	6,447
<b>TOTAL EXPENDITURES</b>	<b>\$ 100,339</b>	<b>\$ 84,068</b>	<b>\$ 77,869</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>\$ (16,040)</b>	<b>\$ (82,999)</b>	<b>\$ (76,956)</b>
<b>OTHER FINANCING SOURCES</b>			
Developer Advances	\$ 53,555	\$ 87,807	\$ 91,074
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 37,515</b>	<b>\$ 4,808</b>	<b>\$ 14,118</b>
<b>BEGINNING FUND BALANCE</b>	26,033	21,225	7,107
<b>ENDING FUND BALANCE</b>	<b>\$ 63,548</b>	<b>\$ 26,033</b>	<b>\$ 21,225</b>

\* Unaudited

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2014*	2013*	2017	2016*	2015*	2014*	2013*
\$ 708	\$	94.3 %	99.7 %	99.1 %	98.3 %	%
12	125	4.9				
	34	0.5	0.3	0.2	1.7	78.6
		0.3		0.7		21.4
\$ 720	\$ 159	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 20,865	\$ 13,101	29.5 %	3,004.9 %	1,953.1 %	2,897.9 %	8,239.6 %
4,677	5,631	21.1	1,284.2	1,138.0	649.6	3,541.5
10,800		47.3				
		4.3	2,357.3	4,731.7	1,500.0	
		5.4	107.6			
9,080	3,964	11.4	1,110.2	706.1	1,261.1	2,493.1
\$ 45,422	\$ 22,696	119.0 %	7,864.2 %	8,528.9 %	6,308.6 %	14,274.2 %
\$ (44,702)	\$ (22,537)	(19.0) %	(7,764.2) %	(8,428.9) %	(6,208.6) %	(14,174.2) %
\$ - 0 -	\$ - 0 -					
\$ (44,702)	\$ (22,537)					
51,809	74,346					
\$ 7,107	\$ 51,809					

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2017**

District Mailing Address - **WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
901 S. Mopac Expressway, Suite 225,  
Austin, Texas 78746.**

District Telephone Number - (512) 451-6689

<b>Board Members</b>	Term of Office (Elected or Appointed)	Fees of Office for the year ended September 30, 2017	Expense Reimbursements for the year ended September 30, 2017	Title
Morris Green	11/14 11/18 (Elected)	\$ 300	\$ -0-	President
Matthew Smith	11/14 11/18 (Elected)	\$ 450	\$ -0-	Vice President
Britt Fisher	11/14 11/18 (Elected)	\$ 600	\$ -0-	Secretary
Scott Shepard	11/16 11/20 (Elected)	\$ 450	\$ -0-	Assistant Secretary/ Treasurer
Kyle Spencer	11/16 11/20 (Elected)	\$ 450	\$ -0-	Director

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form (TWC Sections 36.054 and 49.054): September 21, 2017.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060). Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2017**

	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2017</u>	<u>Title</u>
<b>Consultants:</b>			
McLean & Howard, LLP	04/03/17	\$ 16,771	Attorney
McCall Gibson Swedlund Barfoot PLLC	09/13/17	\$ -0-	Auditor
Municipal Accounts & Consulting, L.P.	08/26/14	\$ 18,213	Bookkeeper
Gray Engineering, Inc.	06/04/15	\$ 9,202	Engineer
Public Finance Group	07/09/14	\$ 770	Financial Advisor
Autumn Phillips and Mark Burton	08/26/14	\$ -0-	Investment Officers
Williamson County Tax Assessor-Collector	08/08/13	\$ 1	Tax Assessor/ Collector

See accompanying independent auditor's report.



**APPENDIX B**  
**Unaudited Financial Statements of the Developer**

F-L HM Owner, LP (the “Developer”) has delivered the financial information concerning the Developer included in APPENDIX B (the “Financial Information”) to the District for publication in connection with the District’s offer and sale of the Bonds. The Financial Information has been included herein solely as additional information concerning the Developer and its financial condition and capabilities. Such Financial Information is relevant, among other reasons, to the ability of the Developer to continue developing its property within the District and to pay ad valorem taxes thereon. However, neither the Developer, nor any other person or entity related to or affiliated with the Developer, is responsible for, or liable for or has made any commitment for the payment of the Bonds or any other obligations to the District, and the inclusion of the Financial Information herein should not be construed as an implication to that effect. The Developer is only responsible to pay taxes to the District in respect of property that it owns. See “TAX DATA - Principal Taxpayers” in the Official Statement. The Developer has no legal commitment to continue development of its land within the District, and the Developer may sell or otherwise dispose of its property within the District at any time. In addition, the financial condition of the Developer is provided as of the date stated therein and subject to change. The District cautions that the Financial Information should not be construed or interpreted as an indication of the investment security of the Bonds or of any other securities proposed to be issued by the District.

The Developer has represented to the District that the Financial Information was prepared from its books and records is a fair and accurate presentation of the items presented and of the financial condition of the Developer as of the dates stated therein, and does not fail to disclose any material fact necessary to make such Financial Information not materially misleading, and that there has not been any material adverse change in the financial condition of the Developer since the dates at which the Financial Information was presented. Additionally, the Developer has agreed to inform the District prior to delivery of the Bonds of any material adverse changes in its financial condition since the dates of the Financial Information contained herein.

## F-L HM Owner, LP

## F-L HM Owner, LP

## Income Statement Summary For the Period Ended December 31, 2017

	Current Actual	Current Budget	Current Variance	YTD Actual	YTD Budget	YTD Variance
<b>Revenue</b>						
Other Revenue	\$ 574	-	\$ 574	\$ 2,348	-	\$ 2,348
Total Revenue	\$ 574	-	\$ 574	\$ 2,348	-	\$ 2,348
<b>Property Sales</b>						
Property Sales	-	\$ 366,000	\$ (366,000)	\$ 3,577,671	\$ 10,816,368	\$ (7,238,697)
Deferred Revenue	185,770	-	185,770	120,344	-	120,344
Cost of Sales	(121,190)	(248,732)	127,542	(2,720,108)	(7,589,278)	4,869,170
Net Property Sales	\$ 64,580	\$ 117,268	\$ (52,688)	\$ 977,907	\$ 3,227,090	\$ (2,249,183)
<b>Expenses</b>						
Occupancy Expense	-	-	-	\$ 1,685	-	\$ 1,685
Marketing & Advertising	28,150	30,367	(2,217)	533,552	619,968	(86,416)
Professional Service	31	-	31	5,287	-	5,287
Income Tax	-	-	-	9,924	-	9,924
Total Expenses	\$ 28,181	\$ 30,367	\$ (2,186)	\$ 550,448	\$ 619,968	\$ (69,520)
Net Income before Deprec & Amort	\$ 36,973	\$ 86,902	\$ (49,928)	\$ 429,807	\$ 2,607,123	\$ (2,177,315)
<b>Net Income (Loss)</b>	<b>\$ 36,973</b>	<b>\$ 86,902</b>	<b>\$ (49,928)</b>	<b>\$ 429,807</b>	<b>\$ 2,607,123</b>	<b>\$ (2,177,315)</b>

**F-L HM Owner, LP**  
**F-L HM Owner, LP**  
Balance Sheet Summary for December 31, 2017

	<b>Current Month</b>	<b>Current Month Activity</b>	<b>Prior Month</b>
<b><u>Assets</u></b>			
Operating Account	\$ 2,193,593	\$ 1,891,764	\$ 301,829
Cash Other	<u>43,166</u>	<u>4,270</u>	<u>38,896</u>
Total Cash	\$ 2,236,759	\$ 1,896,034	\$ 340,725
Deposits	\$ 41,169	-	\$ 41,169
Prepaid Expenses	57,816	(2,628)	60,444
Accounts Receivable	<u>135,561</u>	<u>(2,145)</u>	<u>137,707</u>
Total Accounts Receivable	\$ 135,561	\$ (2,145)	\$ 137,707
Land Purchase Price	\$ 11,000,000	-	\$ 11,000,000
Due Diligence	<u>272,046</u>	<u>-</u>	<u>272,046</u>
Total Land Purchase	\$ 11,272,046	-	\$ 11,272,046
Land Development - Hard Costs	\$ 17,050,600	\$ 1,986,307	\$ 15,064,293
Land Development - Indirect Costs	3,275,596	109,381	3,166,215
Land Development - Soft Costs	<u>5,375,214</u>	<u>141,582</u>	<u>5,233,631</u>
Total Land Improvements	\$ 25,701,410	\$ 2,237,270	\$ 23,464,140
Cost of Sales	\$ (4,626,183)	\$ (121,190)	\$ (4,504,993)
Total Land Cost	<u>\$ 32,347,273</u>	<u>\$ 2,116,080</u>	<u>\$ 30,231,193</u>
Total Other Fixed Assets	-	-	-
Pursuit Costs	\$ 49,831	\$ 1,000	\$ 48,831
Deferred Financing Costs	<u>130,621</u>	<u>74,127</u>	<u>56,494</u>
Total Other Assets	\$ 180,451	\$ 75,127	\$ 105,324
<b>Total Assets</b>	<b><u>\$ 34,999,029</u></b>	<b><u>\$ 4,082,467</u></b>	<b><u>\$ 30,916,561</u></b>
<b><u>Liabilities and Equity</u></b>			
Accounts Payable	<u>\$ 1,602,082</u>	<u>\$ 1,345,263</u>	<u>\$ 256,819</u>
Total Accounts Payable	\$ 1,602,082	\$ 1,345,263	\$ 256,819
Accrued Expenses	\$ 618,754	\$ 624,521	\$ (5,767)
Lot Sale Deposits	854,783	-	854,783
Other Liabilities	<u>80,166</u>	<u>(185,770)</u>	<u>265,936</u>
Total Other Liabilities	\$ 1,553,703	\$ 438,751	\$ 1,114,952
Long Term Liabilities	\$ 4,203,451	\$ 2,261,481	\$ 1,941,970
Total Liabilities	<u>\$ 7,359,236</u>	<u>\$ 4,045,495</u>	<u>\$ 3,313,741</u>
<b><u>Equity</u></b>			
Equity	\$ 27,000,000	-	\$ 27,000,000
Retained Earnings	209,986	-	209,986
Net Income	<u>429,807</u>	<u>36,973</u>	<u>392,834</u>
Total Equity	\$ 27,639,793	\$ 36,973	\$ 27,602,820
<b>Total Liabilities &amp; Equity</b>	<b><u>\$ 34,999,029</u></b>	<b><u>\$ 4,082,467</u></b>	<b><u>\$ 30,916,561</u></b>

**APPENDIX C**  
**FORM OF BOND COUNSEL OPINION**

**MCLEAN & HOWARD, L.L.P.**

BARTON OAKS PLAZA, BUILDING II  
901 SOUTH MOPAC EXPY., SUITE 225  
AUSTIN, TEXAS 78746  
(512) 328-2008

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

April 25, 2018

We have acted as Bond Counsel for Williamson-Liberty Hill Municipal Utility District (the “District”) in connection with the issuance of bonds (the “Bonds”) by the District described as follows:

**WILLIAMSON-LIBERTY HILL MUNICIPAL UTILITY DISTRICT UNLIMITED TAX ROAD BONDS, SERIES 2018**, dated April 25, 2018, in the aggregate principal amount of \$2,410,000, bearing interest at the rate set forth in the Order authorizing the issuance of the bonds (the “Bond Order”), with such interest payable on March 1 and September 1 of each year, commencing September 1, 2018, until maturity or prior redemption, and maturing serially on September 1 in each year from 2020 through 2031, 2033 and 2040.

The Bonds maturing on or after September 1, 2025 are redeemable, in whole or in part, at the option of the District on September 1, 2024, or on any date thereafter, at a price of the par value thereof plus accrued interest to the date of redemption, in the manner provided in the Bond Order. Additionally, the Bonds maturing in 2033 and 2040 are subject to mandatory redemption prior to maturity at the times and in the amounts provided in the Bond Order. The Bonds are registered as to both principal and interest and are transferable, registrable, and payable in the manner provided in the Bond Order.

WE HAVE ACTED AS BOND COUNSEL 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. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, directors, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, customary certificates of officers, agents and representatives of the District and other certified showings related to the authorization and issuance of the Bonds. We have also examined the executed Initial Bond No. T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the District has been validly created and organized and that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Bonds are valid and legally binding obligations of the District; and all taxable property in the District is subject to the levy of ad valorem taxes to pay same, without legal limitation as to rate or amount.

The District has reserved the right in the Bond Order to issue additional bonds payable from ad valorem taxes on a parity with the pledge to pay the Bonds. The District has also reserved the right to issue revenue bonds, special project bonds and refunding bonds. Reference is made to the Bond Order for a complete description of the District's right to issue additional bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas or any other political subdivision or agency. The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions.

We express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds.

Our opinions are based on existing statutes, court decisions and other 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 this opinion to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any statutes, case law or other law that may hereafter occur or become effective.

Respectfully yours,

**APPENDIX D**  
**FORM OF SPECIAL TAX COUNSEL'S OPINION**

April 25, 2018

We have acted as Special Tax Counsel in connection with the issuance and sale by the Williamson-Liberty Hill Municipal Utility District (the "Issuer") of \$2,410,000 aggregate principal amount of its Unlimited Tax Road Bonds, Series 2018 (the "Bonds").

In connection with the issuance of the Bonds, we have reviewed the following:

- (a) the Resolution of the Issuer authorizing the issuance and sale of the Bonds;
- (b) schedules prepared by, and representations of, Public Finance Group LLC and The GMS Group, LLC with respect to the issue price and yield of the Bonds and the purchase price;
- (c) the Federal Tax Certificate of the Issuer dated as of the date of this opinion;
- (d) the opinion of McLean & Howard, L.L.P. as Bond Counsel dated as of the date of this opinion;
- (e) covenants of the Issuer regarding the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds and other funds of the Issuer; and
- (f) such other documents as we deem relevant and necessary in rendering this opinion.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN RENDERING THIS OPINION, we have relied upon the opinion of McLean & Howard, L.L.P. referred to in subparagraph (d) above for authority that the Bonds are validly issued under applicable state and local laws and are payable from the proceeds of ad valorem taxes levied, without legal limit as to rate or amounts, on all taxable property located within the Issuer; and the representations, opinion, certificate and covenants referred to in subparagraphs (b), (c), (e), and (f) above.

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.

Respectfully yours,

