

NEW ISSUE -BOOK-ENTRY-ONLY

RATINGS: AGM Insured S&P “AA” (stable outlook)

*Delivery of the Bonds is subject to the opinions of Bond Counsel that the Bonds be valid obligations of the District, and of Special Tax Counsel to the District to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date hereof, subject to the matters described herein. See “LEGAL MATTERS” and “TAX MATTERS.”*

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

**\$3,295,000**

**WILLIAMSON-LIBERTY HILL MUNICIPAL UTILITY DISTRICT  
(A Political Subdivision of the State of Texas Located in Williamson County, Texas)  
UNLIMITED TAX BONDS, SERIES 2021**

**Dated: February 23, 2021**

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

Interest on the \$3,295,000 Williamson-Liberty Hill Municipal Utility District Unlimited Tax Bonds, Series 2021 (the “Bonds”) will accrue from the Date of Initial Delivery, defined below, and is payable September 1, 2021 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/registrar for the Bonds is UMB Bank, N.A., 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.

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



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

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The Bonds, when issued, will constitute valid and legally binding obligations of the District 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 Official Statement to obtain information essential to making an informed investment decision. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See "INVESTMENT CONSIDERATIONS."

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 February 23, 2021 (the “Date of Initial Delivery”) in Austin, Texas.

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

CUSIP Prefix: 97002P

Initial		Initial		Initial		Initial		Initial	
Due	Principal Amount	Interest Rate <sup>(a)</sup>	Reoffering Yield <sup>(b)</sup>	CUSIP Suffix <sup>(c)</sup>	Due	Principal Amount	Interest Rate <sup>(a)</sup>	Reoffering Yield <sup>(b)</sup>	CUSIP Suffix <sup>(c)</sup>
2021	\$ 5,000	3.875%	0.450%	CT3	2029 *	\$ 100,000	1.875%	1.200%	DB1
2022	5,000	3.875%	0.500%	CU0	2030 *	115,000	1.875%	1.300%	DC9
2023	5,000	3.875%	0.600%	CV8	2031 *	125,000	1.875%	1.400%	DD7
2024	5,000	3.875%	0.700%	CW6	2032 *	125,000	1.875%	1.500%	DE5
2025	5,000	3.875%	0.800%	CX4	2033 *	125,000	1.875%	1.600%	DF2
2026 *	100,000	1.875%	0.900%	CY2	2034 *	125,000	1.875%	1.700%	DG0
2027 *	100,000	1.875%	1.000%	CZ9	2035 *	125,000	1.875%	1.800%	DH8
2028 *	100,000	1.875%	1.100%	DA3					
\$300,000 2.000% <sup>(a)</sup> Term Bond Due September 1, 2037* Yield 1.800% <sup>(b)</sup> CUSIP Suffix DK1 <sup>(c)</sup> \$300,000 2.000% <sup>(a)</sup> Term Bond Due September 1, 2039* Yield 1.900% <sup>(b)</sup> CUSIP Suffix DM7 <sup>(c)</sup> \$330,000 2.000% <sup>(a)</sup> Term Bond Due September 1, 2041* Yield 2.000% <sup>(b)</sup> CUSIP Suffix DP0 <sup>(c)</sup> \$1,200,000 2.000% <sup>(a)</sup> Term Bond Due September 1, 2043* Yield 2.050% <sup>(b)</sup> CUSIP Suffix DR6 <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, 2026, in whole or from time to time in part, on September 1, 2025, 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 maturing September 1, 2037, September 1, 2039, September 1, 2041, and September 1, 2043 (the "Term Bonds") are also subject to mandatory sinking fund redemption. . 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 97.27% of par, resulting in a net effective interest rate to the District of 2.139085%.
- (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.

**ASSURED GUARANTY MUNICIPAL CORP. ("AGM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND "APPENDIX D - SPECIMEN MUNICIPAL BOND INSURANCE POLICY".**

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule").

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."

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

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 Huntington Securities, Inc. (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 97.27% 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 municipal utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

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

### **Securities Laws**

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

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

### **MUNICIPAL BOND RATING AND INSURANCE**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time delivery of the Bonds. The District has not applied for an underlying rating, nor is it expected that the District would have received an investment grade underlying rating had such an application been made.

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

### **BOND INSURANCE**

#### **Bond Insurance Policy**

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

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

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

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

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

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

#### *Capitalization of AGM*

At September 30, 2020:

- The policyholders' surplus of AGM was approximately \$2,671 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,042 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,111 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

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

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 (filed by AGL with the SEC on November 6, 2020).

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

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

*Miscellaneous Matters*

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

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

**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 investment considerations, including certain risk factors related to the current COVID-19 pandemic. See “INVESTMENT CONSIDERATIONS.”

**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. 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 County Road 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 Highland, LLC, a Delaware limited liability company (“FCA Highland”) which is the Administrative Member and one other entity. Development management within the District is performed by FCM TX Highland, LLC, a Delaware limited liability company (the “Development Manager”), doing business as Freehold Communities. Entities affiliated with the Development Manager manage development of other residential communities, both in Texas and in certain other states, also under the trade name Freehold Communities. Additional information about such developments may be obtained at the following website: <https://freeholdcommunities.com/>; provided, however, neither the Developer, nor the Development Manager, nor the District (nor any person or entity related in any way to the Developer, the Development Manager or District) has undertaken any obligation to update the information on such website, and neither the Developer, Development Manager, nor the District (nor any person or entity related in any way to the Developer, Development Manager or District) gives any assurances or makes any representations as to the information contained on such website or otherwise regarding future development within the District or within any other communities whose development management is being performed under the trade name Freehold Communities. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

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 acres. As of December 15, 2020, approximately 166 acres (or 84.26% of the approximately 197 developable acres within the District) have been developed with utility facilities as the single-family residential subdivision Orchard Ridge, which encompasses a total of 704 single-family lots, and includes: 263 completed homes, 79 homes under construction, and 362 vacant single-family lots. See "THE DISTRICT – Historical and Current Status of Development."

Homebuilders ..... According to the Developer, there are currently three active homebuilders within the District: Lennar, Pacesetter Homes, and Dream Finders Homes. According to the Developer, homes in the District range in price from approximately \$239,990 to \$403,990, with square footage ranging from approximately 1,391 to 3,052 square feet. See “THE DEVELOPER – Homebuilders within the District.”

COVID-19 Pandemic ..... The potential impact of the COVID-19 pandemic on the District cannot be quantified at this time but the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. The financial and operating data contained herein is the latest available but is largely as of the

dates and for the periods prior to the economic impact of the pandemic and measures instituted to control the pandemic. Accordingly, the data is not indicative of the economic impact of the pandemic on the District's financial condition. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak (COVID-19)."

**THE BONDS**

Description.....	The Bonds in the aggregate principal amount of \$3,295,000 mature serially in varying amounts on September 1 of each year from 2021 through 2035, inclusive, and as Term Bonds which mature September 1, 2037, September 1, 2039, September 1, 2041, and September 1, 2043, as set forth on the inside cover page hereof. 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, 2021 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
Redemption.....	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2026, in whole or from time to time in part, on September 1, 2025, 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 maturing September 1, 2037, September 1, 2039, September 1, 2041, and September 1, 2043 are also 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 fourth installment of bonds issued by the District. The District has not defaulted on the timely payment of principal and interest on its previously issued bonds, entitled: "\$2,410,000 Unlimited Tax Road Bonds, Series 2018"; "2,500,000 Unlimited Tax Road Bonds, Series 2018A"; and "\$2,100,000 Unlimited Tax Bonds, Series 2020" (collectively, the "Previously Issued Bonds"). The proceeds of the Previously Issued Bonds included 24 months of capitalized interest. After the issuance of the Bonds, the District will have \$10,210,000 aggregate amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."
Authority for Issuance.....	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 8, 2011; the approving order of the TCEQ; and an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds on the date of the sale of the Bonds. See "THE BONDS – Authority for Issuance."
Use of Proceeds.....	The proceeds of the Bonds will be used to finance the following: (i) Highland Meadows lift station and force main improvements; (ii) water impact fees paid to the City of Georgetown and to its predecessor (Chisholm Trail Special Utility District); (iii) wastewater impact fees paid to the City of Liberty Hill and to its predecessor (Chisholm Trail Special Utility District); (iv) land acquisition costs; and (v) operating expenses.  The remaining Bond proceeds will be used to: (i) capitalize approximately twenty-four (24) months' interest requirements on the Bonds; (ii) pay Developer Interest; and (iii) pay costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
Bonds Authorized But Unissued.....	At an election held within the District on November 8, 2011, the voters within the District approved the issuance of \$74,185,000 in bonds for water, wastewater and drainage facilities. After the sale of the Bonds, the District will have \$68,790,000 remaining in authorized but unissued bonds for water, wastewater and drainage facilities. The District's voters, at the election held within the District on November 8, 2011, also authorized the issuance of \$5,635,000 in bonds for the acquisition and construction of roads, of which \$725,000 remains authorized but unissued for the acquisition and construction of roads. Additionally, at the election held in the District on November 8, 2011, the voters within the District also approved the issuance of \$4,880,000 in bonds for the acquisition and construction of parks and recreational facilities, and the issuance of refunding bonds in an amount not to exceed one and one-half times the amount of water, wastewater and drainage new money bonds, park and recreation new money bonds, and road new money bonds issued, respectively, all of which remains authorized but

unissued. See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6” and “THE BONDS – Issuance of Additional Debt.”

Municipal Bond Rating and Bond Insurance .....	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned a rating of “AA” (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM” or the “Insurer”) at the time delivery of the Bonds. The District has not applied for an underlying rating, nor is it expected that the District would have received an investment grade underlying rating had such an application 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 has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
Bond Counsel 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, N.A., Austin, Texas

**INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds involve certain investment considerations, including certain risk factors related to the current COVID-19 pandemic, and all prospective purchasers are urged to carefully examine the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to investment in the Bonds.

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**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

2020 Certified Assessed Valuation		\$ 85,872,060 <sup>(a)</sup>
Estimated Assessed Valuation as of December 15, 2020		\$108,300,000 <sup>(b)</sup>
Gross Debt Outstanding (after issuance of the Bonds)		\$ 10,210,000 <sup>(c)</sup>
Ratio of Gross Debt to 2020 Certified Assessed Valuation		11.89%
Ratio of Gross Debt to Estimated Assessed Valuation as of December 15, 2020		9.43%
2020 Tax Rate		
	Debt Service	\$ 0.2670
	Maintenance	<u>0.6830</u>
	<b>Total 2020 Tax Rate</b>	<b><u>\$ 0.9500</u></b> <sup>(d)</sup>
Debt Service Fund Balance (as of February 2, 2021)		\$ 360,861 <sup>(e)</sup>
Percentage of current tax collections (Tax Years 2019)		100.00% <sup>(f)</sup>
Percentage of total tax collections (Tax Years 2013-2019)		100.00% <sup>(f)</sup>
Average Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Average Requirement") (2025-2043, inclusive)		\$ 674,767
Tax Rate required to pay Average Requirement based upon 2020 Certified Assessed Valuation at 95% collections		\$ 0.83 /\$100 AV
Tax Rate required to pay Average Requirement based upon Estimated Assessed Valuation as of December 15, 2020 at 95% collections		\$ 0.66 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Maximum Requirement") (2041)		\$ 751,980
Tax Rate required to pay Maximum Requirement based upon 2020 Certified Assessed Valuation at 95% collections		\$ 0.93 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon Estimated Assessed Valuation as of December 15, 2020 at 95% collections		\$ 0.74 /\$100 AV
Number of active connections as of December 15, 2020		
Single Family - Complete and Occupied		261
Single Family - Builder		<u>81</u>
<b>Total Number of Active Connections</b>		<b>342</b>
Estimated Population as of December 15, 2020		783 <sup>(g)</sup>

- (a) The certified assessed valuation as of January 1, 2020 as provided by Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."
- (b) The estimated assessed valuation as of December 15, 2020, 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 September 2020, levied a total tax rate of \$0.95. See "TAXING PROCEDURES."
- (e) Unaudited as of February 2, 2021. Does not contain approximately twenty-four (24) months of capitalized interest 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 3.0 residents per completed and occupied single family home.

**OFFICIAL STATEMENT**  
**relating to**  
**\$3,295,000**  
**WILLIAMSON-LIBERTY HILL MUNICIPAL UTILITY DISTRICT**  
**(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**  
**UNLIMITED TAX BONDS, SERIES 2021**

**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 \$3,295,000 Unlimited Tax Bonds, Series 2021 (the “Bonds”).

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds on the date of the sale of the Bonds (the “Bond Order”), pursuant to Article XVI, Section 59 of the Constitution and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 8, 2011; and the approving order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

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, West Lake Hills, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” 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, 2021 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 Bank, N.A., 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, 2026, in whole or from time to time in part, on September 1, 2025, 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, 2037, September 1, 2039, September 1, 2041, and September 1, 2043 (the “Term Bonds”) 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>\$300,000 Term Bond Maturing September 1, 2037</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2036	\$ 150,000
2037*	150,000

<b>\$300,000 Term Bond Maturing September 1, 2039</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2038	\$ 150,000
2039*	150,000

<b>\$330,000 Term Bond Maturing September 1, 2041</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2040	\$ 150,000
2041*	180,000

<b>\$1,200,000 Term Bond Maturing September 1, 2043</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2042	\$ 600,000
2043*	600,000

\*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.

**Selection of Bonds for Redemption**

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

## **DTC Redemption Provision**

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. 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 fall on a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

*Registration . . .* If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, 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 \$74,185,000 in aggregate principal amount of new money bonds for the acquisition and construction of water, wastewater, and drainage facilities. The Bonds constitute the second installment of new money bonds issued by the District for the acquisition and/or construction of water, wastewater, and drainage facilities. After the issuance of the Bonds, the District will have \$68,790,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for the acquisition and construction of water, wastewater, and drainage facilities. Additionally, at the election held in the District on

November 8, 2011, the voters within the District also approved the issuance of \$5,635,000 in aggregate principal amount of new money bonds for road improvements, of which the District has \$725,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for road improvements. Additionally, at the election held in the District on November 8, 2011, the voters within the District also approved the issuance of \$4,880,000 in bonds for the acquisition and construction of parks and recreational facilities, and the issuance of refunding bonds in an amount not to exceed one and one-half times the amount of water, wastewater and drainage new money bonds, park and recreation new money bonds, and road new money bonds issued, respectively, all of which remains authorized but unissued. See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6” and “THE BONDS – Issuance of Additional Debt.”

The Bonds are issued pursuant to the Bond Election; the terms and provisions of the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ.

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

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

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

#### **Payment Record**

The Bonds constitute the fourth installment of bonds issued by the District. The District has not defaulted on the timely payment of principal and interest on its previously issued bonds, entitled: “\$2,410,000 Unlimited Tax Road Bonds, Series 2018”; “2,500,000 Unlimited Tax Road Bonds, Series 2018A”; and “\$2,100,000 Unlimited Tax Bonds, Series 2020” (collectively, the “Previously Issued Bonds”). The proceeds of the Previously Issued Bonds included 24 months of capitalized interest. After the issuance of the Bonds, the District will have \$10,210,000 aggregate amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6.”

#### **Flow of Funds**

The Bond Order creates or affirms creation of 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 in excess of FDIC insurance limits 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 Bank, N.A., 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 unlimited tax 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 unlimited tax 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 close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

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

*Road Bonds* . . . According to the District's engineer, the Developer has funded to date a total of \$5,635,000 (excluding engineering fees) for the construction of roads within the District. According to the District's Engineer, the \$725,000 in principal amount of road bonds authorized but unissued unlimited tax new money bonds for road improvements will not 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 – Table 5." 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 "INVESTMENT CONSIDERATIONS."

*Water, Wastewater and Storm Drainage Bonds* . . . At an election held in the District on November 8, 2011, the voters within the District approved the issuance of \$74,185,000 in new money bonds for water, wastewater, and drainage facilities. After issuance of the Bonds, the District will have \$68,790,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for the acquisition and construction of water, wastewater, and drainage facilities. 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 – Table 5." According to the District's Engineer, the Developer has funded to date approximately \$15,361,857 (excluding engineering and impact fees) for the construction of water, wastewater, and drainage facilities within the District. 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 "INVESTMENT CONSIDERATIONS."

*Park and Recreation Bonds* . . . At an election held in the District on November 8, 2011, the voters within the District approved the issuance of \$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 – Table 5." 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 "INVESTMENT CONSIDERATIONS."

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

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

## **Consolidation**

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water 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 is located entirely within the extraterritorial jurisdiction of the City. Under House Bill 347 approved during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of December 15, 2020, the District had an estimated population of 783, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

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

## **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 TCEQ approved the issuance of the Bonds by an order signed on December 9, 2020 (the "TCEQ Order").

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 following: (i) Highland Meadows lift station and force main improvements; (ii) water impact fees paid to the City of Georgetown and to its predecessor (Chisholm Trail Special Utility District); (iii) wastewater impact fees paid to the City of Liberty Hill and to its predecessor (Chisholm Trail Special Utility District); (iv) land acquisition costs; and (v) operating expenses. The remaining Bond proceeds will be used to: (i) capitalize approximately twenty-four (24) months' interest requirements on the Bonds; (ii) pay Developer Interest; and (iii) pay costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$2,592,607 is required for construction costs, and \$702,393 is required for non-construction costs, including \$140,966 of capitalized interest (approximately twenty-four (24) months' interest calculated at 2.139085%).

**Construction Costs**

<b>A.</b>	Developer Contribution Items		
	1. Highland Meadows Lift Station and Force Main Improvements <sup>(a)</sup>	\$	273,600
	Total Developer Contribution Items	\$	273,600
<b>B.</b>	District Items		
	1. Prepaid Water Impact Fees (227 LUEs at \$2,900/LUE)	\$	658,300
	2. New Water Impact Fees (23 LUEs at \$2,900/LUE)		66,700
	3. Prepaid Wastewater Impact Fees (450 LUEs at \$1,700/LUE)		765,000
	4. New Wastewater Impact Fees (23 LUEs at \$3,500/LUE)		80,500
	5. Land Acquisition Costs		
	a. Detention/Water Quality Pond Lot 43, Block F		529,540
	b. Detention/Water Quality Pond Lot 139, Block M		202,600
	c. Lift Station Site Lot 45, Block F		16,367
	Total District Items	\$	2,319,007
	<b>TOTAL CONSTRUCTION COSTS</b>	<b>\$</b>	<b>2,592,607</b>

**Non-Construction Costs**

A.	Legal Fees	\$	67,950
B.	Fiscal Agent Fees (2.5%)		82,375
C.	Interest Costs		
	1 Capitalized Interest (24 months estimated @ 2.139085%)		140,966
	2 Developer Interest <sup>(b)</sup>		101,997
D.	Bond Discount (2.73%)		90,055
E.	Bond Issuance Expenses		26,088
F.	Bond Application Report		49,425
G.	Operating Advances		50,000
H.	Attorney General Fee (0.10%)		3,295
I.	TCEQ Review Fee (0.25%)		8,238
J.	Contingency <sup>(c)</sup>		82,004
	<b>TOTAL NON-CONSTRUCTION COSTS</b>	<b>\$</b>	<b>702,393</b>
	<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$</b>	<b>3,295,000</b>

(a) The Orchard Ridge subdivision was formerly called Highland Meadows.  
 (b) 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.  
 (c) The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond funds.

## INVESTMENT CONSIDERATIONS

### 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 “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies.”

### Infectious Disease Outbreak (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, imposed limitations on social gatherings and other activities. The Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconferencing meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble larger groups of people. Many of the federal, state, and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affect economic growth within Texas. Homebuilding activity and the construction of utility facilities within the District are not prohibited.

The Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. While any potential impact of COVID-19 upon the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition by impacting property tax values, the collection of ad valorem taxes, the homebuilding activity within the District including delays in obtaining construction permits for development. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Dependence Upon the Developer, Lot Owners and Homebuilders.”

The Bonds are secured by an unlimited ad valorem tax, and any material reduction in property values may require an increase in the ad valorem tax rate required to pay debt service on the Bonds as well as the District's share of operations and maintenance expenses payable from ad valorem taxes.

The financial and operating data contained herein are the latest available but are largely as of dates and for periods largely prior to the economic impact of the Pandemic and measures instituted to slow the Pandemic. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition or its rating. For more information regarding the District's current fund balances, see “FINANCIAL STATEMENT – Cash and Investment Balances – Table 7” and “ – Current Investments – Table 8.”

### No Certainty of a Secondary Market

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

### Factors Affecting Taxable Values and Tax Payments

*Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related

to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which 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 – Table 12."

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Assessed Valuation of the District is \$85,872,060. After issuance of the Bonds, the Maximum Requirement will be \$751,980 (2041) and the Average Requirement will be \$674,767 (2025 through 2043, inclusive). Assuming (1) no increase or decrease from the 2020 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.93 and \$0.83 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 15, 2020 is \$108,300,000. Based upon the assumptions above and the Estimated Assessed Valuation as of December 15, 2020, tax rates of \$0.74 and \$0.66 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 – TABLE 3" 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 ten principal taxpayers in the District (based on the 2020 tax roll provided by WCAD), consisting of the Developer, homebuilders and individual homeowners, represent \$36,026,444 or 41.95% of the District's 2020 Certified Taxable Assessed Valuation of \$85,872,060. The Developer represents \$16,276,984 or 18.95% 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 – Table 12," and "TAXING PROCEDURES – Levy and Collection of Taxes."

*Undeveloped Acreage . . .* Approximately 31 acres of developable land within the District has not been provided with water, wastewater and storm drainage and detention facilities as of December 15, 2020. 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 within the District.

*Development and Home Construction in the District . . .* As of December 15, 2020, approximately 362 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 “*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. A district may not be forced into bankruptcy involuntarily.

### **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 \$68,790,000 authorized but unissued unlimited tax bonds for water, wastewater, and drainage facilities, the remaining \$725,000 authorized but unissued unlimited tax bonds for road improvements, \$4,880,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District, including \$111,277,500 of remaining authorized but unissued refunding bonds for water, wastewater, and drainage facilities, \$8,452,500 of remaining authorized but unissued refunding bonds for road improvements, and \$7,320,000 of remaining authorized but unissued refunding bonds for park and recreational facilities. All of the remaining unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of Texas and the TCEQ. See "THE BONDS – Issuance of Additional Debt."

As of the date January 20, 2020, the Developer has advanced funds in the approximate amount of \$20,996,857 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 \$16,765,433 for additional road, water, wastewater, and drainage facilities which have been constructed to date.

### **Governmental Approval**

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, or will be approved prior to construction, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order signed on December 9, 2020 (the "TCEQ Order"). In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

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

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

## Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the District 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

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

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

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

*Air Quality Issues.* The Federal Clean Air Act ("CAA") requires the United States Environmental Protection Agency (the "EPA") to adopt and periodically revise national ambient air quality standards ("NAAQS") for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated as nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and "attain" compliance with the appropriate standard. This so called State Implementation Plan ("SIP") entails enforceable control measures and time frames.

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

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

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

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

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

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

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

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extend of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final sixty (60) days after its publication in the Federal Register.

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

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

### **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, has experienced drought conditions. The City provides water to the District in amounts sufficient to service the residents of the District; however, if drought conditions occur, the District could implement water restrictions for residents of the District, and water usage and rates could be impacted.

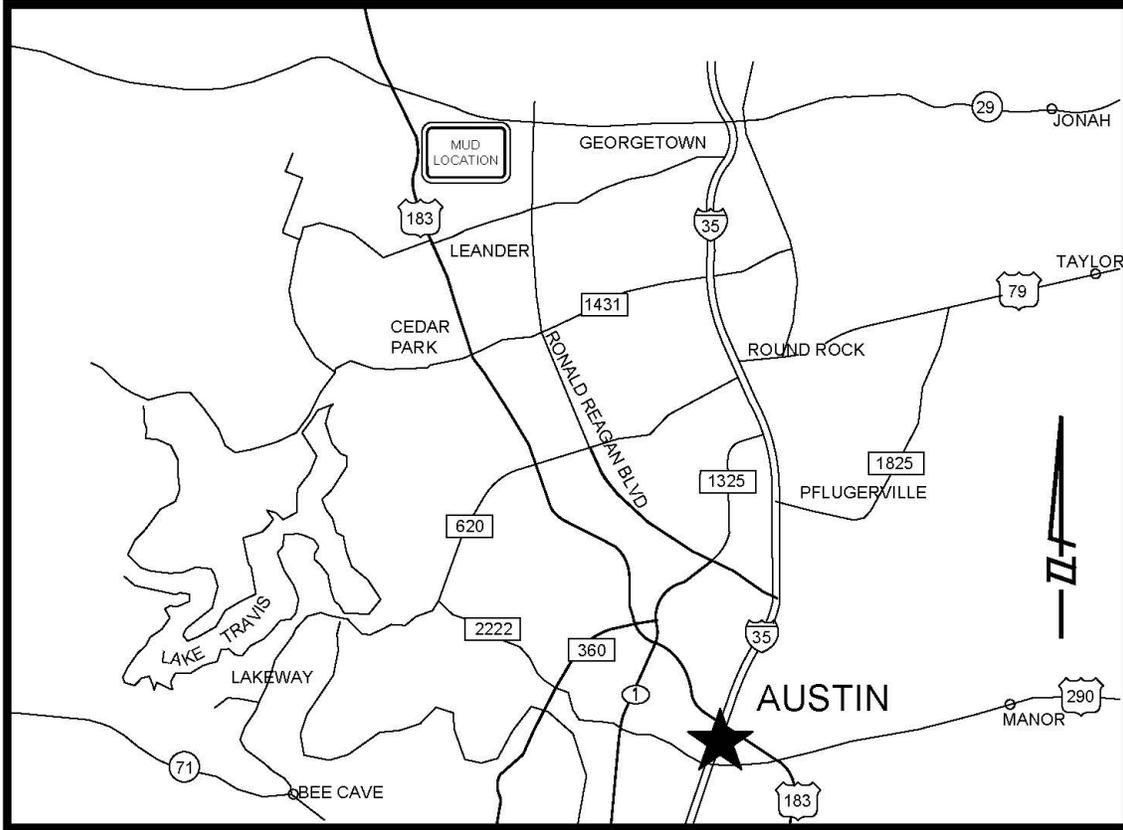
## **Storm Water**

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

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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

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PROJECT NO: XXXX-XXXX	DRAWN BY: XXX
DATE: XX/XX/20XX	CHECKED BY: XX

8834 N. Capital of Texas Hwy.  
Austin, Texas 78759  
Suite 140  
(512) 452-0371  
FAX (512) 454-9933  
TBPE FIRM #2946

## 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 6, 2007. 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	2022	5-½ Years
Matthew Smith	Vice President	2022	5-½ Years
Britt Fisher	Secretary	2022	5-½ Years
Scott Shepard	Assistant Secretary	2024	4-½ Years
Kyle Spencer	Director	2024	4-½ 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, Larry Gaddes, 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 12 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 6, 2007. 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 December 15, 2020, approximately 166 acres (or 84.26% of the approximately 197 developable acres within the District) have been developed with utility facilities as the single-family residential subdivision Orchard Ridge, which encompasses a total of 704 single-family lots, and includes: 263 completed homes, 79 homes under construction, and 362 vacant single-family lots.

The chart on the following page reflects the status of development as of December 15, 2020.

*(The chart appears on the following page)*

Section	Acreage	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	72	1	9
Orchard Ridge Phase 1B	14.771	61	53	2	6
Orchard Ridge Phase 1C	11.557	39	15	11	13
Orchard Ridge Phase 2A	10.491	61	49	2	10
Orchard Ridge Phase 2B	7.771	53	22	19	12
Orchard Ridge Phase 2C	5.294	24	8	3	13
Orchard Ridge Phase 2D	8.657	45	-	-	45
Orchard Ridge Phase 2E	28.013	108	44	32	32
Orchard Ridge Phase 3A	11.152	61	-	-	61
Orchard Ridge Phase 3B	13.613	88	-	-	88
Orchard Ridge Phase 3C	7.832	39	-	9	30
Orchard Ridge Phase 3D	8.868	43	-	-	43
<b>Total Single Family Developed with Utilities</b>	<b>166.167</b>	<b>704</b>	<b>263</b>	<b>79</b>	<b>362</b>
<b>B. Remaining Developable Acreage</b>	<b>31.047</b>				
<b>C. Undevelopable Acreage</b>	<b>31.013</b>				
<b>Total District Acreage</b>	<b>228.227</b>				

### 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 “INVESTMENT CONSIDERATIONS.” 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 \$68,790,000 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, and the Developer are parties to the “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. Development management within the District is performed by FCM TX Highland, LLC, a Delaware limited liability company (the “Development Manager”), doing business as Freehold Communities. Entities affiliated with the Development Manager manage development of other residential communities, both in Texas and in certain other states, also under the trade name Freehold Communities. Additional information about such developments may be obtained at the following website: <https://freeholdcommunities.com/>; provided, however, neither the Developer, nor the Development Manager, nor the District (nor any person or entity related in any way to the Developer, the Development Manager or District) has undertaken any obligation to update the information on such website, and neither the Developer, Development Manager, nor the District (nor any person or entity related in any way to the Developer, Development Manager or District) gives any assurances or makes any representations as to the information contained on such website or otherwise regarding future development within the District or within any other communities whose development management is being performed under the trade name Freehold Communities. See “THE DISTRICT – Historical and Current Status of Development and “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.”

**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 December 15, 2020, the Developer has developed Phase 1 (64.48 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”), that has been paid off as of August 24, 2018. As of December 15, 2020, the Developer has developed Phases 2A, 2B, 2C and 2D (32.21 acres platted as 183 single family lots) from the proceeds of a combination of cash and a development loan from American Bank, that has been paid off as of April 29, 2019.

Additionally, the Developer has secured a third development loan with American Bank, including the first amendment thereto (the “Phase 3 Development Loan”), for the development of Orchard Ridge, Phases 2E, 3A, 3B, 3C, and 3D (69.48 acres, platted as 339 single-family lots). The Phase 3 Development Loan is in the maximum principal amount of \$6,800,000 and has a balance of \$1,133,334.96 as of December 28, 2020. The terms of the Phase 3 Development Loan include the payment of interest monthly accruing from December 21, 2019 through March 21, 2021, at which point all principal and interest will become due and payable, unless the Developer exercises the option to extend the loan. According to the Developer, it is in material compliance with the terms of the Phase 3 Development Loan.

**Homebuilders within the District**

According to the Developer, there are currently three active homebuilders within the District: Lennar, Pacesetter Homes, and Dream Finders Homes. According to the Developer, homes in the District range in price from approximately \$239,990 to \$403,990, with square footage ranging from approximately 1,391 to 3,052 square feet.

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	20
2018	46
2019	93
2020	104
2021	79*

\* Includes 79 homes under construction as of December 15, 2020.

## **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 waterworks and wastewater facilities serving residents of the District 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 forth 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 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. According to the District’s Engineer, 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.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”) which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn

based on the Atlas 14 study based on the higher statistical rainfall amount and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the 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 and is responsible for establishing the rates and fees charged for those services, subject to change from time to time. The City of Liberty Hill provides retail wastewater services to residents within the District and is responsible for establishing the rates and fees charged for those services, subject to change from time to time. The rates and fees charged by the City of Georgetown and the City of Liberty Hill for retail water and wastewater services, respectively, are published and updated from time to time by those entities on their official websites, which may be referred to for current rates and fees. The rates and charges established by the City of Georgetown and the City of Liberty Hill are not part of the District's continuing disclosure undertaking and will not be updated by the District annually.

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

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

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

	<b>Fiscal Year Ended</b>				
	<b>9/30/2020<sup>(a)</sup></b>	<b>9/30/2019<sup>(a)</sup></b>	<b>9/30/2018<sup>(a)</sup></b>	<b>9/30/2017<sup>(a)</sup></b>	<b>9/30/2016<sup>(b)</sup></b>
<b>REVENUES</b>					
Property taxes, including penalties	\$ 394,682	\$ 230,119	\$ 148,774	\$ 83,582	\$ 1,066
Interest	1,971	2,228	1,588	442	-
Developer Advance	-	-	50,000	53,555	87,807
Other	-	-	-	275	3
<b>TOTAL REVENUES</b>	<b>\$ 396,653</b>	<b>\$ 232,347</b>	<b>\$ 200,362</b>	<b>\$ 137,854</b>	<b>\$ 88,876</b>
<b>EXPENDITURES</b>					
Audit Fee	\$ 9,750	\$ 8,650	\$ 5,650	\$ -	\$ -
Engineering Fees	37,221	19,357	27,810	8,454	-
Legal Fees	23,444	22,933	34,276	15,705	-
Financial Advisor Fees	1,670	1,500	1,500	750	-
Purchased Water	13,160	4,063	-	39,897	-
Wastewater Expense	-	-	-	3,593	25,200
Water Reservation Fees	-	-	39,542	-	-
Tax Appraisal/Collection Fees	3,201	1,721	984	159	-
Bookkeeping Fees	33,470	32,975	26,285	17,640	-
Utilities	5,670	8,303	6,056	4,566	1,150
Repairs & Maintenance	16,665	29,813	27,736	-	-
Director Fees, including payroll taxes	8,558	6,298	5,700	2,422	-
Insurance	3,282	3,225	2,675	2,816	-
Landscape Fees	19,673	-	-	-	-
Street Maintenance	52,520	-	-	-	-
Other	4,570	5,810	6,314	4,337	57,718
<b>TOTAL EXPENDITURES</b>	<b>\$ 232,854</b>	<b>\$ 144,648</b>	<b>\$ 184,528</b>	<b>\$ 100,339</b>	<b>\$ 84,068</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 163,799</b>	<b>\$ 87,699</b>	<b>\$ 15,834</b>	<b>\$ 37,515</b>	<b>\$ 4,808</b>
<b>Beginning Fund Balance</b>	<b>\$ 167,081</b>	<b>\$ 79,382</b>	<b>\$ 63,548</b>	<b>\$ 26,033</b>	<b>\$ 21,225</b>
<b>Plus / (Less): Fund Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 330,880</b>	<b>\$ 167,081</b>	<b>\$ 79,382</b>	<b>\$ 63,548</b>	<b>\$ 26,033</b>

(a) Audited.

(b) Unaudited. The District's first audit was completed for fiscal year 2017.

**DEBT SERVICE REQUIREMENTS – TABLE 3**

**Williamson-Liberty Hill Municipal Utility District**

**\$3,295,000**

**Unlimited Tax Bonds, Series 2021**

**Dated Date: February 23, 2021**

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

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Total Debt Service Requirements	
	Principal Due (09/01)	Interest		Total	Principal (Due 9/01)	Interest		Principal and Interest		
		Due (03/01)	Due (09/01)			Due (03/01)	Due (09/01)			Total
2021	\$ 100,000	\$ 115,860	\$ 115,860	\$ 331,720	\$ 5,000	\$ -	\$ 33,915	\$ 33,915	\$ 38,915	\$ 370,635
2022	110,000	114,689	114,689	339,378	5,000	32,375	32,375	64,750	69,750	409,128
2023	120,000	113,309	113,309	346,618	5,000	32,278	32,278	64,556	69,556	416,174
2024	160,000	111,690	111,690	383,380	5,000	32,181	32,181	64,363	69,363	452,743
2025	290,000	109,459	109,459	508,918	5,000	32,084	32,084	64,169	69,169	578,086
2026	295,000	105,464	105,464	505,928	100,000	31,988	31,988	63,975	163,975	669,903
2027	300,000	101,343	101,343	502,685	100,000	31,050	31,050	62,100	162,100	664,785
2028	310,000	97,005	97,005	504,010	100,000	30,113	30,113	60,225	160,225	664,235
2029	315,000	92,327	92,327	499,654	100,000	29,175	29,175	58,350	158,350	658,004
2030	325,000	87,409	87,409	499,819	115,000	28,238	28,238	56,475	171,475	671,294
2031	335,000	82,117	82,117	499,234	125,000	27,159	27,159	54,319	179,319	678,553
2032	340,000	76,568	76,568	493,136	125,000	25,988	25,988	51,975	176,975	670,111
2033	350,000	70,818	70,818	491,636	125,000	24,816	24,816	49,631	174,631	666,268
2034	385,000	64,759	64,759	514,518	125,000	23,644	23,644	47,288	172,288	686,805
2035	395,000	57,928	57,928	510,855	125,000	22,472	22,472	44,944	169,944	680,799
2036	410,000	50,821	50,821	511,643	150,000	21,300	21,300	42,600	192,600	704,243
2037	445,000	43,421	43,421	531,843	150,000	19,800	19,800	39,600	189,600	721,443
2038	455,000	35,378	35,378	525,755	150,000	18,300	18,300	36,600	186,600	712,355
2039	470,000	27,140	27,140	524,280	150,000	16,800	16,800	33,600	183,600	707,880
2040	480,000	18,615	18,615	517,230	150,000	15,300	15,300	30,600	180,600	697,830
2041	525,000	9,690	9,690	544,380	180,000	13,800	13,800	27,600	207,600	751,980
2042	-	-	-	-	600,000	12,000	12,000	24,000	624,000	624,000
2043	-	-	-	-	600,000	6,000	6,000	12,000	612,000	612,000
	<u>\$ 6,915,000</u>	<u>\$ 1,585,808</u>	<u>\$ 1,585,808</u>	<u>\$ 10,086,616</u>	<u>\$ 3,295,000</u>	<u>\$ 526,859</u>	<u>\$ 560,774</u>	<u>\$ 1,087,634</u>	<u>\$ 4,382,634</u>	<u>\$ 14,469,250</u>

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value – Table 4**

2020 Certified Assessed Valuation	\$ 85,872,060 <sup>(a)</sup>
Estimated Assessed Valuation as of December 15, 2020	\$108,300,000 <sup>(b)</sup>
Gross Debt Outstanding (after issuance of the Bonds)	\$ 10,210,000 <sup>(c)</sup>
Ratio of Gross Debt to 2020 Certified Assessed Valuation	11.89%
Ratio of Gross Debt to Estimated Assessed Valuation as of December 15, 2020	9.43%
2020 Tax Rate	
Debt Service	\$ 0.2670
Maintenance	<u>0.6830</u>
<b>Total 2020 Tax Rate</b>	<u><u>\$ 0.9500</u></u> <sup>(d)</sup>
Debt Service Fund Balance (as of February 2, 2021)	\$ 360,861 <sup>(e)</sup>

Area of District: 228.77 acres  
Estimated Population as of December 15, 2020: 783<sup>(f)</sup>

- (a) The certified assessed valuation as of January 1, 2020, as provided by WCAD. See "TAXING PROCEDURES."  
 (b) The estimated assessed valuation as of December 15, 2020, as provided by WCAD, included solely for purposes of illustration. See "TAXING PROCEDURES."  
 (c) Includes the Bonds.  
 (d) The District's Board at its meeting in September 2020 levied a total tax rate of \$0.95. See "TAXING PROCEDURES."  
 (e) Unaudited as of February 2, 2021. Does not include approximately twenty-four (24) months of capitalized interest 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 3.0 residents per completed and occupied single family home.

**Authorized but Unissued Bonds - Table 5**

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/8/2011	Water, Wastewater and Drainage	\$ 74,185,000	\$ 5,395,000 <sup>(a)</sup>	\$ 68,790,000
11/8/2011	Water, Wastewater and Drainage Refunding <sup>(b)</sup>	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 <sup>(b)</sup>	7,320,000	-	7,320,000
11/8/2011	Roads	5,635,000	4,910,000	725,000
11/8/2011	Roads Refunding <sup>(b)</sup>	<u>8,452,500</u>	<u>-</u>	<u>8,452,500</u>
<b>Total</b>		<u><b>\$ 211,750,000</b></u>	<u><b>\$ 10,305,000</b></u>	<u><b>\$ 201,445,000</b></u>

- (a) Includes 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

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds
03/06/18	Roads	2018	\$ 2,410,000	\$ 2,335,000
10/02/18	Roads	2018A	2,500,000	2,485,000
02/04/20	Water, Sanitary Sewer & Drainage	2020	2,100,000	2,095,000
02/23/21	Water, Sanitary Sewer & Drainage	2021	3,295,000	3,295,000 <sup>(a)</sup>
<b>Subtotal</b>			<b>\$ 10,305,000</b>	<b>\$ 10,210,000</b>

(a) The Bonds.

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

General Fund	\$ 550,403
Debt Service Fund	360,861 <sup>(b)</sup>
Capital Projects Fund	172,980

(a) Unaudited as of February 2, 2021.

(b) Does not include approximately twenty-four (24) months of capitalized interest 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; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the 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; (8) 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; (9) 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; (10) 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; (11) no-load money market mutual funds registered with and regulated by the SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described 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 (10) through (12) 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 2, 2021, 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 2, 2021</b>	
Cash	\$ 5,981
TexPool	1,078,263
<b>Total Investments</b>	<b>\$ 1,084,244</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.

Taxing Body	Total Tax Supported Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Williamson County	\$ 1,010,794,956	1/31/2021	0.080%	\$ 808,636
Leander Independent School District	1,118,625,623	1/31/2021	0.210%	2,349,114
Austin Community College	386,255,000	1/31/2021	0.020%	77,251
Williamson County ESD No. 4	(a)	1/31/2021	0.000%	-
Williamson Co. FM/RD	(a)	1/31/2021	0.000%	-
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 3,235,001</b>
The District <sup>(b)</sup>	\$ 10,210,000	2/23/2021	100.00%	\$ 10,210,000
<b>TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT</b>				<b>\$ 13,445,001</b>
<b>Ratio of Direct and Estimated Overlapping Debt to 2020 Certified Assessed Valuation</b>				<b>15.66%</b>
<b>Ratio of Direct and Estimated Overlapping Debt to Estimated Assessed Valuation as of December 15, 2020</b>				<b>12.41%</b>

(a) Taxing jurisdiction with no outstanding debt.

(b) Includes the Bonds.

**Overlapping Taxes for 2020**

Overlapping Entity	2020 Tax Rate Per	
	\$100 Assessed Valuation Williamson County	Average Tax Bill <sup>(a)</sup> Williamson County
Williamson County	\$0.418719	\$ 1,114
Leander Independent School District	1.418400	3,772
Austin Community College	0.105800	281
Williamson County ESD No. 4	0.093295	248
Williamson Co. FM/RD	0.040000	106
The District	<u>0.950000</u>	<u>2,526</u>
<b>Total</b>	<b><u>\$3.026214</u></b>	<b><u>\$ 8,048</u></b>

(a) Based upon the 2020 average single-family home value of \$265,935 as provided by WCAD.

## TAX DATA

**Classification of Assessed Valuation - Table 9**

Type Property	2020 <sup>(a)</sup>		2019 <sup>(b)</sup>		2018 <sup>(b)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family Residential	\$ 41,747,649	48.62%	\$ 19,146,500	35.07%	\$ 7,112,395	23.82%
Vacant Platted Lots/Tracts	503,866	0.59%	43,451	0.08%	2,594	0.01%
Farm and Ranch Improvements	13,130,984	15.29%	495,560	0.91%	5,658,975	18.95%
Real & Intangible Personal, Utilities	16,169	0.02%	49,057	0.09%	-	0.00%
Real Inventory	30,299,489	35.28%	34,780,446	63.71%	17,083,154	57.21%
Exempt Property	103,599	0.12%	74,005	0.14%	3,455	0.01%
Adjustments & Exemptions	70,304	0.08%	-	0.00%	-	0.00%
<b>Total</b>	<b>\$ 85,872,060</b>	<b>100.00%</b>	<b>\$ 54,589,019</b>	<b>100.00%</b>	<b>\$ 29,860,573</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 <sup>(a)</sup>	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>(b)</sup>
2014	95,246	0.9500	905	905	100.00%	905	100.00%	9/30/2015 <sup>(b)</sup>
2015	1,995,641	0.9500	18,959	18,959	100.00%	18,959	100.00%	9/30/2016 <sup>(b)</sup>
2016	2,489,606	0.9500	23,651	23,651	100.00%	23,651	100.00%	9/30/2017 <sup>(b)</sup>
2017	15,660,409	0.9500	148,774	148,774	100.00%	148,774	100.00%	9/30/2018 <sup>(b)</sup>
2018	29,413,545	0.9500	279,429	279,429	100.00%	279,429	100.00%	9/30/2019 <sup>(b)</sup>
2019	56,932,076	0.9500	540,856	540,856	100.00%	540,856	100.00%	9/30/2020 <sup>(b)</sup>
2020	85,872,060	0.9500	815,785	<i>In the process of collection</i>				9/30/2021 <sup>(c)</sup>

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

(b) Audited.

(c) Taxes were due with no penalty by January 31, 2021.

**District Tax Rates - Table 11**

	Tax Rates per \$100 Assessed Valuation				
	2020	2019	2018	2017	2016
<b>Debt Service</b>	\$ 0.2670	\$ 0.2600	\$ 0.1690	\$ -	\$ -
<b>Maintenance</b>	0.6830	0.6900	0.7810	0.9500	0.9500
<b>Total</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>

### Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under "District Tax Rates – Table 11," the District levied a 2020 debt service tax rate of 0.2670/\$100 assessed valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 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 2020 maintenance and operation tax of \$0.6830/\$100 assessed valuation. See "THE DISTRICT – General."

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided by WCAD based on the 2020, 2019, and 2018 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Name	Type of Property	2020 <sup>(a)</sup>	2019 <sup>(b)</sup>	2018 <sup>(b)</sup>
F-L HM Owner LP <sup>(c)</sup>	Land and Improvements	\$ 16,276,984	\$ 13,500,995	\$ 9,122,872
Pacesetter Homes LLC <sup>(d)</sup>	Land and Improvements	6,893,030	5,888,313	\$ 3,245,700
Lennar Homes of Texas Land & Construction Ltd <sup>(d)</sup>	Land and Improvements	3,298,043	5,618,829	(e)
Lennar Homes of Texas Land and Construction Ltd <sup>(d)</sup>	Land and Improvements	3,203,445	3,863,832	(e)
DFH Wildwood LLC	Land and Improvements	2,930,626	2,178,542	3,454,960
Lennar Homes of Texas Land & Construction Ltd <sup>(d)</sup>	Land and Improvements	957,139	(e)	(e)
BTR Orchard Ridge LLC	Land and Improvements	707,751	(e)	(e)
DFH Wildwood LLC	Land and Improvements	653,600	(e)	(e)
Individual Homeowners	Land and Improvements	1,105,826	1,153,533	1,135,146
Buffington Texas Classic Homes <sup>(d)</sup>	Land and Improvements	(e)	1,690,605	1,334,212
Model Home BTC 1 LP	Land and Improvements	(e)	713,723	719,348
<b>Total</b>		<u>\$ 36,026,444</u>	<u>\$ 34,608,372</u>	<u>\$ 19,012,238</u>
Percent of Assessed Valuation		41.95%	60.79%	64.64%

- (a) Provided by WCAD.
- (b) Assessed Valuation reflects the adjusted value at September 30<sup>th</sup> as included in the audited financial statement.
- (c) The Developer.
- (d) The designated taxpayer is concentrated in the homebuilding industry. See "THE DEVELOPER – Homebuilders within the District" and "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Dependence Upon the Developer, Lot Owners, and Homebuilders."
- (e) Not a principal taxpayer for respective year.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2020 certified assessed valuation, estimated assessed valuation as of December 15, 2020 and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Bonds and the Outstanding Bonds (2025 through 2043) .....	\$674,767
\$0.83 Tax Rate on 2020 Certified Assessed Valuation of \$85,872,060 @ 95% collections produces .....	\$677,101
\$0.66 Tax Rate on the Estimated Assessed Valuation as of December 15, 2020 of \$108,300,000 @ 95% collections produces .....	\$679,041
Maximum Requirement on the Bonds and the Outstanding Bonds (2041) .....	\$751,980
\$0.93 Tax Rate on 2020 Certified Assessed Valuation of \$85,872,060 @ 95% collections produces .....	\$758,680
\$0.74 Tax Rate on the Estimated Assessed Valuation as of December 15, 2020 of \$108,300,000 @ 95% collections produces .....	\$761,349

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/21 .....	\$370,635 <sup>(a)</sup>
Audited Debt Service Fund Balance as of 9/30/20 .....	224,467 <sup>(b)</sup>
Capitalized Interest included in the proceeds of the Bonds .....	140,966 <sup>(c)</sup>
2020 Debt Service Tax Levy @ 95% collections.....	217,814 <sup>(c)</sup>
Total Available for Debt Service.....	<u>\$583,247</u>
Projected Debt Service Fund Balance as of September 30, 2021 .....	\$212,612

- (a) Interest requirements on the Bonds are payable September 1, 2021.
- (b) Audited as of September 30, 2020. Represents fund balance after all 2020 debt service requirements have been paid.
- (c) Represents approximately twenty-four (24) months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.
- (d) The District levied a 2020 debt service tax rate of \$0.2670, collection of which was due with no penalty by January 31, 2021.

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

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

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

homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

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

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

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

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

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

### **Tax Payment Installments**

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

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

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

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

current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

**Developed Districts:** Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Texas Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - 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 and Special Tax 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 to the District will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, 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 C -- Form of Special Tax Counsel Opinion."

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of McLean & Howard L.L.P., 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 with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included to gross income retroactively to the date of issuance of the Bonds. The opinion of 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 judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of 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 is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

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

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

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

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

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

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

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

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

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

### **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. 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.

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

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

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

## CONTINUING DISCLOSURE OF INFORMATION

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

### Annual Reports

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

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

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

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

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

#### **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 - Authorized But Unissued Bonds” - 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.; “DEBT SERVICE REQUIREMENTS – TABLE 3” - 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, 2020 were audited by McCall Gibson Swedlund Barfoot PLLC, and excerpts of the District's Audited Financial Statements as of September 30, 2020 have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

## 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 an 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.

## 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.

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

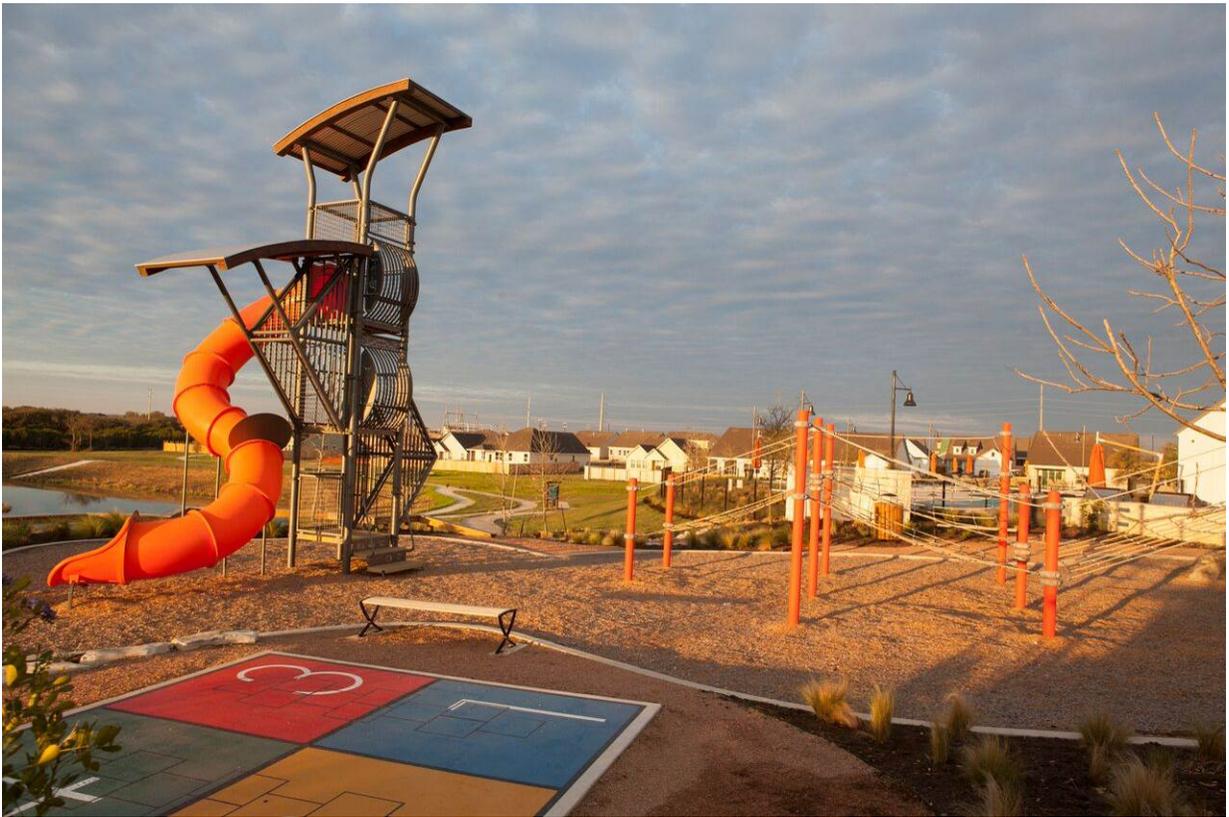
/s/ Britt Fisher  
Secretary, Board of Directors  
Williamson-Liberty Hill Municipal Utility District

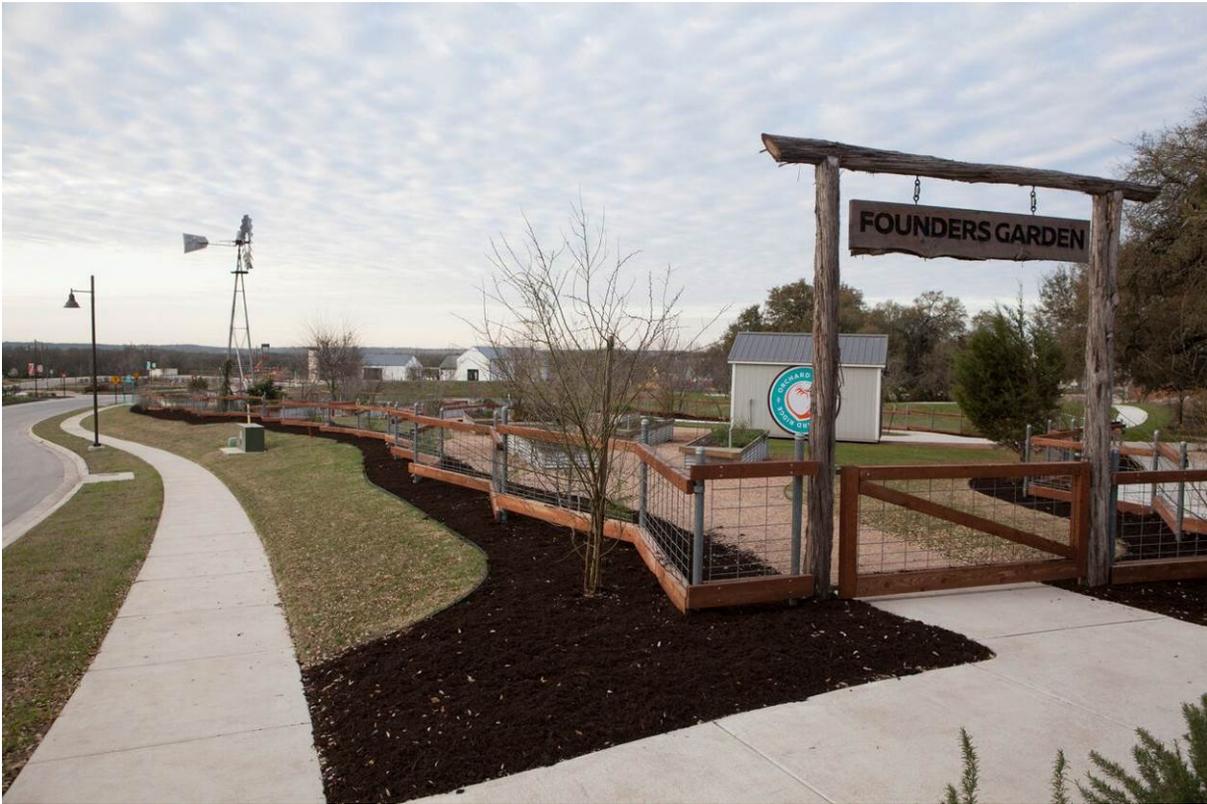
## PHOTOGRAPHS

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, 2020. 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, 2020**

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**ANNUAL FILING AFFIDAVIT**

**STATE OF TEXAS  
COUNTY OF WILLIAMSON**

I, \_\_\_\_\_ 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 **February 2, 2020**, its annual audit report for the fiscal year or period ended **September 30, 2020** 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 of Texas Water Code Section 49.194.

Date: February 3, 2020

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

Morris Green, Board President  
(Typed Name and Title District Representative)

Sworn to and subscribed to before me this the 3rd day of February, 2020.

(Seal)

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

My Commission Expires On: \_\_\_\_\_, \_\_\_\_\_.  
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  
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P.O. Box #29584  
Austin, Texas 78755  
(512) 610-2209  
[www.mgsbpllc.com](http://www.mgsbpllc.com)  
E-Mail: [mgsb@mgsbpllc.com](mailto:mgsb@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 each major fund of Williamson-Liberty Hill Municipal Utility District (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **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 each major fund of the District as of September 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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 Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are 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 Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Austin, Texas

February 2, 2020

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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, 2020. 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 Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. 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 financial statements provide 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 Statement of Net Position 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 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.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**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 three governmental fund types. The General Fund accounts for resources not accounted for in another fund, ad valorem taxes and the cost of assessing and collecting taxes, operating costs and general expenditures. The Debt Service Fund accounts for financial resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

The governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental funds. 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 Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances 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 \$219,923 as of September 30, 2020.

A portion of the District’s net position reflects its net investment in capital assets (e.g. drainage facilities, street improvements, capacity assets 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, 2020**

**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		
	2020	2019	Change Positive (Negative)
Current and Other Assets	\$ 805,263	\$ 549,176	\$ 256,087
Intangible Assets (Net of Accumulated Amortization)	5,265,958	4,368,739	897,219
Capital Assets (Net of Accumulated Depreciation)	<u>12,237,489</u>	<u>8,750,461</u>	<u>3,487,028</u>
Total Assets	<u>\$ 18,308,710</u>	<u>\$ 13,668,376</u>	<u>\$ 4,640,334</u>
Due to Developer	\$ 11,554,655	\$ 7,776,342	\$ (3,778,313)
Long -Term Liabilities	6,777,678	4,792,986	(1,984,692)
Other Liabilities	<u>196,300</u>	<u>125,614</u>	<u>(70,686)</u>
Total Liabilities	<u>\$ 18,528,633</u>	<u>\$ 12,694,942</u>	<u>\$ (5,833,691)</u>
Net Position:			
Net Investment in Capital Assets	\$ (705,956)	\$ 981,017	\$ (1,686,973)
Restricted Debt Service	205,153	\$ 231,717	(26,564)
Unrestricted	<u>280,880</u>	<u>(239,300)</u>	<u>520,180</u>
Total Net Position	<u>\$ (219,923)</u>	<u>\$ 973,434</u>	<u>\$ (1,193,357)</u>

The following table provides a summary of the District's operations for the years ended September 30, 2020, and September 30, 2019. The District's net position decreased by \$1,193,357.

	Summary of Changes in the Statement of Activities		
	2020	2019	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 540,856	\$ 279,429	\$ 261,427
Penalty and Interest	2,547	485	2,062
Other Revenues	<u>6,726</u>	<u>13,991</u>	<u>(7,265)</u>
Total Revenues	<u>\$ 550,129</u>	<u>\$ 293,905</u>	<u>\$ 256,224</u>
Expenses for Services	<u>1,743,486</u>	<u>1,070,817</u>	<u>(672,669)</u>
Change in Net Position	\$ (1,193,357)	\$ (776,912)	\$ (416,445)
Net Position, Beginning of Year	<u>973,434</u>	<u>1,750,346</u>	<u>(776,912)</u>
Net Position, End of Year	<u>\$ (219,923)</u>	<u>\$ 973,434</u>	<u>\$ (1,193,357)</u>

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

The District’s combined fund balances as of September 30, 2020, were \$728,277, an increase of \$200,149 from the prior year.

The General Fund fund balance increased by \$163,799 due to property tax revenues being greater than operating expenditures.

The Debt Service Fund fund balance decreased by \$21,816 primarily due to the structure of the District’s outstanding debt.

The Capital Projects Fund fund balance increased by \$58,166 primarily due to the issuance of the Series 2020 Bonds.

**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 \$18,490 more than budgeted revenues, primarily due to greater than expected tax revenues. Actual expenditures were \$14,004 more than budgeted expenditures, primarily due to repairs and maintenance being more than budgeted for.

**INTANGIBLE ASSETS**

Intangible assets as of September 30, 2020, totaled \$5,265,958 and included 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, 2020, amounted to \$12,237,489 (net of accumulated depreciation). These capital assets included street improvements, drainage system and capacity assets. See also Note 6.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2020	2019	Change Positive (Negative)
Capital Assets, Net of Accumulated Depreciation:			
Street Improvements	6,399,879	4,877,435	1,522,444
Drainage System	4,847,769	3,873,026	974,743
Capacity Assets	989,841		989,841
Total Net Capital Assets	\$ 12,237,489	\$ 8,750,461	\$ 3,487,028

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**LONG-TERM DEBT ACTIVITY**

As of September 30, 2020, the District had total bond debt payable of \$6,915,000. The changes in the debt position of the District during the fiscal year ended September 30, 2020, are summarized as follows:

Bond Debt Payable, October 1, 2019	\$ 4,910,000
Add: Bond Sale	2,100,000
Less: Bond Principal Paid	<u>95,000</u>
Bond Debt Payable, September 30, 2020	<u>\$ 6,915,000</u>

On February 4, 2020, the District issued \$2,100,000 of Unlimited Tax Bonds, Series 2020, with interest rates ranging from 2.00% to 3.10%. The net proceeds of \$1,874,684 (after payment of bond discount, underwriter fees and other bond related costs) were deposited with the District's investment accounts to reimburse developer for water and wastewater reservation fees and impact fees and to pay for future bond interest and subsequent bond issue costs.

The District's Series 2018, Series 2018A and Series 2020 bonds are unrated.

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

The adopted budget for fiscal year 2021 projects an increase in General Fund fund balance of \$332,718. Compared to the fiscal year 2020 budget, revenues are expected to increase by approximately \$196,000 and expenditures are expected to increase by approximately \$22,000. The fiscal year 2020 tax rate has been established at \$0.95 on each \$100 of taxable value, of which 72% will be used to fund general operations and 28% will be used to fund debt service.

**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 FUNDS BALANCE  
SEPTEMBER 30, 2020**

	General Fund	Debt Service Fund
<b>ASSETS</b>		
Cash	\$ 73,293	\$
Investments	282,241	224,467
Receivables -		
Other	364	
Due from Other Funds	51,968	
Prepaid Costs		
Intangible Assets (Net of Accumulated Amortization):		
Right to Receive Water Service		
Right to Receive Wastewater Service		
Capital Assets (Net of Accumulated Depreciation):		
Street Improvements		
Drainage System		
Capacity Assets		
<b>TOTAL ASSETS</b>	<b>\$ 407,866</b>	<b>\$ 224,467</b>
<b>LIABILITIES</b>		
Accounts Payable	\$ 76,986	\$
Accrued Interest Payable		
Due to Developer		
Due to Other Funds		
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<b>\$ 76,986</b>	<b>\$ -0-</b>
<b>FUND BALANCES</b>		
Restricted for Authorized Construction	\$	
Restricted for Debt Service		224,467
Assigned	22,480	
Unassigned	308,400	
<b>TOTAL FUND BALANCES</b>	<b>\$ 330,880</b>	<b>\$ 224,467</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 407,866</b>	<b>\$ 224,467</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 2	\$ 73,295	\$	\$ 73,295
172,928	679,636		679,636
	364		364
	51,968	(51,968)	
51,968	51,968		51,968
		1,978,790	1,978,790
		3,287,168	3,287,168
		6,399,879	6,399,879
		4,847,769	4,847,769
		989,841	989,841
<u>\$ 224,898</u>	<u>\$ 857,231</u>	<u>\$ 17,451,479</u>	<u>\$ 18,308,710</u>
\$	\$ 76,986	\$	\$ 76,986
		19,314	19,314
		11,554,655	11,554,655
51,968	51,968	(51,968)	
		100,000	100,000
		6,777,678	6,777,678
<u>\$ 51,968</u>	<u>\$ 128,954</u>	<u>\$ 18,399,679</u>	<u>\$ 18,528,633</u>
\$ 172,930	\$ 172,930	\$ (172,930)	\$
	224,467	(224,467)	
	22,480	(22,480)	
	308,400	(308,400)	
<u>\$ 172,930</u>	<u>\$ 728,277</u>	<u>\$ (728,277)</u>	<u>\$ - 0 -</u>
<u>\$ 224,898</u>	<u>\$ 857,231</u>		
		\$ (705,956)	\$ (705,956)
		205,153	205,153
		280,880	280,880
		<u>\$ (219,923)</u>	<u>\$ (219,923)</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 FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2020**

Total Fund Balances - Governmental Funds	\$	728,277
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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.		17,503,447
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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	(11,554,655)	
Accrued Interest Payable	(19,314)	
Bonds Payable Within One Year	(100,000)	
Bonds Payable After One Year	<u>(6,777,678)</u>	<u>(18,451,647)</u>
Total Net Position - Governmental Activities		<u>\$ (219,923)</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 FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>REVENUES</b>		
Property Taxes	\$ 392,832	\$ 148,024
Penalty and Interest	1,850	697
Investment Revenues	<u>1,971</u>	<u>3,605</u>
<b>TOTAL REVENUES</b>	<u>\$ 396,653</u>	<u>\$ 152,326</u>
<b>EXPENDITURES/EXPENSES</b>		
Operations:		
Professional Fees	\$ 72,085	\$
Contracted Services	36,671	400
Purchased Water Service	13,160	
Utilities	5,670	
Repairs and Maintenance	88,858	
Other	16,410	
Capital Outlay		
Depreciation		
Amortization		
Creation Costs		
Developer Advance Repayments		
Developer Interest		
Debt Service:		
Bond Principal		95,000
Bond Interest		208,696
Bond Issuance Costs		
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 232,854</u>	<u>\$ 304,096</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES/EXPENSES</b>	<u>\$ 163,799</u>	<u>\$ (151,770)</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Long-Term Debt Issued	\$ -0-	\$ 129,954
Bond Discount		
<b>TOTAL OTHER FINANCING SOURCES, NET</b>	<u>\$ -0-</u>	<u>\$ 129,954</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 163,799	\$ (21,816)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION - OCTOBER 1, 2019</b>	<u>167,081</u>	<u>246,283</u>
<b>FUND BALANCES/NET POSITION - SEPTEMBER 30, 2020</b>	<u>\$ 330,880</u>	<u>\$ 224,467</u>

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

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
\$	\$ 540,856	\$	\$ 540,856
	2,547		2,547
<u>1,150</u>	<u>6,726</u>		<u>6,726</u>
\$ 1,150	\$ 550,129	\$ - 0 -	\$ 550,129
\$	\$ 72,085	\$	\$ 72,085
	37,071		37,071
	13,160		13,160
	5,670		5,670
	88,858		88,858
	16,410		16,410
1,003,031	1,003,031	(1,003,031)	
		257,402	257,402
		496,076	496,076
286,650	286,650		286,650
356,381	356,381	(356,381)	
39,932	39,932		39,932
	95,000	(95,000)	
	208,696	6,378	215,074
<u>215,098</u>	<u>215,098</u>		<u>215,098</u>
\$ 1,901,092	\$ 2,438,042	\$ (694,556)	\$ 1,743,486
\$ (1,899,942)	\$ (1,887,913)	\$ 694,556	\$ (1,193,357)
\$ 1,970,046	\$ 2,100,000	\$ (2,100,000)	\$ -0-
<u>(11,938)</u>	<u>(11,938)</u>	<u>11,938</u>	
\$ 1,958,108	\$ 2,088,062	\$ (2,088,062)	\$ -0-
\$ 58,166	\$ 200,149	\$ (200,149)	\$
		(1,193,357)	(1,193,357)
<u>114,764</u>	<u>528,128</u>	<u>445,306</u>	<u>973,434</u>
\$ 172,930	\$ 728,277	\$ (948,200)	\$ (219,923)

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

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Net Change in Fund Balances - Governmental Funds \$ 200,149

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. (753,478)

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. 1,003,031

Governmental funds report bond discounts and bond premiums as other financing sources/uses in the year paid. However, in the Statement of Net Position, bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. 10,308

Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities. 95,000

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (4,748)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (2,100,000)

Governmental funds report developer repayments as expenditures. However, in the Statement of Net Position, developer repayments offset developer liability. 356,381

Change in Net Position - Governmental Activities \$ (1,193,357)

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

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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 provisions 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 and sold its first bonds on April 25, 2018.

**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, 2020**

**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 and amortization 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, 2020**

**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 Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, ad valorem taxes and the cost of assessing and collecting taxes, operating costs and general expenditures.

Debt Service Fund – To account for financial resources restricted, committed or assigned for servicing bond debt.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

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. At September 30, 2020, the Capital Projects Fund owed the General Fund \$51,968 for prepaid bond issuance costs.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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 and water assets are amortized over the contract term, which is twenty years and ten years, respectively.

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. 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:

	Years
Street Improvements	50
Drainage System	50

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original budget amounts compared to the actual amounts of revenues and expenditures for the current year.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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.

*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. At September 30, 2020, the District had \$22,480 assigned to road repairs and maintenance.

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

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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

Measurement Focus (Continued)

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.

Recently Issued Accounting Pronouncements

In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, the purpose of which is (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. Under GASB Statement No. 89, the cost of assets capitalized and depreciated will no longer include an interest component. Developer interest will instead be shown separately as an expenditure in the fund it was paid from (not combined with capital outlay) and as an expense in the government-wide financial statements. GASB Statement No. 89 is effective for fiscal years beginning after December 15, 2019, though early application is encouraged, and the requirements of this standard are to be applied prospectively. Management has chosen to early implement GASB Statement No. 89 as of and for the fiscal year ended September 30, 2020.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3. LONG TERM DEBT**

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2020:

	October 1, 2019	Additions	Retirements	September 30, 2020
Bonds Payable	\$ 4,910,000	\$ 2,100,000	\$ 95,000	\$ 6,915,000
Unamortized Discounts	<u>(27,014)</u>	<u>(11,938)</u>	<u>(1,630)</u>	<u>(37,322)</u>
Bonds Payable, Net	<u>\$ 4,882,986</u>	<u>\$ 2,088,062</u>	<u>\$ 93,370</u>	<u>\$ 6,877,678</u>
		Amount Due Within One Year		\$ 100,000
		Amount Due After One Year		<u>6,777,678</u>
		Bonds Payable, Net		<u>\$ 6,877,678</u>

	Series 2018	Series 2018A	Series 2020
Amount Outstanding – September 30, 2020	\$ 2,335,000	\$ 2,485,000	\$ 2,095,000
Interest Rates	2.40% - 4.00%	2.20% - 4.00%	2.05% - 3.20%
Maturity Date	September 1, 2021/2040	September 1, 2021/2041	September 1, 2021/2041
Interest Payment Dates	September 1/ March 1	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2024 *	September 1, 2024 *	September 1, 2024 *

\* Or on any date thereafter, at a price of par plus accrued interest to the date of redemption. The Series 2018 term bonds maturing on September 1, 2033 and September 1, 2040, are subject to mandatory redemption beginning September 1, 2032 and September 1, 2034, respectively. The Series 2018A term bonds maturing on September 1, 2031, September 1, 2036 and September 1, 2041, are subject to mandatory redemption beginning September 1, 2030, September 1, 2035 and September 1, 2040, respectively. The Series 2020 term bonds maturing on September 1, 2038 and September 1, 2041, are subject to mandatory redemption beginning September 1, 2037 and September 1, 2039, respectively.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT** (Continued)

On February 4, 2020, the District issued \$2,100,000 of Unlimited Tax Bonds, Series 2020, with interest rates ranging from 2.00% to 3.10%. The net proceeds of \$1,874,684 (after payment of the bond discount, underwriter fees and other bond related costs) were deposited with the District's investment accounts to reimburse developer for water and wastewater reservation fees and impact fees and to pay for future bond interest and subsequent bond issue costs.

As of September 30, 2020, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 100,000	\$ 231,720	\$ 331,720
2022	110,000	229,377	339,377
2023	120,000	226,617	346,617
2024	160,000	223,380	383,380
2025	290,000	218,918	508,918
2026-2030	1,545,000	967,096	2,512,096
2031-2035	1,805,000	704,381	2,509,381
2036-2040	2,260,000	350,751	2,610,751
2041	525,000	19,380	544,380
	<u>\$ 6,915,000</u>	<u>\$ 3,171,620</u>	<u>\$ 10,086,620</u>

As of September 30, 2020, the District had \$72,085,000 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 \$4,880,000 of bonds authorized for the acquisition and construction of park and recreational facilities and \$725,000 for the construction of roads.

In accordance with the bond orders for the Series 2018, Series 2018A and Series 2020 Bonds, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid.

Transactions for the current year are summarized as follows:

Bond Interest Reserve - October 1, 2019	\$ 185,824
Add: Series 2020 Bond Interest Received	129,954
Less: Bond Interest Paid	198,470
Bond Interest Reserve - September 30, 2020	<u>\$ 117,308</u>

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 3. LONG-TERM DEBT (Continued)**

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

During the year ended September 30, 2020, the District levied an ad valorem debt service tax rate of \$0.260 per \$100 of assessed valuation, which resulted in a tax levy of \$148,024 on the adjusted taxable valuation of \$56,932,076 for the 2019 tax year. The bond resolutions require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for maintenance tax levy.

All property values and exempt status, if any, are determined by the appraisal district. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

**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.

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 of the District's deposits was \$73,295 and the bank balance was \$75,607. All of the bank balance was covered by federal depository insurance.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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

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. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

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 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, 2020, 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	\$ 282,241	\$ 282,241
<u>DEBT SERVICE FUND</u>		
TexPool	\$ 224,467	\$ 224,467
<u>CAPITAL PROJECTS FUND</u>		
TexPool	\$ 172,928	\$ 172,928
TOTAL INVESTMENTS	\$ 679,636	\$ 679,636

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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

Investments (Continued)

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2020, 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.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**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, 2020, the District had the following intangible assets:

	<u>October 1, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>September 30, 2020</u>
<b>Intangibles Subject to Amortization:</b>				
Right to Receive Water Service	\$ 2,096,385	\$ 623,237	\$ - 0 -	\$ 2,719,622
Right to Receive Wastewater Service	<u>3,142,376</u>	<u>770,058</u>	<u>                    </u>	<u>3,912,434</u>
<b>Total Intangibles Subject to Amortization</b>	<u>\$ 5,238,761</u>	<u>\$ 1,393,295</u>	<u>\$ - 0 -</u>	<u>\$ 6,632,056</u>
<b>Accumulated Amortization:</b>				
Right to Receive Water Service	\$ 459,278	\$ 281,554	\$ - 0 -	\$ 740,832
Right to Receive Wastewater Service	<u>410,744</u>	<u>214,522</u>	<u>                    </u>	<u>625,266</u>
<b>Total Accumulated Amortization</b>	<u>\$ 870,022</u>	<u>\$ 496,076</u>	<u>\$ - 0 -</u>	<u>\$ 1,366,098</u>
<b>Total Intangible Assets, Net of Accumulated Amortization</b>	<u>\$ 4,368,739</u>	<u>\$ 897,219</u>	<u>\$ - 0 -</u>	<u>\$ 5,265,958</u>

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2020:

	October 1, 2019	Increases	Decreases	September 30, 2020
<b>Capital Assets Subject to Depreciation:</b>				
Street Improvements*	\$ 5,151,036	\$ 1,661,068	\$ - 0 -	\$ 6,812,104
Drainage System	4,096,103	1,080,331		5,176,434
Capacity Assets	<u>                    </u>	<u>1,003,031</u>	<u>                    </u>	<u>1,003,031</u>
<b>Total Capital Assets Subject to Depreciation</b>	<u>\$ 9,247,139</u>	<u>\$ 3,744,430</u>	<u>\$ - 0 -</u>	<u>\$ 12,991,569</u>
<b>Accumulated Depreciation</b>				
Street Improvements*	\$ 273,601	\$ 138,624	\$ - 0 -	\$ 412,225
Drainage System	223,077	105,588		328,665
Capacity Assets	<u>                    </u>	<u>13,190</u>	<u>                    </u>	<u>13,190</u>
<b>Total Accumulated Depreciation</b>	<u>\$ 496,678</u>	<u>\$ 257,402</u>	<u>\$ - 0 -</u>	<u>\$ 754,080</u>
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>\$ 8,750,461</u>	<u>\$ 3,487,028</u>	<u>\$ - 0 -</u>	<u>\$ 12,237,489</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, 2020, the District levied an ad valorem maintenance tax rate of \$0.690 per \$100 of assessed valuation, which resulted in a tax levy of \$392,832 on the adjusted taxable valuation of \$56,932,076 for the 2019 tax year. This maintenance tax is to be used by the General Fund to pay expenditures for maintenance and operations.

**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 accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

**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, 2020, the District owes the Developer \$11,554,655, of which \$50,000 consists of operating advances to the District. The following details the activity in the due to developer liability in the current year:

Due to Developer, October 1, 2019	\$	7,776,342
Add: Additions		4,134,694
Less: Payments		356,381
		11,554,655
Due to Developer, September 30, 2020	\$	11,554,655

**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 “Georgetown”). On December 13, 2017, the Service Agreement was replaced with a Water Service Agreement between Georgetown and the Developer.

Under the Water Service Agreement, 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 Georgetown for operation and maintenance, and Georgetown is responsible for meter reading, billing and furnishing retail water service to customers within the District.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2020**

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

Under the Water Service Agreement, the District has agreed to pay water impact fees to Georgetown 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 Georgetown's waterworks system for the living unit equivalents for which impact fees have been paid.

The term of the Water Service Agreement is limited to 10 years from the effective date, as defined.

**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 the City of Liberty Hill ("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. SUBSEQUENT EVENT**

On October 5, 2020, the Board of Directors approved a resolution authorizing submission of an application to TCEQ for approval of the issuance of \$3,295,000 of Unlimited Tax Bonds, Series 2021. The bond funds are expected to be used to reimburse the developer for construction and engineering costs, fund bond issue costs and fund future bond interest.

**NOTE 13. UNCERTAINTIES**

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2020**

**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, 2020**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES</b>			
Property Taxes	\$ 376,512	\$ 392,832	\$ 16,320
Penalty and Interest	250	1,850	1,600
Investment Revenues	<u>1,401</u>	<u>1,971</u>	<u>570</u>
<b>TOTAL REVENUES</b>	<u>\$ 378,163</u>	<u>\$ 396,653</u>	<u>\$ 18,490</u>
<b>EXPENDITURES</b>			
Operations:			
Professional Fees	\$ 70,500	\$ 72,085	\$ (1,585)
Contracted Services	38,500	36,671	1,829
Purchased Water Service	7,000	13,160	(6,160)
Utilities	9,500	5,670	3,830
Repairs and Maintenance	64,000	88,858	(24,858)
Other	<u>29,350</u>	<u>16,410</u>	<u>12,940</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 218,850</u>	<u>\$ 232,854</u>	<u>\$ (14,004)</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 159,313	\$ 163,799	\$ 4,486
<b>FUND BALANCE - OCTOBER 1, 2019</b>	<u>167,081</u>	<u>167,081</u>	<u>_____</u>
<b>FUND BALANCE - SEPTEMBER 30, 2020</b>	<u>\$ 326,394</u>	<u>\$ 330,880</u>	<u>\$ 4,486</u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT**

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

**SEPTEMBER 30, 2020**

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**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, 2020**

**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, 2020**

**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, 2020**

PROFESSIONAL FEES:	
Auditing	\$ 9,750
Engineering	37,221
Legal	23,444
Financial Advisor	<u>1,670</u>
TOTAL PROFESSIONAL FEES	<u>\$ 72,085</u>
 PURCHASED SERVICES -	
Purchased Water Service	<u>\$ 13,160</u>
 CONTRACTED SERVICES:	
Appraisal District	\$ 3,070
Bookkeeping	33,470
Tax Collector	<u>131</u>
TOTAL CONTRACTED SERVICES	<u>\$ 36,671</u>
 UTILITIES -	
Electricity	<u>\$ 5,670</u>
 REPAIRS AND MAINTENANCE	<u>\$ 88,858</u>
 ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 7,950
Election Costs	45
Insurance	3,282
Legal Notices	824
Office Supplies and Postage	1,344
Payroll Taxes	608
Travel and Meetings	52
Other	<u>2,305</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 16,410</u>
 TOTAL EXPENDITURES	<u><u>\$ 232,854</u></u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>GENERAL FUND</u>					
TexPool	XXXX0004	Varies	Daily	\$ 282,241	\$ - 0 -
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 133,444	\$ - 0 -
TexPool	XXXX0008	Varies	Daily	91,023	
TOTAL DEBT SERVICE FUND				<u>\$ 224,467</u>	<u>\$ - 0 -</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0003	Varies	Daily	\$ 6,365	\$ - 0 -
TexPool	XXXX0005	Varies	Daily	109,446	
TexPool	XXXX0007	Varies	Daily	57,117	
TOTAL CAPITAL PROJECTS FUND				<u>\$ 172,928</u>	<u>\$ - 0 -</u>
TOTAL - ALL FUNDS				<u>\$ 679,636</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, 2020**

	Maintenance Taxes		Debt Service Taxes	
TAXES RECEIVABLE -				
OCTOBER 1, 2019	\$	-0-	\$	-0-
Adjustments to Beginning				
Balance	<u>                    </u>	\$ -0-	<u>                    </u>	\$ -0-
Original 2019 Tax Levy	\$	375,649	\$	141,549
Adjustment to 2019 Tax Levy	<u>          17,183</u>	<u>          392,832</u>	<u>          6,475</u>	<u>          148,024</u>
TOTAL TO BE				
ACCOUNTED FOR		\$ 392,832		\$ 148,024
 TAX COLLECTIONS:				
Prior Years	\$		\$	
Current Year	<u>          392,832</u>	<u>          392,832</u>	<u>          148,024</u>	<u>          148,024</u>
 TAXES RECEIVABLE -				
SEPTEMBER 30, 2020		<u>          \$ -0-</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, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
PROPERTY VALUATIONS:				
Land	\$ 34,124,146	\$ 20,020,724	\$ 14,806,724	\$ 7,977,045
Improvements	23,476,874	9,839,849	881,184	9,000
Personal Property	146,214	-	8,146	-
Exemptions	<u>(815,158)</u>	<u>(447,028)</u>	<u>(35,645)</u>	<u>(5,496,439)</u>
TOTAL PROPERTY VALUATIONS	<u>\$ 56,932,076</u>	<u>\$ 29,413,545</u>	<u>\$ 15,660,409</u>	<u>\$ 2,489,606</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.260	\$ 0.169	\$ 0.00	\$ 0.00
Maintenance	<u>0.690</u>	<u>0.781</u>	<u>0.95</u>	<u>0.95</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.95</u>	<u>\$ 0.95</u>	<u>\$ 0.95</u>	<u>\$ 0.95</u>
ADJUSTED TAX LEVY*	<u>\$ 540,856</u>	<u>\$ 279,429</u>	<u>\$ 148,774</u>	<u>\$ 23,651</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  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2020**

SERIES - 2018

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2021	\$ 75,000	\$ 84,154	\$ 159,154
2022	80,000	82,354	162,354
2023	85,000	80,274	165,274
2024	85,000	77,894	162,894
2025	90,000	75,344	165,344
2026	95,000	72,554	167,554
2027	100,000	69,561	169,561
2028	105,000	66,311	171,311
2029	105,000	62,768	167,768
2030	110,000	59,145	169,145
2031	115,000	55,185	170,185
2032	120,000	50,988	170,988
2033	125,000	46,488	171,488
2034	130,000	41,800	171,800
2035	135,000	36,600	171,600
2036	145,000	31,200	176,200
2037	150,000	25,400	175,400
2038	155,000	19,400	174,400
2039	160,000	13,200	173,200
2040	170,000	6,800	176,800
2041			
	<u>\$ 2,335,000</u>	<u>\$ 1,057,420</u>	<u>\$ 3,392,420</u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2020**

S E R I E S - 2 0 1 8 A

Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total
2021	\$ 20,000	\$ 88,633	\$ 108,633
2022	25,000	88,193	113,193
2023	30,000	87,618	117,618
2024	50,000	86,869	136,869
2025	100,000	85,494	185,494
2026	100,000	82,494	182,494
2027	100,000	79,494	179,494
2028	105,000	76,369	181,369
2029	110,000	72,956	182,956
2030	115,000	69,244	184,244
2031	120,000	65,219	185,219
2032	120,000	61,019	181,019
2033	125,000	56,819	181,819
2034	130,000	52,288	182,288
2035	135,000	47,575	182,575
2036	140,000	42,513	182,513
2037	145,000	37,263	182,263
2038	150,000	31,825	181,825
2039	160,000	26,200	186,200
2040	160,000	20,200	180,200
2041	345,000	13,800	358,800
	<u>\$ 2,485,000</u>	<u>\$ 1,272,085</u>	<u>\$ 3,757,085</u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2020**

S E R I E S - 2 0 2 0				
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1/ September 1	Total	
2021	\$ 5,000	\$ 58,933	\$	63,933
2022	5,000	58,830		63,830
2023	5,000	58,725		63,725
2024	25,000	58,617		83,617
2025	100,000	58,080		158,080
2026	100,000	55,880		155,880
2027	100,000	53,630		153,630
2028	100,000	51,330		151,330
2029	100,000	48,930		148,930
2030	100,000	46,430		146,430
2031	100,000	43,830		143,830
2032	100,000	41,130		141,130
2033	100,000	38,330		138,330
2034	125,000	35,430		160,430
2035	125,000	31,680		156,680
2036	125,000	27,930		152,930
2037	150,000	24,180		174,180
2038	150,000	19,530		169,530
2039	150,000	14,880		164,880
2040	150,000	10,230		160,230
2041	180,000	5,580		185,580
	\$ 2,095,000	\$ 842,115	\$	2,937,115

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2020**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2021	\$ 100,000	\$ 231,720	\$ 331,720
2022	110,000	229,377	339,377
2023	120,000	226,617	346,617
2024	160,000	223,380	383,380
2025	290,000	218,918	508,918
2026	295,000	210,928	505,928
2027	300,000	202,685	502,685
2028	310,000	194,010	504,010
2029	315,000	184,654	499,654
2030	325,000	174,819	499,819
2031	335,000	164,234	499,234
2032	340,000	153,137	493,137
2033	350,000	141,637	491,637
2034	385,000	129,518	514,518
2035	395,000	115,855	510,855
2036	410,000	101,643	511,643
2037	445,000	86,843	531,843
2038	455,000	70,755	525,755
2039	470,000	54,280	524,280
2040	480,000	37,230	517,230
2041	<u>525,000</u>	<u>19,380</u>	<u>544,380</u>
	<u>\$ 6,915,000</u>	<u>\$ 3,171,620</u>	<u>\$ 10,086,620</u>

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
CHANGES IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2019
Williamson-Liberty Hill Municipal Utility District Unlimited Tax Road Bonds - Series 2018	\$ 2,410,000	\$ 2,410,000
Williamson-Liberty Hill Municipal Utility District Unlimited Tax Road Bonds - Series 2018A	2,500,000	2,500,000
Williamson-Liberty Hill Municipal Utility District Unlimited Tax Bonds - Series 2020	<u>2,100,000</u>	<u>                    </u>
<b>TOTAL</b>	<u>\$ 7,010,000</u>	<u>\$ 4,910,000</u>

Bond Authority:	Tax Bonds*	Park Bonds*	Road Bonds*
Amount Authorized by Voters	\$ 74,185,000	\$ 4,880,000	\$ 5,635,000
Amount Issued	<u>2,100,000</u>	<u>                    </u>	<u>4,910,000</u>
Remaining to be Issued	<u>\$ 72,085,000</u>	<u>\$ 4,880,000</u>	<u>\$ 725,000</u>

Debt Service Fund cash, investments and cash with paying agent balances as of  
September 30, 2020: \$ 224,467

Average annual debt service payment (principal and interest) for remaining term  
of all debt: \$ 480,315

See Note 3 for interest rate, interest payment dates and maturity dates.

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2020</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
\$ -0-	\$ 75,000	\$ 85,804	\$ 2,335,000	UMB, NA Austin, Texas
	15,000	88,948	2,485,000	UMB, NA Austin, Texas
<u>2,100,000</u>	<u>5,000</u>	<u>33,944</u>	<u>2,095,000</u>	UMB, NA Austin, Texas
<u>\$ 2,100,000</u>	<u>\$ 95,000</u>	<u>\$ 208,696</u>	<u>\$ 6,915,000</u>	

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 392,832	\$ 229,720	\$ 148,774
Penalty and Interest	1,850	399	
Investment Revenues	1,971	2,228	1,588
Miscellaneous Revenues			
<b>TOTAL REVENUES</b>	<b>\$ 396,653</b>	<b>\$ 232,347</b>	<b>\$ 150,362</b>
<b>EXPENDITURES</b>			
Professional Fees	\$ 72,085	\$ 52,440	\$ 69,236
Contracted Services	36,671	34,696	27,269
Purchased Water Service	13,160	4,063	39,542
Purchased Wastewater Service			
Utilities	5,670	8,303	6,056
Repairs and Maintenance	88,858	29,813	27,736
Other	16,410	15,333	14,689
<b>TOTAL EXPENDITURES</b>	<b>\$ 232,854</b>	<b>\$ 144,648</b>	<b>\$ 184,528</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 163,799</b>	<b>\$ 87,699</b>	<b>\$ (34,166)</b>
<b>OTHER FINANCING SOURCES</b>			
Developer Advances	\$ - 0 -	\$ - 0 -	\$ 50,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 163,799</b>	<b>\$ 87,699</b>	<b>\$ 15,834</b>
<b>BEGINNING FUND BALANCE</b>	<b>167,081</b>	<b>79,382</b>	<b>63,548</b>
<b>ENDING FUND BALANCE</b>	<b>\$ 330,880</b>	<b>\$ 167,081</b>	<b>\$ 79,382</b>

\* Unaudited

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016*	2020	2019	2018	2017	2016*
\$ 79,467	\$ 1,066	99.0 %	98.8 %	98.9 %	94.3 %	99.7 %
4,115		0.5	0.2		4.9	
442	3	0.5	1.0	1.1	0.5	0.3
<u>275</u>					<u>0.3</u>	
\$ 84,299	\$ 1,069	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
\$ 24,909	\$ 32,122	18.3 %	22.6 %	46.1 %	29.5 %	3,004.9 %
17,799	13,728	9.2	14.9	18.1	21.1	1,284.2
39,897		3.3	1.7	26.3	47.3	
3,593	25,200				4.3	2,357.3
4,566	1,150	1.4	3.6	4.0	5.4	107.6
		22.4	12.8	18.4		
<u>9,575</u>	<u>11,868</u>	<u>4.1</u>	<u>6.6</u>	<u>9.8</u>	<u>11.4</u>	<u>1,110.2</u>
\$ 100,339	\$ 84,068	58.7 %	62.2 %	122.7 %	119.0 %	7,864.2 %
\$ (16,040)	\$ (82,999)	41.3 %	37.8 %	(22.7) %	(19.0) %	(7,764.2) %
\$ 53,555	\$ 87,807					
\$ 37,515	\$ 4,808					
<u>26,033</u>	<u>21,225</u>					
\$ 63,548	\$ 26,033					

See accompanying independent auditor's report.

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

	Amounts		
	2020	2019	2018
<b>REVENUES</b>			
Property Taxes	\$ 148,024	\$ 49,709	\$
Penalty and Interest	697	86	
Investment Revenues	3,605	9,559	1,505
<b>TOTAL REVENUES</b>	\$ 152,326	\$ 59,354	\$ 1,505
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$	\$	\$
Debt Service Principal	95,000		
Debt Service Interest and Fees	209,096	167,493	30,031
<b>TOTAL EXPENDITURES</b>	\$ 304,096	\$ 167,493	\$ 30,031
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	\$ (151,770)	\$ (108,139)	\$ (28,526)
<b>OTHER FINANCING SOURCES</b>			
Long-Term Debt Issued	\$ 129,954	\$ 191,536	\$ 191,412
<b>NET CHANGE IN FUND BALANCE</b>	\$ (21,816)	\$ 83,397	\$ 162,886
<b>BEGINNING FUND BALANCE</b>	246,283	162,886	
<b>ENDING FUND BALANCE</b>	\$ 224,467	\$ 246,283	\$ 162,886
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	N/A	N/A	N/A
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	N/A	N/A	N/A

\* Unaudited

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2017	2016*	2020	2019	2018	2017	2016*
\$	\$	97.1 %	83.8 %	%	%	%
		0.5	0.1			
		2.4	16.1	100.0		
\$ - 0 -	\$ - 0 -	100.0 %	100.0 %	100.0 %	%	%
\$	\$	%	%	%	%	%
		62.3				
		137.3	282.2	1,995.4		
\$ - 0 -	\$ - 0 -	199.6 %	282.2 %	1,995.4 %	-0- %	-0- %
\$	\$	(99.6) %	(182.2)	(1,895.4)	N/A	N/A
\$	\$					
\$	\$					
N/A	N/A					
N/A	N/A					
N/A	N/A					

See accompanying independent auditor's report.

**WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

District Mailing Address - **WILLIAMSON-LIBERTY HILL  
MUNICIPAL UTILITY DISTRICT  
Barton Oaks Plaza, Building II  
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, <u>2020</u>	Expense Reimbursements for the year ended September 30, <u>2020</u>	<u>Title</u>
Morris Green	11/18 11/22 (Elected)	\$ 1,950	\$ -0-	President
Matthew Smith	11/18 11/22 (Elected)	\$ 1,650	\$ -0-	Vice President
Britt Fisher	11/18 11/22 (Elected)	\$ 1,650	\$ -0-	Secretary
Scott Shepard	11/20 11/24 (Elected)	\$ 1,500	\$ -0-	Assistant Secretary/ Treasurer
Kyle Spencer	11/20 11/24 (Elected)	\$ 1,200	\$ -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: April 12, 2019.

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, 2020**

	Date Hired	Fees for the year ended September 30, 2020	Title
<b>Consultants:</b>			
McLean & Howard, LLP	04/03/17	\$ 24,910	Attorney
		\$ 47,200	Bond Related
McCall Gibson Swedlund Barfoot PLLC	09/13/17	\$ 9,750	Auditor
		\$ 12,500	Bond Related
Municipal Accounts & Consulting, L.P.	08/26/14	\$ 34,486	Bookkeeper
		\$ 3,500	Bond Related
Gray Engineering, Inc.	06/04/15	\$ 56,499	Engineer
		\$ 52,633	Bond Related
Public Finance Group	07/09/14	\$ 1,710	Financial Advisor
		\$ 57,207	Bond Related
Autumn Phillips and Mark Burton	08/26/14	\$ -0-	Investment Officers
Williamson County Tax Assessor-Collector	08/08/13	\$ 131	Tax Assessor/ Collector

See accompanying independent auditor's report.

**APPENDIX B**  
**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.]*

February 23, 2021

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 BONDS, SERIES 2021**, dated February 23, 2021, in the aggregate principal amount of \$3,295,000<sup>1</sup>, 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, 2021, until maturity or prior redemption, and maturing serially on September 1 in each year from 2021 through 2043.

The Bonds maturing on or after September 1, 2026 are redeemable, in whole or in part, at the option of the District on September 1, 2025, 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. 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.

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<sup>1</sup> Preliminary, subject to change.

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 C**  
**Form of Special Tax Counsel's Opinion**

February 23, 2021

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 \$3,295,000\* aggregate principal amount of its Unlimited Tax Bonds, Series 2021 (the "Bonds").

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

- (a) the Order of the Issuer authorizing the issuance and sale of the Bonds;
- (b) schedules prepared by, and representations of, Public Finance Group LLC and [ ] 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 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,

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\* Preliminary and subject to change

600 Congress Ave.  
Suite 2150  
Austin, Texas 78701  
T 512.478.3805  
F 512.472.0871

717 North Harwood  
Suite 900  
Dallas, Texas 75201  
T 214.754.9200  
F 214.754.9250

Two Allen Center  
1200 Smith Street, Suite 1550  
Houston, Texas 77002  
T 713.980.0500  
F 713.980.0510

112 E. Pecan Street  
Suite 1310  
San Antonio, Texas 78205  
T 210.225.2800  
F 210.225.2984

**APPENDIX D**  
**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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