

OFFICIAL STATEMENT DATED MARCH 9, 2020

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, COURT DECISIONS, AND PUBLISHED RULINGS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER “TAX EXEMPTION” HEREIN.

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS

NEW ISSUE – Book Entry Only

**Rating: S&P: “AA” (Stable Outlook)/Insured
Moody’s: “A2” (Stable Outlook)/Insured
Moody’s: “Baa2”/Uninsured
See “MUNICIPAL BOND RATING”
and “BOND INSURANCE” herein**

\$3,150,000

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT NO. 2-D

(A political subdivision of the State of Texas located within Travis County)

UNLIMITED TAX BONDS, SERIES 2020

Dated: April 1, 2020

Due: September 1, as shown below

Principal of the above described bonds (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially UMB Bank, N.A. (the “Paying Agent/Registrar”) in Austin, Texas. Interest on the Bonds will accrue from April 1, 2020 and be payable on September 1, 2020 (five months interest) and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “BOOK-ENTRY-ONLY SYSTEM.”



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” herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Number ^(b)	Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Number ^(b)
2021	\$150,000	2.000%	0.700%	51219SGD4	2029	\$150,000 ^(c)	1.250%	1.500%	51219SGM4
2022	150,000	2.000%	0.750%	51219SGE2	2030	150,000 ^(c)	2.000%	1.500%	51219SGN2
2023	150,000	2.000%	0.800%	51219SGF9	2031	150,000 ^(c)	2.000%	1.600%	51219SGP7
2024	150,000	2.000%	0.850%	51219SGG7	2032	150,000 ^(c)	2.000%	1.700%	51219SGQ5
2025	150,000	2.000%	0.900%	51219SGH5	2033	200,000 ^(c)	2.000%	1.800%	51219SGR3
2026	150,000 ^(c)	1.000%	1.100%	51219SGJ1	2034	200,000 ^(c)	2.000%	1.900%	51219SGS1
2027	150,000 ^(c)	1.000%	1.250%	51219SGK8	2035	200,000 ^(c)	2.000%	1.950%	51219SGT9
2028	150,000 ^(c)	1.000%	1.350%	51219SGL6					

\$750,000^(c) 2.000% Term Bond due September 1, 2038 Priced to Yield 2.000%^(a) – 51219SGW2^(b)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from April 1, 2020, is to be added to the price.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor, or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on and after September 1, 2026, are subject to redemption prior to maturity at the option of the District, in whole or in part, on September 1, 2025, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.” Additionally, the Term Bond maturing on September 1, 2038 is subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

The Bonds, when issued, will constitute valid and legally binding obligations of Lakeside Water Control & Improvement District No. 2-D (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Travis County, the City of Pflugerville or any entity other than the District. The Bonds are subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on April 14, 2020.

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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 representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this 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 Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701, upon payment of duplication costs.

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 other matters described herein since the date hereof. However, the District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information actually comes to its attention, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT – Updating the Official Statement.”

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.

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 B – Specimen Municipal Bond Insurance Policy.”

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement.

THE FINANCING

The IssuerLakeside Water Control & Improvement District No. 2-D (the “District”), a political subdivision of the State of Texas, is located in Travis County, Texas. See “THE DISTRICT.”

The Issue\$3,150,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing on September 1 in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from April 1, 2020 and is payable on September 1, 2020 (five months interest), and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after September 1, 2026, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2025, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.” Additionally, the Term Bond maturing on September 1, 2038 is subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

Source of Payment.....The Bonds are payable from an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas, Travis County, the City of Pflugerville or any other political subdivision or agency other than the District. See “THE BONDS – Source of and Security for Payment.”

Use of Proceeds.....Proceeds from sale of the Bonds will be used to reimburse the Developers (as hereinafter defined) for funds advanced on behalf of the District as shown herein under “THE SYSTEM – Use and Distribution of Bond Proceeds.” Bond proceeds will also be used to capitalize twelve months of interest on the Bonds, to pay interest to the Developers for funds expended for the foregoing, and to pay certain costs associated with the issuance of the Bonds. See “THE SYSTEM – Use and Distribution of Bond Proceeds.”

Payment RecordThe District has previously issued six series of unlimited tax bonds and one series of unlimited tax refunding bonds, of which \$14,520,000 principal amount was outstanding as of January 1, 2020 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on its previously issued bonds.

Qualified Tax-Exempt

ObligationsThe District has designated the Bonds as “qualified tax-exempt obligations for financial institutions.” See “TAX EXEMPTION – Qualified Tax-Exempt Obligations for Financial Institutions.”

Municipal Bond Rating

and InsuranceThe Bonds are expected to be rated “AA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A2” by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. The Bonds have an underlying rating of “Baa2” by Moody’s without regard to credit enhancement. See “MUNICIPAL BOND RATING” and “BOND INSURANCE.”

Bond CounselMcCall, Parkhurst & Horton L.L.P., Austin, Texas.

General CounselLloyd Gosselink Rochelle & Townsend, P.C., Austin, Texas.

Disclosure CounselMcCall, Parkhurst & Horton L.L.P., Dallas Texas.

Financial AdvisorSpecialized Public Finance Inc., Austin, Texas.

EngineerRandall Jones Engineering, Inc., Austin, Texas.

Paying Agent/RegistrarUMB Bank, N.A., Austin, Texas.

Investment ConsiderationsThe purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

DescriptionThe District was created by division of Lakeside Water Control & Improvement District No. 2 at a division election duly called and held on January 15, 2000, and operates pursuant to Chapters 49 and 51, Texas Water Code. Prior to division, Lakeside Water Control & Improvement District No. 2 was originally created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), dated September 14, 1998. The District presently contains approximately 328 acres of land located in the northeast portion of Travis County approximately five miles northeast of the central area of the City of Pflugerville, Texas (the “City”), which City is located approximately 16 miles northeast of the central business district of the City of Austin, Texas. The District is located just east of F.M. 685 and is approximately one mile from the intersection of Hodde Lane and Rowe Lane. Access to the District is presently provided via Texas Highway 130 (“TX 130”), a major north-south toll road east of Austin and roughly parallel to Interstate Highway 35 (“IH 35”), the major freeway through Austin, Texas, and F.M. 685. Access to the District is also provided via Texas Highway 45 (“TX 45”), an eastwest toll road from TX 130 approximately three miles to IH 35. The intersection of TX 130 and TX 45 is approximately one mile from the District. The District lies totally within the exclusive extraterritorial jurisdiction of the City.

The Blackhawk DevelopmentThe land within the District is being developed primarily for single family residential purposes, and is within the Blackhawk development (“Blackhawk”). Blackhawk has been and is being developed by various land owners, developers and builders, including, among others, Rowe Lane Development Ltd., the original landowner and developer, and is planned to include approximately 1,370 acres of land. Five water control and improvement districts have been formed to include the 1,370 acres of land, and active single family residential development is occurring, or has been completed, within all of the districts. To date, approximately 3,379 single family residential lots have been

developed within Blackhawk, and approximately 3,180 houses are completed or are in various stages of construction, including approximately 912 houses within the District.

*Status of District Development.....*The District presently provides water, sanitary sewer and drainage facilities to serve the Reserve at Westcreek (approximately 117 acres of land developed into 598 single-family residential lots), Park at Blackhawk VI, Section 1 (approximately 88 acres of land developed into 147 single family residential lots), Park at Blackhawk VI, Section 2 (approximately 13 acres of land developed into 51 single family residential lots), Park at Blackhawk VI, Section 3 (approximately 24 acres of land developed into 101 single family residential lots), and Park at Blackhawk VI, Section 5 (approximately 20 acres of land developed into 39 single family residential lots). Construction of underground utilities is complete in these sections, and street paving is also complete in these sections. As of January 15, 2020, the District contained 871 single-family homes completed and occupied, 7 single-family homes completed and not occupied, 31 single-family homes in various stages of construction, 3 model homes, and 24 developed lots available to new home construction. Builders in the District include Meritage Homes, Empire Homes, GFO Home, and Saratoga Homes. New homes in the District range in offering prices from approximately \$250,000 to \$390,000.

Construction of water, sanitary sewer and drainage facilities to serve Park at Blackhawk VI, Section 4 (approximately 31 acres of land being developed into 109 single family residential lots) is underway and lots are expected to be available for home construction in the third quarter of 2020.

The District also includes an amenity facility encompassing approximately two acres of land.

In addition to the development described above, the District contains approximately 7 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities, and approximately 26 acres of undevelopable land contained in easements, rights of way, storm water detention facilities and flood plain and other open space land. See “THE DISTRICT – Status of Development.”

*The Developers.....*Major water, sewer and drainage facilities and streets to serve land within the District are being developed by Rowe Lane Development Limited (“RLD”), a Texas limited partnership. Water, sewer and drainage facilities to serve specific sections within the District have been acquired or constructed by American Resolution Marketing Company, Centex Homes, TGGR Austin One, LLC, Park 63, LLC, JNC Development, Inc., and Felder-MHI Blackhawk, LLC, all of which are unrelated to RLD. These entities, including RLD, may be collectively referred to herein as the “Developers.” The general partner of RLD is Tiemann Land and Cattle Development, Inc. (“TLCD”), and the limited partners are Robert Tiemann and Carrie Tiemann, of Pflugerville, Texas. Prior to the development of Blackhawk, Mr. and Mrs. Tiemann owned or controlled the 1,370 acres planned for Blackhawk, including the land which has been developed within the District. Mr. and Mrs. Tiemann are also the sole shareholders of TLCD.

SELECTED FINANCIAL INFORMATION

2019 Taxable Assessed Valuation.....	\$ 208,667,146 ^(a)
Estimated Assessed Valuation as of December 15, 2019.....	\$ 224,114,857 ^(b)
Gross Direct Debt Outstanding (after the issuance of the Bonds).....	\$ 17,670,000
Estimated Overlapping Debt.....	<u>9,790,720^(c)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$ 27,460,720
Ratio of Gross Direct Debt to:	
2019 Taxable Assessed Valuation	8.47%
Estimated Assessed Valuation as of December 15, 2019.....	7.88%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2019 Taxable Assessed Valuation	13.16% ^(c)
Estimated Assessed Valuation as of December 15, 2019.....	12.25% ^(c)
Funds Available for Debt Service as of January 13, 2020	
Debt Service Funds	\$ 686,704
Capitalized Interest from Bond Proceeds	<u>57,375^(d)</u>
Total Funds Available for Debt Service.....	\$ 744,079
Funds Available in Operating Fund as of January 13, 2020.....	\$ 2,198,690
Funds Available for Capital Projects as of January 13, 2020.....	\$ 7,294
2019 District Tax Rate:	
Debt Service.....	\$ 0.57 ^(e)
Maintenance and Operations	<u>0.40</u>
Total	\$ 0.97/\$100 A.V.
Average Annual Debt Service Requirements (2020-2038) ("Average Requirement").....	\$ 1,235,859
Tax rate required to pay Average Requirement based upon	
2019 Taxable Assessed Valuation at a 95% collection rate	\$ 0.63/\$100 A.V.
Tax rate required to pay Average Requirement based upon	
Estimated Assessed Valuation as of December 15, 2019 at a 95% collection rate	\$ 0.59/\$100 A.V.
Status of home construction as of January 15, 2020:	
Single-family residential – completed and occupied.....	871
Single-family residential – completed and unoccupied.....	7
Single-family residential – under construction.....	31
Model homes	<u>3</u>
Total	912

Area of District – 328 acres
Estimated 2020 Population – 3,049^(f)

- (a) As certified by the Travis Central Appraisal District ("Appraisal District"). See "TAX PROCEDURES."
- (b) As estimated by the Appraisal District as of December 15, 2019 for informational purposes only. Such amount reflects an estimate of the taxable land and improvements value within the District on December 15, 2019. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See "TAX PROCEDURES."
- (c) See "ESTIMATED OVERLAPPING DEBT STATEMENT" herein.
- (d) The District will capitalize twelve (12) months of interest from Bond proceeds. Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund. See "THE SYSTEM – Use and Distribution of Bond Proceeds."
- (e) In connection with its approval, the Commission (defined herein) recommended that the District levy a debt service tax in the year after the issuance of the Bonds (2020) at the rate of \$0.77 per \$100 assessed valuation.
- (f) Estimate based on 3.5 persons per occupied home.

OFFICIAL STATEMENT

\$3,150,000

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT NO. 2-D

(A political subdivision of the State of Texas located within Travis County)

UNLIMITED TAX BONDS

SERIES 2020

This Official Statement provides certain information in connection with the issuance by Lakeside Water Control & Improvement District No. 2-D (the “District”) of its \$3,150,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, an election held in the District, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the developers of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Lloyd Gosselink Rochelle & Townsend, P.C., the District’s General Counsel, located at 816 Congress Avenue, Suite 1900, Austin, Texas 78701, upon payment of the costs of duplication therefor.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be filed by the Initial Purchaser (hereafter defined) with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) System. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board authorizing the issuance and sale of the Bonds. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated and accrue interest from April 1, 2020. Interest is payable on each March 1 and September 1, commencing September 1, 2020 (five months interest), until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At bond elections held within the District on November 8, 2005, May 13, 2006 and November 7, 2006, the voters of the District authorized the issuance of a total of \$42,000,000 principal amount of unlimited tax bonds for water, wastewater, drainage and stormwater facilities and a total of \$5,380,000 in unlimited tax bonds for the purpose of financing and constructing recreational facilities. See “Issuance of Additional Debt” below. The District has previously issued six series of unlimited tax bonds for water, wastewater, drainage and stormwater facilities and one series of unlimited tax refunding bonds of which \$14,520,000 in principal amount was outstanding as of January 1, 2020 (the “Outstanding Bonds”). The Commission has authorized the District to sell the Bonds for the purposes described in “THE PROJECT – Use and Distribution of Bond Proceeds.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an Order of the Commission, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 51 of the Texas Water Code, as amended.

Source of and Security for Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to levy an annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Travis County, the City of Pflugerville (the "City") or any entity other than the District.

Funds

In the Bond Resolution, the Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

Accrued interest on the Bonds and twelve (12) months of capitalized interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, reimburse the Developers for the costs of acquiring or constructing District facilities on behalf of the District, pay interest on such reimbursements and pay the costs of issuing the Bonds. See "THE SYSTEM – Use and Distribution of Bond Proceeds" for a more complete description of the use of Bond proceeds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Record Date

The record date for determining to whom is owed payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2026, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000, on September 1, 2025, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar (hereinafter defined) by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any optional redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has

been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing on September 1, 2038 (the “Term Bond”) is subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts (subject to reduction by the amounts of any prior optional redemption or delivery for cancellation of such Term Bonds), on the following dates and at a price of par to the date of redemption:

Term Bonds Due September 1, 2038	
Redemption Date	Principal Amount
September 1, 2036	\$ 200,000
September 1, 2037	250,000
September 1, 2038 ^(a)	300,000

(a) Stated Maturity.

The principal amount of the Term Bond 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 Term Bond 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 Term Bond 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 Term Bond 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.

Paying Agent/Registrar

The Board has appointed UMB, N.A., Austin, Texas, as the initial Paying Agent/Registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) for the Bonds. The principal of and interest on the Bonds shall be paid to DTC, which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Registration and Transfer

So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to acquire contract rights and provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$22,175,000 of unlimited tax bonds authorized but unissued for these purposes. The District also has \$49,210,000 of unlimited tax refunding bonds authorized but unissued. The District’s voters have also authorized issuance of a total of \$5,380,000 unlimited tax bonds for the purpose of acquiring or constructing recreational

facilities. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "THE SYSTEM – Future Debt."

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the Commission; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered calling such an election at this time.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) preparation of a detailed park plan; (b) authorization of park bonds by the qualified voters in the District; (c) approval of the park projects and bonds by the Commission; and (d) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. As indicated above, voters within the District have authorized a total of \$5,380,000 unlimited tax bonds for recreational purposes, but to date, no bonds have been issued from such authorization.

Annexation by the City of Pflugerville

The District lies wholly within the extraterritorial jurisdiction of the City and may be annexed by the City in accordance with existing Texas law. The City has executed a certain "Comprehensive Development Agreement Between Tiemann Land and Cattle Development, Inc. and the City of Pflugerville, Texas Including Consent to the Creation of Water Control and Improvement Districts and the Development of a Certain 1,113 Acre Tract Located in Williamson and Travis Counties, Texas" dated April 29, 1997 and amended on January 5, 2000, June 27, 2003, March 28, 2006, July 3, 2006, August 7, 2007 and September 29, 2011 (the "Consent Agreement"). In the Consent Agreement, the City agreed to the creation of the District and certain terms and conditions governing, among other items, the City's annexation of the District. The Texas Legislature enacted significant changes to annexation laws by passing Senate Bill 6 during the 85th Texas Legislature First Special Session and House Bill 347 during the 86th Texas Legislature Regular Session (the "Annexation Laws"). Pursuant to changes in general law made by these bills, the District may be annexed and dissolved by the City 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 land owners, consenting to the annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and dissolve the District within ninety (90) days. Changes implemented by the Annexation Laws could interfere with future efforts of the City to annex land within the District.

Annexation of territory by the City and dissolution of the District is a policy-making matter within the discretion of the Mayor and City Council of the City, subject to Senate Bill 6 beginning December 1, 2017 and therefore, the District makes no representation that the City will ever annex the District and assume its debt, nor does the District make any representation concerning the ability of the City to pay debt service on the District's bonds if annexation were to occur.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to §49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable 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 governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution 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 Texas law.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee 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 and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) 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 (3) 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.

General

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 S&P Global Rating 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.

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.

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

Neither DTC nor Cede & Co. (nor 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 (or the Trustee on behalf thereof) 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).

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 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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 principal, premium, if any, interest payments and redemption proceeds 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.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

THE DISTRICT

General

Lakeside Water Control & Improvement District No. 2-D (the "District") is a conservation and reclamation district created by division of Lakeside Water Control & Improvement District No. 2 at a division election duly called and held on January 15, 2000 and operates pursuant to Chapters 49 and 51, Texas Water Code. Prior to division, Lakeside Water Control & Improvement District No. 2 was originally created by order of the Texas Natural Resource Conservation Commission, predecessor to the Commission, dated September 14, 1998, and had operated under the provisions of Chapters 49 and 51 of the Texas Water Code and other general statutes applicable to water control and improvement districts. The District is located wholly within the extraterritorial jurisdiction of the City of Pflugerville, Texas ("Pflugerville" or the "City").

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefor, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the Commission, and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts.

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City that limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, drainage, and recreational facilities or contract rights therefor, and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves that have been approved by the City. Construction and operation of the District's drainage system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Location

The District presently contains approximately 328 acres of land located in the northeast portion of Travis County approximately five miles northeast of the central area of the City, which City is located approximately 16 miles northeast of the central business district of the City of Austin, Texas. The District is located approximately one mile east of F.M. 685 and is approximately one mile from the intersection of Hodde Lane and Rowe Lane. Access to the District is presently provided via Texas Highway 130 (“TX 130”), a major north-south toll road east of Austin and roughly parallel to Interstate Highway 35 (“IH 35”), the major freeway through Austin, Texas, and F.M. 685. Access to the District is also provided via Texas Highway 45 (“TX 45”), an east-west toll road from TX 130 approximately three miles to IH 35. The intersection of TX 130 and TX 45 is approximately two miles from the District.

The Blackhawk Development

The land within the District is being developed primarily for single family residential purposes and is within the Blackhawk development (“Blackhawk”). Blackhawk has been and is being developed by various landowners, developers and builders, including, among others Rowe Lane Development Ltd., the original landowner and developer, and is planned to include approximately 1,370 acres of land. Five water control and improvement districts have been formed to include the 1,370 acres of land, and active single family residential development is occurring, or has been completed, within all of the districts. To date, approximately 3,379 single family residential lots have been developed within Blackhawk, and approximately 3,180 homes are completed or are in various stages of construction, including approximately 912 homes within the District.

Status of District Development

The District presently provides water, sanitary sewer and drainage facilities to serve the Reserve at Westcreek (approximately 117 acres of land developed into 598 single-family residential lots), Park at Blackhawk VI, Section 1 (approximately 88 acres of land developed into 147 single family residential lots), Park at Blackhawk VI, Section 2 (approximately 13 acres of land developed into 51 single family residential lots), Park at Blackhawk VI, Section 3 (approximately 24 acres of land developed into 101 single family residential lots), and Park at Blackhawk VI, Section 5 (approximately 20 acres of land developed into 39 single family residential lots). Construction of underground utilities is complete in these sections, and street paving is also complete in these sections.

Builders in the District include Meritage Homes, Empire Homes, GFO Home, and Saratoga Homes. As of January 15, 2020, the District contained 912 single-family homes completed or under construction as shown below:

Status of home construction as of January 15, 2020:

Single-family residential – completed and occupied.....	871
Single-family residential – completed and unoccupied.....	7
Single-family residential – under construction.....	31
Model homes	<u>3</u>
Total	912

Construction of water, sanitary sewer and drainage facilities to serve Park at Blackhawk VI, Section 4 (approximately 31 acres of land being developed into 109 single family residential lots) is underway and lots are expected to be available for home construction in the third quarter of 2020.

The District also includes an amenity facility encompassing approximately two acres of land.

In addition to the development described above, the District contains approximately 7 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities, and approximately 26 acres of undevelopable land contained in easements, rights of way, storm water detention facilities and flood plain and other open space land uses.

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MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. One of the Directors listed below resides within the District, but each of the other Directors owns a small parcel of land in the District subject to a Note and Deed of Trust in favor of a third party. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held in May in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
William McCord	President	2020
Joseph Kohl	Vice President	2020
Terry English	Secretary / Treasurer	2020
Lyle Janda	Assistant Secretary	2022
Gilberto Saucedo	Assistant Secretary	2022

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Travis Central Appraisal District. The District's Tax Assessor/Collector is appointed by the Board of Directors of the District and the District has appointed the Travis County Tax Assessor/Collector to serve in this capacity for the District.

Operations

The District has contracted with the City to operate the District's System and provide billing services for the District's customers.

Bookkeeper

The District has engaged Montoya & Monzingo, LLP to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Randall Jones Engineering, Inc. (the "Engineer").

Special Engineer for the Bonds

The District contracted with Jones-Heroy & Associates, Inc. for preparation of the bond application related to this bond issue.

General Counsel

The District engages Lloyd Gosselink Rochelle & Townsend, P.C., Austin, Texas, as general counsel for the District.

Bond Counsel

The District engages McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance 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.

Disclosure Counsel

The District engages McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Specialized Public Finance Inc. (the “Financial Advisor”) serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance 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.

Auditor

The District’s financial statements for the fiscal year ending September 30, 2019 have been audited by West, Davis & Company, LLP.

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THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. In most instances, a landowner or developer will be required by the Commission to pay thirty percent (30%) of the cost of placing the water distribution, wastewater collection, and storm drainage facilities in a district, exclusive of water supply and storage and wastewater treatment plants of which the district incurs one hundred percent (100%) of the cost. While a developer is required by the Commission to pave streets, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. 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 a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

None of the Developers (as hereinafter defined) nor any of their affiliates, is obligated to pay principal of or interest on the Bonds. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments." Furthermore, neither the Developers nor any of their affiliates has any binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District.

The Developers

Major water, sewer and drainage facilities and streets to serve land within the District are being developed by Rowe Lane Development Limited ("RLD"), a Texas limited partnership. Water, sewer and drainage facilities to serve specific sections within the District have been acquired by American Resolution Marketing Company or constructed by Centex Homes, JNC Development, Inc., TGGR Austin One, LLC, Park 63, LLC, and Felder-MHI Blackhawk, LLC, which entities are unrelated to RLD and are hereinafter defined. These entities, including RLD, may be collectively referred to herein as the "Developers."

The general partner of RLD is Tiemann Land and Cattle Development Inc., ("TLCD"), and the limited partners are Robert Tiemann and Carrie Tiemann, of Pflugerville, Texas. Mr. and Mrs. Tiemann are the sole shareholders of TLCD. RLD has financed the construction of certain major water, sewer, drainage, and other development costs to serve land in the District and other land in other districts described above with funds provided pursuant to three loans with International Bank of Commerce (the "RLD Loans"). The RLD Loans provide for revolving credit of up to \$20,450,000, of which \$15,909,397 was outstanding as of January 31, 2020. The RLD Loans mature in June 2022. RLD does not own any additional land in the District.

American Resolution Marketing Company ("ARMCO") developed Reserve at Westcreek, which is built out. ARMCO does not own any additional land in the District.

Centex Homes ("Centex") developed Park at Blackhawk VI, Section 1, which is built out. Centex does not own any additional land in the District.

TGGR Austin One, LLC ("TGGR") developed Park at Blackhawk VI, Section 2, which is built out. TGGR does not own any additional land in the District.

Park 63, LLC ("Park 63") developed Park at Blackhawk VI, Section 3. Of the 101 lots in this section, houses have been constructed on approximately 77 of such lots. Park 63 does not own any additional land in the District.

Felder-MHI Blackhawk LLC ("Felder-MHI") is financing the development of Park at Blackhawk VI, Section 4 with financing provided by International Bank of Commerce. Construction is underway and lots are expected to be available for home construction in the third quarter of 2020. Felder-MHI does not own any additional land in the District.

JNC Development, Inc. ("JNC") developed Park at Blackhawk VI, Section 5, which is built out. JNC does not own any additional land in the District.

RLD, ARMCO, Centex, TGGR, Park 63, Felder-MHI, and JNC may be collectively referred to herein as the Developers.

None of the Developers are responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or to the owners of the Bonds, or to continue development of land within the District, and may sell or otherwise dispose of their respective property within the District, or any other assets, at any time.

THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System is conducted by the City. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in the future in connection with any permit held by the City for the wastewater treatment plants from which the District receives service could result in the need to construct additional facilities in the future.

Water, Sanitary Sewer and Drainage Facilities

Construction of the water, sanitary sewer and drainage facilities to serve the District has been financed with proceeds of the Outstanding Bonds and with funds advanced by the Developers. It is expected that proceeds from sale of the Bonds will be used to reimburse the Developers for certain of the advances.

The District's water, sanitary sewer and drainage system is operated by the City pursuant to an agreement between the District and the City. The agreement provides for the City to operate the system, including billing and collecting and repairing the system. Pursuant to the agreement, the District sets retail water and sewer rates necessary to cover the City's costs of providing such services.

Source of Water Supply: The District receives its water supply pursuant to an Agreement for Providing Wholesale Water Service (the "Water Supply Agreement") between TLCD and Manville Water Supply Corporation ("MWSC"). Pursuant to terms of the Agreement, which expires in 2036, MWSC is obligated to provide wholesale water to meet the needs of the area encompassing the Blackhawk development, including land within the boundaries of the District. The Developers have advanced funds on behalf of the District to pay MWSC for the connection fees to obtain service capacity rights to serve the District. A portion of the proceeds from the sale of the Outstanding Bonds and the Bonds were used or will be used, in part, to reimburse the Developers for such fees. TLCD assigns its rights in the Water Supply Agreement to the District at such time as the connection fees are paid.

Source of Wastewater Treatment: The District is provided wastewater treatment capacity by the City. TLCD entered into an Agreement Providing Wholesale Wastewater Service ("Wastewater Agreement") with Kelly Lane Utility Company ("KLUC"), and TLCD has assigned its rights in the contract to the District, which in turn assigns capacity to the districts within Blackhawk as development occurs, pursuant to the contract between the District and the districts within Blackhawk. Pursuant to the terms of the contract, KLUC is obligated to provide wholesale wastewater service to meet the needs of the area within Blackhawk including land within the boundaries of the District. The agreement expires in 2036. In 2003, the City purchased the wastewater treatment plant of KLUC and assumed the obligations of the Wastewater Agreement. The Developers have advanced funds on behalf of the District to pay KLUC, and now the City, for the connection fees to obtain service capacity rights to serve the District. A portion of the proceeds from the sale of the Outstanding Bonds and the Bonds were used or will be used, in part, to reimburse the Developers for such fees.

Developers within Blackhawk and developers of additional land in the vicinity of the District, together with the City, financed the construction of a major sanitary sewer interceptor and conveyance facilities to transport all wastewater flows from the District and neighboring areas to a regional wastewater treatment plant owned by the City several miles south of the District. Wastewater flows are pumped to the City's plant, which has a current capacity of 4.36 MGD.

100-Year Flood Plain: "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain (or 1%

chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, approximately 16 acres of undevelopable land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map. All of the land in the District which has been developed is outside the 100-year flood plain.

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below.

CONSTRUCTION RELATED COSTS

Park at Blackhawk VI, Section 3 – Water, Wastewater and Drainage.....	\$ 502,482
Park at Blackhawk VI, Section 4 – Water, Wastewater and Drainage.....	1,321,779
Water Connection Fees Manville WSC	305,200
Wastewater Impact fees Pflugerville	148,458
Engineering, Inspection and Testing.....	237,920
Contingencies.....	132,178
Total Construction Related Costs.....	\$ 2,648,017

NON-CONSTRUCTION COSTS

Bond Discount ^(a)	\$ 37,205
Capitalized Interest ^(a)	57,375
Interest on Construction Costs	49,783
Contingency ^(b)	133,795
Total Non-Construction Costs	\$ 278,158

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees	\$ 172,800
Bond Application Report Costs	40,000
State Regulatory Fees	11,025
Total Issuance Costs and Fees.....	\$ 223,825

TOTAL BOND ISSUE REQUIREMENT \$ 3,150,000

(a) The Commission approved twelve (12) months of capitalized interest with a maximum amount of \$133,875 and a maximum bond discount of \$94,500, or 3.0% of the Bonds.

(b) Contingency represents the difference in the estimated and actual amounts of bond discount and capitalized interest.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

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Future Debt

The Developers have financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from the sale of the Bonds, the Developers will have expended approximately \$1,400,000 (as of January 15, 2020) for design, construction and acquisition of District park and recreational facilities not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse certain Developers for these costs to the extent allowed by the Commission. The District can make no representation that any additional development will occur within the District. The District may also issue additional bonds to finance recreational facilities. The Engineer has stated that the District's authorized but unissued bonds will be adequate, under present land use projections, to fully finance such improvements.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/08/2005 05/13/2006	Water, Sanitary Sewer and Drainage	\$42,000,000	\$19,825,000 ^(a)	\$22,175,000
11/07/2006	Recreational Facilities	\$5,380,000	\$0	\$5,380,000
11/08/2005 05/13/2006 11/07/2006	Refunding	\$49,630,000	\$420,000	\$49,210,000

(a) Includes the Bonds and the Outstanding Bonds.

FINANCIAL STATEMENT

2019 Taxable Assessed Valuation.....	\$ 208,667,146 ^(a)
Estimated Assessed Valuation as of December 15, 2019.....	\$ 224,114,857 ^(b)
District Debt:	
Outstanding Bonds (as of January 1, 2020).....	\$ 14,520,000
The Bonds	<u>3,150,000</u>
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$ 17,670,000
Ratio of Gross Direct Debt to 2019 Taxable Assessed Valuation.....	8.47%
Ratio of Gross Direct Debt to Estimated Assessed Valuation as of December 15, 2019	7.88%

Area of District – 328 acres
Estimated 2020 Population – 3,049^(c)

(a) As certified by the Travis Central Appraisal District ("Appraisal District"). See "TAX PROCEDURES."

(b) As estimated by the Appraisal District as of December 15, 2019 for informational purposes only. Such amount reflects an estimate of the taxable land and improvements value within the District on December 15, 2019. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See "TAX PROCEDURES."

(c) Estimate based on 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of January 13, 2020)

General Fund	Cash and Temporary Investments	\$ 2,198,690
Capital Projects Fund	Cash and Temporary Investments	\$ 7,294
Debt Service Fund	Cash and Temporary Investments	\$ 686,704 ^(a)

(a) Twelve months of capitalized interest will be deposited into such fund from Bond proceeds (\$57,375). Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

Outstanding Bonds (as of January 1, 2020)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of January 1, 2020</u>
2009	\$2,765,000	\$ 0
2010	1,495,000	55,000
2013	1,675,000	1,375,000
2013A	1,240,000	1,055,000
2014	2,440,000	2,160,000
2016 ^(a)	3,680,000	3,415,000
2017	<u>7,060,000</u>	<u>6,460,000</u>
	\$20,355,000	\$14,520,000

(a) Refunding Bonds.

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ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds^(a)</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Travis County	\$ 1,066,091,179	2/29/2020	0.08%	\$ 852,873
Pflugerville Independent School District	642,530,000	2/29/2020	1.39%	8,931,167
Travis County Healthcare District.....	8,350,000	2/29/2020	0.08%	<u>6,680</u>
Total Estimated Overlapping Debt				\$ 9,790,720
The District.....	\$17,670,000 ^(b)	2/29/2020	100.00%	<u>17,670,000</u>
Total Direct and Estimated Overlapping Debt				\$27,460,720
Ratio of Total Direct and Estimated Overlapping Debt to 2019 Taxable Assessed Valuation.....				13.16%
Ratio of Total Direct and Estimated Overlapping Debt to Estimated Assessed Valuation as of December 15, 2019				12.25%

(a) Includes principal amounts of current interest bonds and capital appreciation bonds. Capital appreciation bonds are shown at original principal amount as opposed to maturity value.

(b) Includes the Bonds and the Outstanding Bonds.

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Overlapping Tax Rates for 2019

	2019 Tax Rate per \$100 Assessed Valuation
Travis County	\$0.369293
Pflugerville Independent School District	1.450000
Travis County Emergency Services District No. 2	0.100000
Travis County Healthcare District	0.105573
The District	<u>0.970000</u>
Total Overlapping Tax Rate	\$2.994866

TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Total Collections as of 2/29/2020</u>	
				<u>Amount</u>	<u>Percent</u>
2014	\$ 93,098,260	\$0.97	\$ 903,053	\$ 903,053	100.00%
2015	127,128,145	0.97	1,233,143	1,233,143	100.00%
2016	149,497,591	0.97	1,450,127	1,448,404	100.00%
2017	172,421,513	0.97	1,672,489	1,672,485	99.99%
2018	190,529,615	0.97	1,848,137	1,847,266	99.95%
2019	208,667,146	0.97	2,028,573	2,003,210	98.75%

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Debt Service	\$0.57	\$0.63	\$0.60	\$0.45	\$0.54
Maintenance and Operations	<u>0.40</u>	<u>0.34</u>	<u>0.37</u>	<u>0.52</u>	<u>0.43</u>
Total	\$0.97	\$0.97	\$0.97	\$0.97	\$0.97

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance and Operations: Unlimited (no legal limit as to rate or amount).

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2019 tax year, the Board levied a debt service tax in the amount of \$0.57 per \$100 assessed valuation. In connection with the approval of the Bonds, the Commission staff has recommended the District levy a tax for debt service at a rate of \$0.77 per \$100 assessed valuation in the first year after issuance of the Bonds (2020).

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. Pursuant to an election held on November 8, 2005 and May 13, 2006, the Board was authorized to levy such a maintenance tax without legal limitation as to rate or amount. For the 2019 tax year, the Board levied a maintenance tax in the amount of \$0.40 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

The District has contracted with Travis County to collect delinquent taxes. Travis County has contracted with a delinquent tax attorney to collect certain delinquent taxes. The contract establishes an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code. See "TAX PROCEDURES – Levy and Collection of Taxes."

Principal Taxpayers

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based upon the 2019 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2019 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
EHT of Texas LP	Land and Improvements	\$4,067,157	1.95 %
GFO Home LLC	Land and Improvements	1,830,795	0.88 %
Homeowner	Lot and Residence	458,204	0.22 %
Homeowner	Lot and Residence	427,316	0.20 %
Homeowner	Lot and Residence	421,190	0.20 %
Homeowner	Lot and Residence	420,189	0.20 %
Homeowner	Lot and Residence	418,488	0.20 %
Homeowner	Lot and Residence	414,765	0.20 %
Homeowner	Lot and Residence	405,081	0.19 %
Homeowner	Lot and Residence	<u>398,400</u>	<u>0.19 %</u>
Total		\$9,261,585	4.43 %

Summary of Assessed Valuation

The following summary of the 2019, 2018 and 2017 Assessed Valuation is provided by the District's Tax Assessor/Collector based on information contained in the 2019, 2018 and 2017 tax rolls of the District.

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land	\$33,991,417	\$31,136,989	\$23,125,595
Improvements	180,621,883	163,467,617	156,781,505
Personal Property	188,807	161,756	161,457
Exemptions and Deferments	<u>(6,134,961)</u>	<u>(4,236,747)</u>	<u>(7,647,044)</u>
Total Assessed Valuation	\$208,667,146	\$190,529,615	\$172,421,513

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2019 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of December 15, 2019, no use of available funds, and utilize tax rates necessary to pay the District's average annual debt service requirements on the Bonds and the Outstanding Bonds.

Average annual debt service requirement (2020-2038)	\$1,235,859
\$0.63 tax rate on the 2019 Taxable Assessed Valuation of \$208,667,146 at a 95% collection rate produces	\$1,248,873
\$0.59 tax rate on the Estimated Taxable Assessed Valuation as of December 15, 2019 of \$224,114,857 at a 95% collection rate produces	\$1,256,164

TAX PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution 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 may also levy and collect an annual 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. See "TAX DATA."

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. The District must also follow tax procedures found in the Texas Water Code. These statutory provisions 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. The Travis Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis County Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State 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.

Property owned by a disabled veteran or by the surviving spouse (so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran is partially exempt to between \$5,000 and \$12,000 of assessed value depending on the disability rating of the veteran. Additionally, if an individual dies while on active duty as a member of the armed services of the United States, the surviving spouse and surviving children (under 18 years of age) are entitled to an exemption from taxation of \$5,000 of the assessed value of certain designated property owned by the spouse or children. A disabled veteran who receives 100% disability compensation from the United States Department of Veteran Affairs or its successor due to a service-connected disability and a rating of 100% disabled or of individual un-employability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's

residence homestead when the disabled veteran died, or the surviving spouse of a disabled veteran who would have qualified for such exemption if such exemption had been in effect on the date the disabled veteran died, is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Furthermore, a partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residence homestead, if the surviving spouse has not remarried since the first responder's death and said property was the first responder's residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. See "TAX DATA."

Residential Homestead Exemptions: Under Article VIII, Section 1-b of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Tax Code, under Article VIII, Section 1-b of the Texas Constitution, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. The governing body of a political subdivision that adopted such exemption for the 2014 tax year (fiscal year 2015) is prohibited from repealing or reducing the amount of such exemption.

In the case of residence homestead exemptions granted under Article VIII, Section 1-b, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Freeport Goods and Goods-in-Transit Exemptions: 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 taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Travis County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Travis County, the District, and, if the District is annexed and dissolved, the City, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, 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. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property.

Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. Nevertheless, certain land may be appraised at less than market value under 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 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 all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. 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. If the landowner of qualified open space land is a member of the U.S. Armed Forces, subject to certain conditions, the appraisal of the land as qualified open space does not change while the landowner is stationed or deployed outside Texas. 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

District and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

The District

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of 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 taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each 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 "ESTIMATED OVERLAPPING DEBT STATEMENT – Overlapping Tax Rates for 2019"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, 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 six (6) months for commercial property and two (2) years for residential and all other types of property 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. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS."

GENERAL FUND OPERATIONS

General

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's general fund are not pledged to the payment of the Outstanding Bonds and the Bonds but are available for any lawful purpose including payment of debt service on the Outstanding Bonds and the Bonds, at the discretion and upon action of the Board. The District's water and wastewater system is operated by the City. Consequently, the District's general fund is used primarily for administration and payment for services to the City. It is not expected that significant net revenues, if any, will be available for debt service.

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Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements. Reference is made to such statements for further and more complete information.

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Revenues					
Water Service	\$ 476,207	\$ 426,091	\$ 386,302	\$ 368,329	\$ 348,938
Wastewater Service	409,358	384,911	369,805	351,897	335,431
Tap Connection Fees	45,200	32,000	20,000	27,200	43,200
Property Taxes	657,789	642,989	783,251	547,337	244,011
Interest & Other	39,016	34,785	5,731	4,018	2,858
Total Revenues	<u>\$ 1,627,570</u>	<u>\$ 1,520,776</u>	<u>\$ 1,565,089</u>	<u>\$ 1,298,781</u>	<u>\$ 974,438</u>
Expenditures					
Water Purchased	\$ 217,076	\$ 219,896	\$ 196,160	\$ 184,223	\$ 171,490
City Water Fees	120,158	111,624	103,402	102,426	101,199
Wastewater Service Purchased	409,358	384,911	369,805	351,897	335,431
Repairs and Maintenance	213,829	202,294	195,631	201,771	138,638
Accounting Fees	20,527	19,788	15,332	15,100	11,423
Audit Fees	10,500	10,500	10,500	10,500	10,500
Engineering Fees	11,022	13,963	12,542	20,567	13,741
Legal Fees	71,200	68,696	57,164	63,292	63,924
Tax Assessor/Collector	9,579	9,234	8,172	7,561	6,094
Director Salaries and Taxes	11,487	10,980	8,074	8,235	6,620
Insurance	2,148	3,394	5,285	7,201	7,221
Licenses and Fees	6,524	10,241	7,734	8,139	12,453
Miscellaneous	3,864	32,206	2,712	2,162	2,331
Capital Expenditures	35,242	48,967	-	-	-
Legal Notices	846	-	-	-	-
Fiscal Agent Fees	525	1,025	1,025	1,025	1,025
Total Expenditures	<u>\$ 1,143,885</u>	<u>\$ 1,147,719</u>	<u>\$ 993,538</u>	<u>\$ 984,099</u>	<u>\$ 882,090</u>
Excess (Deficit) of Revenues and Other Sources Over Expenditures	\$ 483,685	\$ 373,057	\$ 571,551	\$ 314,682	\$ 92,348
Fund Balance - Beginning of Year	<u>1,987,514</u>	<u>1,614,457</u>	<u>1,042,906</u>	<u>728,224</u>	<u>635,876</u>
Fund Balance - End of Year	<u>\$ 2,471,199</u>	<u>\$ 1,987,514</u>	<u>\$ 1,614,457</u>	<u>\$ 1,042,906</u>	<u>\$ 728,224</u>

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DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the debt service requirements for the Bonds at the rates shown on the cover page.

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Debt Service Requirements
		Principal	Interest	Total	
2020	\$ 1,209,259	\$ -	\$ 23,906	\$ 23,906	\$ 1,233,165
2021	1,198,168	150,000	57,375	207,375	1,405,543
2022	1,202,333	150,000	54,375	204,375	1,406,708
2023	1,200,228	150,000	51,375	201,375	1,401,603
2024	1,201,953	150,000	48,375	198,375	1,400,328
2025	1,192,553	150,000	45,375	195,375	1,387,928
2026	1,189,600	150,000	42,375	192,375	1,381,975
2027	1,180,410	150,000	40,875	190,875	1,371,285
2028	1,179,718	150,000	39,375	189,375	1,369,093
2029	1,177,628	150,000	37,875	187,875	1,365,503
2030	1,174,038	150,000	36,000	186,000	1,360,038
2031	1,168,813	150,000	33,000	183,000	1,351,813
2032	1,162,163	150,000	30,000	180,000	1,342,163
2033	1,098,613	200,000	27,000	227,000	1,325,613
2034	992,325	200,000	23,000	223,000	1,215,325
2035	848,750	200,000	19,000	219,000	1,067,750
2036	764,938	200,000	15,000	215,000	979,938
2037	548,550	250,000	11,000	261,000	809,550
2038	-	300,000	6,000	306,000	306,000
Total	\$ 19,690,034	\$ 3,150,000	\$ 641,281	\$ 3,791,281	\$ 23,481,315

Average Annual Debt Service Requirements (2020-2038)\$1,235,859
Maximum Annual Debt Service Requirements (2022)\$1,406,708

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Travis County, the City, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the 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.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Austin area, the State of Texas and the nation and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, energy costs and availability, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center 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 such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 21 miles from the central downtown business district of the City of Austin, 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 and national credit and financial markets. A downturn in the economic conditions of Austin and decline in the nation’s real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District’s property tax base.

Competition

The demand for and construction of single-family homes in the District, which is approximately 16 miles from downtown Austin, could be affected by competition from other residential developments, including other residential developments located in the northeastern portion of the Austin area market. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Developer/Landowner Obligation to the District

There are no commitments from or obligations of the Developers or any landowner to the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements 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 or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2019 taxable assessed valuation of the District (see “FINANCIAL STATEMENT”) is \$208,667,146. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,406,708 (2022) and the average annual debt service requirement will be \$1,235,859 (2020-2038). Assuming no increase or decrease from the 2019 taxable assessed valuation and no use of funds other than tax collections, a tax rate of \$0.71 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,406,708 and a tax rate of \$0.63 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,235,859 (see “DEBT SERVICE REQUIREMENTS”). The estimated taxable assessed valuation as of December 15, 2019 within the District is \$224,114,857. Assuming no increase or decrease from the estimated taxable assessed valuation as of December 15, 2019 and a 95% collection rate, tax rates of \$0.67 and \$0.59 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2019 taxable assessed valuation and the estimated taxable assessed valuation as of December 15, 2019, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District’s assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See “TAX PROCEDURES” and “TAX DATA – Tax Adequacy for Debt Service.”

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$22,175,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and the \$5,380,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of financing and constructing recreational facilities, and the District may issue additional bonds which may be voted hereafter. The District may also issue refunding bonds. See “THE BONDS – Issuance of Additional Debt” and “THE SYSTEM.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer’s delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES – District’s Rights in the Event of Tax Delinquencies.”

Registered Owners’ Remedies and Bankruptcy Limitations

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. There is no provision for 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. Based on Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if 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. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. 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 or by a State of Texas statute reasonably required to attain an important public purpose.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of, or negotiated in good faith with, its creditors or is unable to negotiate with its creditors because negotiation is impracticable. The District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission 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 Texas law and remains unable to meet its debts and other obligations as they mature.

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 Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX EXEMPTION – Opinion."

Marketability

The District has no agreement with the Initial Purchaser (hereinafter defined) 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 of 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 generally bought, sold or traded in the secondary market.

Environmental Regulation

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

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

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and

regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

In 1997, the EPA adopted an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

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

On October 1, 2015, the EPA adopted new NAAQS for ground level ozone of 70 ppb. On November 6, 2017, the EPA issued final designations for the 2015 Ozone NAAQS for most areas of the United States and found that the Austin Area met the standards and thus designated the Austin Area "attainment/unclassified."

Should the Austin Area fail to achieve attainment under an 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 Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, potable (drinking) water provided by a Utility District to more than twenty-five (25) people or fifteen (15) service connections is subject to extensive federal and state regulation as a public water supply system, which includes, among other requirements, frequent sampling and analyses. Utility District's 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. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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

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

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Changes in Tax Legislation

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

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”), 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.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference

under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absence such prepayment by the District unless AGM chooses to pay such amounts at an earlier date.

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

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

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

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

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

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LEGAL MATTERS

Legal Proceedings

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 McCall, Parkhurst & Horton 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. Bond Counsel’s legal opinion will also address the matters described below under “TAX EXEMPTION.” Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT – General,” “MANAGEMENT – Bond Counsel,” “TAX PROCEDURES,” “LEGAL MATTERS – Legal Proceedings” (insofar as such section relates to the legal opinion of Bond Counsel), and “TAX EXEMPTION” (insofar as such section relates to the legal opinion of Bond Counsel) and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings”) solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

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 financial condition of the District from that set forth or contemplated in the Preliminary Official Statement as amended or supplemented through the date of sale.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX EXEMPTION

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond 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”) for Federal income tax purposes interest on the Bonds (1) 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 under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate, and (b) covenants of the District relating to, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for 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 in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with the covenants and the requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bonds, 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 and 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 (as 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 redemption, sale or other taxable disposition of such Original issue Discount Bonds 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 of 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, 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 accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 55(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(1)(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 covenants 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."**

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of approximately 98.819% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 1.980259% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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 delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. 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 at any 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission (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 or qualification 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

The Bonds are expected to be rated “AA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A2” by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. The Bonds have an underlying rating of “Baa2” by Moody’s without regard to credit enhancement. An explanation of the rating may be obtained from Moody’s.

An explanation of the significance of the foregoing rating may only be obtained from Moody’s. The foregoing rating expresses only the view of Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than the ratings shown above.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings: On December 19, 2019, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

Capitalization of AGM: At December 31, 2019:

- The policyholders’ surplus of AGM was approximately \$2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$986 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 \$2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty (Europe) plc (“AGE”), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference: Portions of the following document 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: 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).

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal Districts and information from certain other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein 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 for further information.

Financial Advisor

The Financial Advisor is engaged as the financial advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice Of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, the Financial Advisor has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer: The information contained in this 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 herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Travis Central Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Travis County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by the Travis Central Appraisal District and the Travis County Tax Assessor/Collector and is included herein in reliance upon their respective authority as experts in assessing and collecting taxes.

Auditor: The District’s financial statements for the year ended September 30, 2019, were audited by West, Davis and Company. See APPENDIX A for a copy of the District’s September 30, 2019 audited financial statements.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District’s obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made 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 specified events, to the Municipal Securities Rulemaking Board (the “MSRB”), or any successor, through its Electronic Municipal Market Access System (“EMMA”).

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its EMMA. The information to be updated with respect to the District includes all quantitative financial information

and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “TAX DATA,” “GENERAL FUND OPERATIONS,” “DEBT SERVICE REQUIREMENTS,” and “APPENDIX A” (Annual Financial Report and supplemental schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2020.

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 updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within twelve months after any applicable fiscal year end, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report of such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified 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) nonpayment 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 a 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 debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the District, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such financial obligation of the District, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

For these purposes, any event described in clause (12) in the 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 in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii); 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.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the 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, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the Registered and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriters from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its continuing disclosure agreements made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Lakeside Water Control & Improvement District No. 2-D, as of the date shown on the cover page.

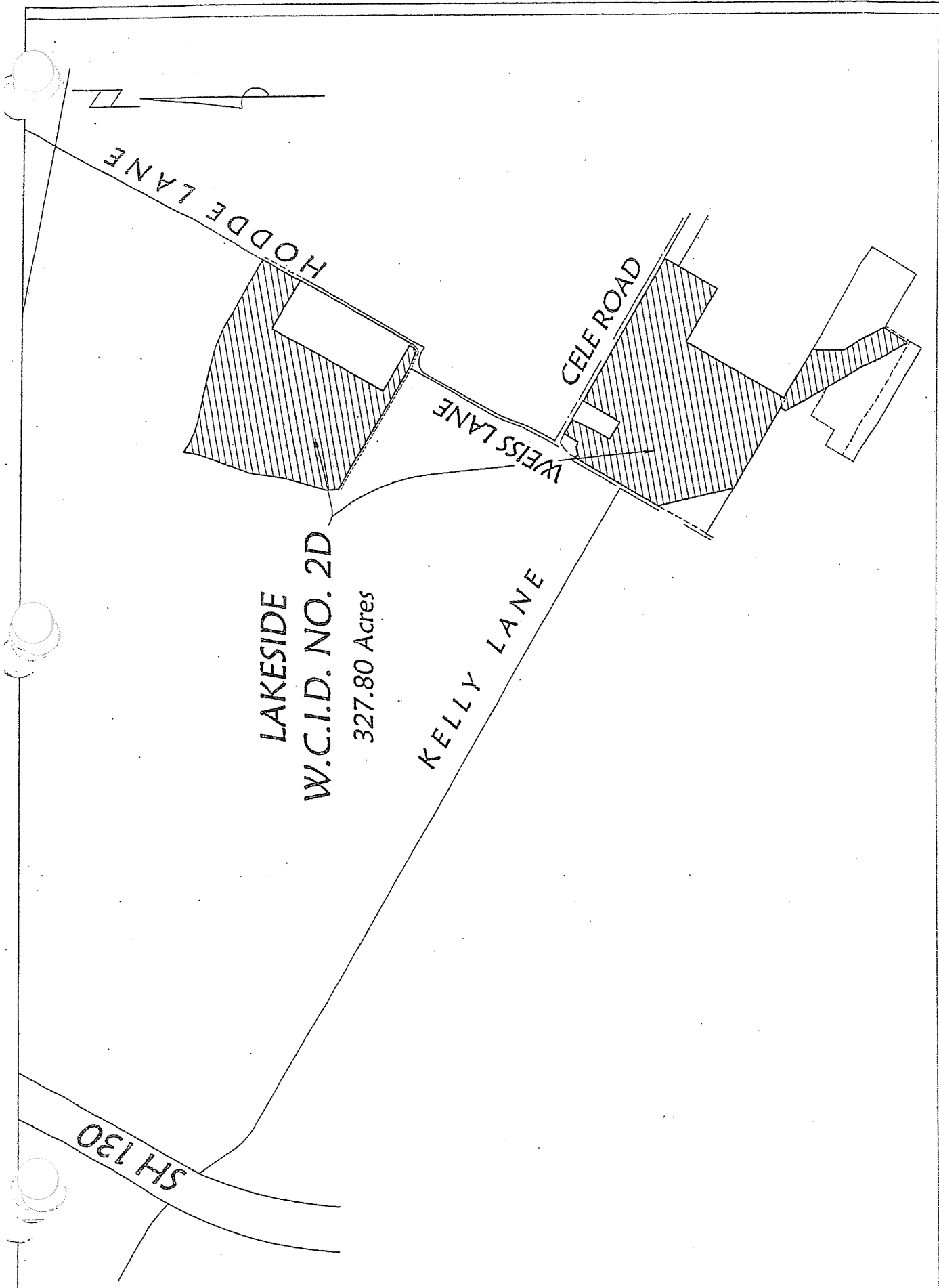
/s/ WILLIAM MCCORD
President, Board of Directors
Lakeside Water Control & Improvement District No. 2-D

ATTEST:

/s/ TERRY ENGLISH
Secretary, Board of Directors
Lakeside Water Control & Improvement District No. 2-D

LOCATION MAP

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DATE: NOV. 1, 2007 SCALE: 1" = 2000'

LOCATION MAP

RJ SURVEYING, INC.

1212 E. BRAKER LANE AUSTIN, TEXAS 78753 (512) 836-4793

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PHOTOGRAPHS OF THE DISTRICT

The following photographs were taken in the District in November 2017, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.









APPENDIX A

Audited Financial Statements for the fiscal year ended September 30, 2019

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WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Lakeside Water Control & Improvement District No. 2D
Travis County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Lakeside Water Control & Improvement District No. 2D (the District) as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District at September 30, 2019, and the 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 budgetary comparison information identified as Required Supplementary Information in the table of contents 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.

Texas Commission on Environmental Quality Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

West, Davis & Company

Austin, Texas
December 31, 2019

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 34”), the management of Lakeside Water Control & Improvement District No. 2D (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2019. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

FINANCIAL HIGHLIGHTS

- **General Fund:** The unassigned fund balance at the end of the year was approximately \$2.4 million which was an increase of \$480 thousand from the end of the previous year end. Revenue increased from \$1.5 million in the previous fiscal year to \$1.6 million in the current fiscal year primarily due to growth in the District. The General Fund balance includes \$100 thousand assigned by the Board for maintenance.
- **Debt Service Fund:** The fund balance restricted for debt service increased from \$652 thousand at the end of the previous fiscal year to \$661 thousand at the end of the current fiscal year. Revenue increased from \$1.0 million to \$1.2 million due to an increase in the debt service property tax rate. The District made bond principal payments of \$670 thousand and bond interest payments of \$538 thousand during the fiscal year.
- **Capital Projects Fund:** The fund balance decreased from \$577 thousand to \$7 thousand due to capital expenditures of \$572 thousand. The fund earned \$2 thousand in interest during the year.
- **Governmental Activities:** On a Government-wide basis for governmental activities, the District had income in excess of expenses of approximately \$913 thousand. This excess of revenue over expenses is primarily the result of growth in the District.

OVERVIEW OF THE DISTRICT

Lakeside Water Control and Improvement District #2D (the District), a political subdivision of the State of Texas, was created by an election to approve the division of Lakeside Water Control and Improvement District No. 2 held on January 15, 2000. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to customers within its boundaries and in the surrounding area. The District’s first Board of Directors meeting was held on June 28, 2000. The District is also authorized to provide recreational facilities.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

USING THIS ANNUAL REPORT

The District's reporting is comprised of five parts:

- Management's Discussion and Analysis (this section)
- Basic Financial Statements
 - Statement of Net Position and Reconciliation to Governmental Funds Balance Sheet
 - Statement of Activities and Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
- Notes to the Financial Statements
- Required Supplementary Information
- Texas Supplementary Information (required by the Texas Commission on Environmental Quality)

The Government-wide statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the newly required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Governmental Funds Total" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Statement of Net Position and Governmental Funds Balance Sheet includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net assets will indicate financial health.

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

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

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

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Summary Statement of Net Position

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2019	September 2018	
Current and Other Assets	\$ 3,157	\$ 3,242	\$ (85)
Capital and Non-Current Assets	12,909	12,589	320
Total Assets	16,066	15,831	235
Current Liabilities	745	733	12
Long-Term Liabilities	13,830	14,520	(690)
Total Liabilities	14,575	15,253	(678)
Net Investment in Capital			
Assets	(1,646)	(2,068)	422
Restricted for Debt Service	664	656	8
Unrestricted	2,473	1,990	483
Total Net Position	\$ 1,491	\$ 578	\$ 913

The District's total assets were approximately \$16 million as of September 30, 2019. Of this amount, approximately \$3 million is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$14.575 million. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$2.5 million.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

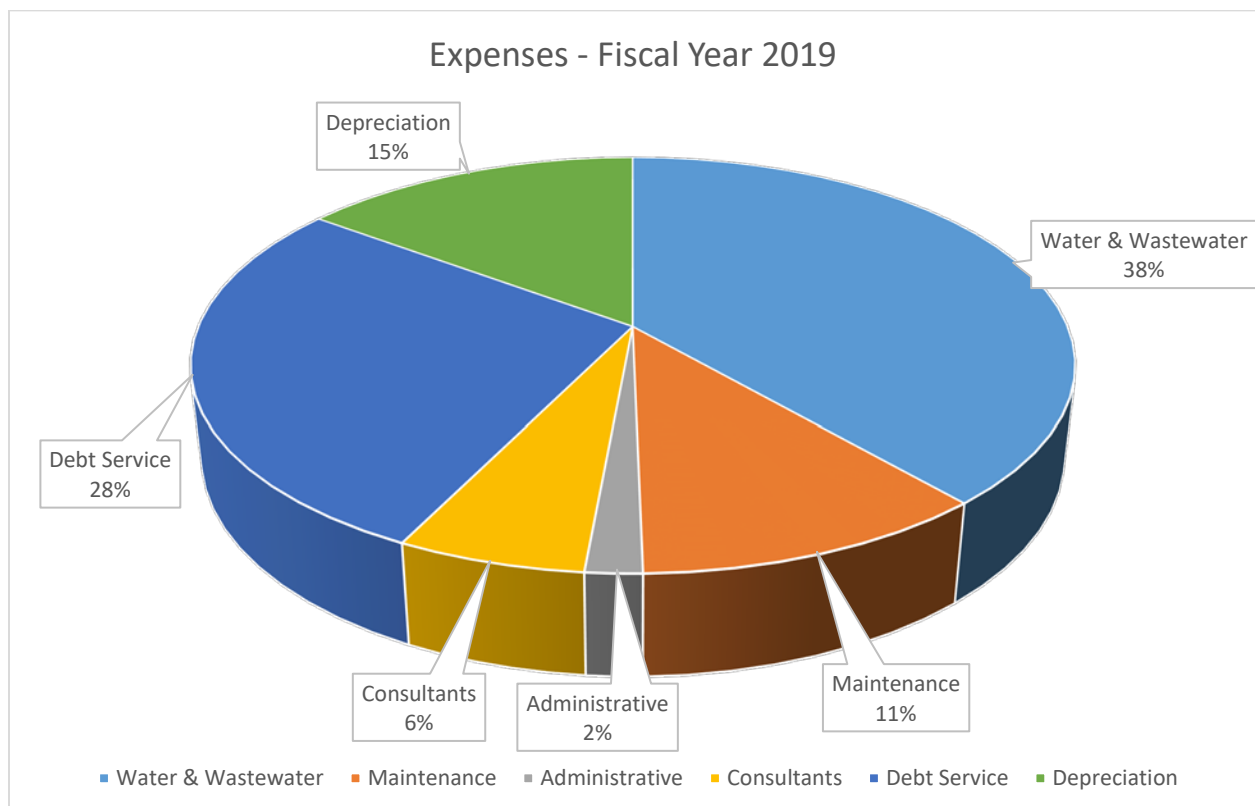
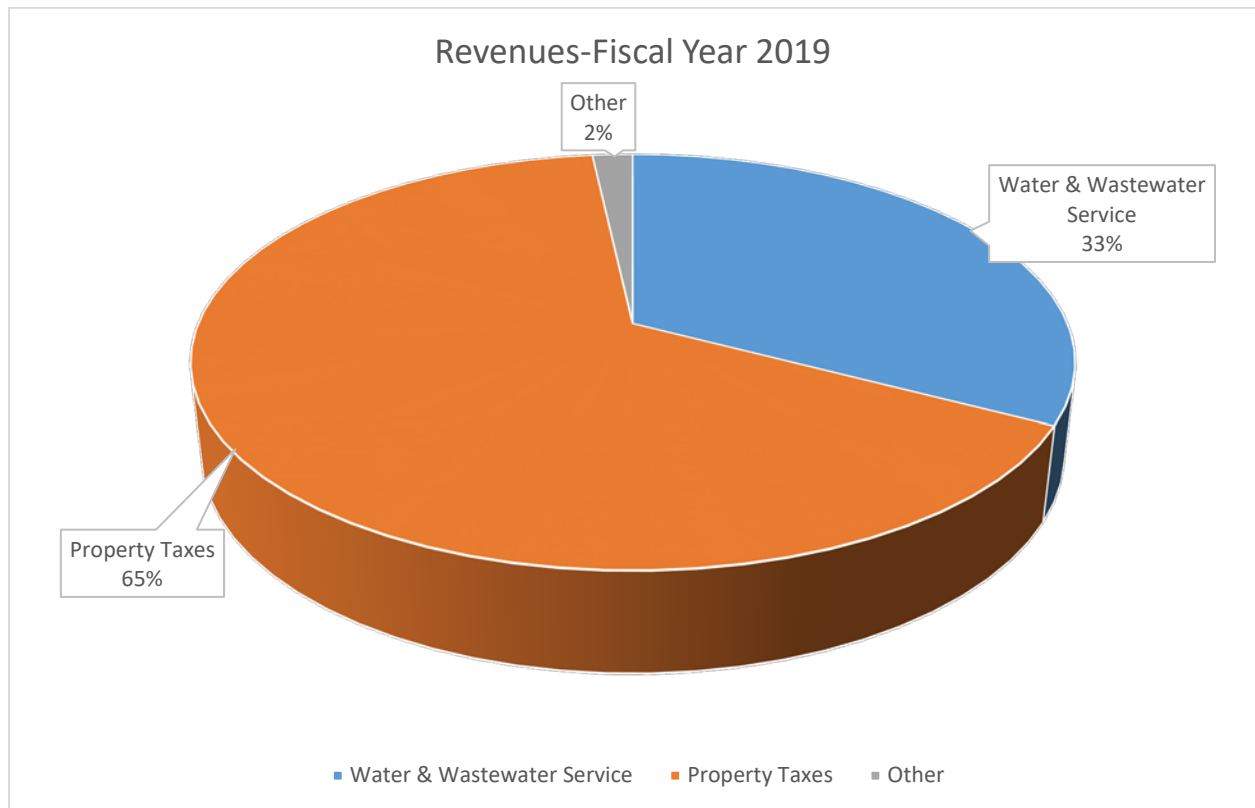
Summary Statement of Activities

	Governmental Activities (in thousands)		Increase (Decrease)
	2019	2018	
Water & Wastewater Service	\$ 931	\$ 843	\$ 88
Property Taxes	1,866	1,685	181
Other	50	43	7
Total Revenues	2,847	2,571	276
Water & Wastewater	747	716	31
Maintenance	214	202	12
Administrative	34	67	(33)
Consultants	113	113	-
Debt Service	539	510	29
Depreciation	287	275	12
Total Expenses	1,934	1,883	51
Bond Costs	-	(396)	(7)
Change in Net Position	913	292	621
Beginning Net Position	578	286	292
Ending Net Position	\$ 1,491	\$ 578	\$ 913

Revenues were approximately \$2.8 million for the year ended September 30, 2019. Expenses were approximately \$1.9 million for the year ended September 30, 2019. Net position increased \$913 thousand from current year activities due to growth in the District. The following charts summarize the sources of revenue and areas of expenses.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019



LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND LEVEL STATEMENTS

In comparison to the Government-wide statements, the Fund-level statements focus on the key funds of the District. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District reports the following types of Governmental funds: General Fund, Debt Service Fund and Capital Projects Fund. The focus of the District's Governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

Summary Balance Sheet

	Governmental Funds (in thousands)		
	September 2019	September 2018	Increase (Decrease)
Cash and Investments	\$ 3,008	\$ 3,205	\$ (197)
Accounts Receivable	149	36	113
Prepaid Costs	43	5	38
Total Assets	3,200	3,246	(46)
Accounts Payable	55	23	32
Unrealized Revenue	5	6	(1)
Total Liabilities	60	29	31
Nonspendable	4	-	4
Restricted for Debt Service	661	652	9
Restricted for Capital Projects	7	577	(570)
Assigned for Maintenance	100	100	-
Unassigned	2,368	1,888	480
Total Fund Balances	3,140	3,217	(77)
Total Liabilities and Fund Balances	\$ 3,200	\$ 3,246	\$ (46)

The General Operating Fund, which pays for daily operating expenses, has a balance of \$2.4 million at the end of the current fiscal year. This is an increase of \$484 thousand over the prior fiscal year.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

The Debt Service Fund increased by \$9 thousand during the current fiscal year. This fund remitted bond principal of \$670 thousand and bond interest of \$538 thousand during the year.

The Capital Projects Fund decreased by \$570 thousand during the current fiscal year. This fund expended \$572 thousand to acquire utility and recreational facilities.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2019 annual budget for the General Fund on September 10, 2018. The budget included revenues of \$1.5 million and expenditures of \$1.3 million. Actual revenue amounted to \$1.6 million and expenditures of \$1.1 million. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$14.3 million in infrastructure. A summary of these assets is listed below:

Summary of Capital Assets

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2019	September 2018	
Water, Wastewater and Drainage	\$ 14,228	\$ 13,656	\$ 572
Amenity Center-In Progress	22	3	19
Recreational Facilities	61	45	16
Accumulated Depreciation	(1,402)	(1,115)	(287)
Total Capital Assets (Net)	\$ 12,909	\$ 12,589	\$ 320

LONG TERM DEBT

The District issued no new debt during the year. Bonded indebtedness of the District at year end was \$14.520 million. More detailed information about the District's long-term debt is presented in the Notes to the Basic Financial Statements.

LAKESIDE WATER CONTROL & IMPROVEMENT DISTRICT No. 2D

Management Discussion and Analysis For the Year Ended September 30, 2019

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2019, has been fixed by the Travis Central Appraisal District at \$209 million. The tax rates adopted by the District on September 25, 2019 for the coming fiscal year are \$0.40 for maintenance and operations and \$0.57 for debt service. The District expects this to produce \$2.0 million in total property tax revenue for next year. The adopted budget for fiscal year 2020 projects a small increase in the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Lloyd Gosselink Rochelle & Townsend, PC, 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

BASIC FINANCIAL STATEMENTS

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2D

**STATEMENT OF NET POSITION
AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019**

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL	ADJUST- MENTS	STATEMENT OF NET POSITION
<u>ASSETS</u>						
Cash	\$ 1,839,188	\$ 154,615	\$ 7,280	\$ 2,001,083	\$ -	\$ 2,001,083
Temporary Investments	503,419	503,419	-	1,006,838	-	1,006,838
Taxes Receivable	1,988	3,129	-	5,117	-	5,117
Water Revenue Receivable	26,871	-	-	26,871	-	26,871
Other Receivables	73,677	-	-	73,677	-	73,677
Prepaid Insurance	3,824	-	-	3,824	-	3,824
Prepaid Bond Costs	-	-	39,473	39,473	-	39,473
Due From Other Funds	39,473	3,346	-	42,819	(42,819)	-
Water/WW/Drainage System (Net)	-	-	-	-	12,909,602	12,909,602
Total Assets	\$ 2,488,440	\$ 664,509	\$ 46,753	\$ 3,199,702	\$ 12,866,783	\$ 16,066,485
<u>LIABILITIES</u>						
Accounts Payable	\$ 11,907	\$ -	\$ -	\$ 11,907	\$ 43,271	\$ 55,178
Due To Other Funds	3,346	-	39,473	42,819	(42,819)	-
Bonds Payable in less than one year	-	-	-	-	690,000	690,000
Bonds Payable in more than one year	-	-	-	-	13,830,000	13,830,000
Total Liabilities	15,253	-	39,473	54,726	14,520,452	14,575,178
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property Taxes	1,988	3,129	-	5,117	(5,117)	-
Total Deferred Inflows	1,988	3,129	-	5,117	(5,117)	-
<u>FUND EQUITY</u>						
Nonspendable	3,827	-	-	3,827	(3,827)	-
Restricted for Debt Service	-	661,380	-	661,380	(661,380)	-
Investment in Capital Assets	-	-	7,280	7,280	(7,280)	-
Assigned for Maintenance	100,000	-	-	100,000	(100,000)	-
Unassigned	2,367,372	-	-	2,367,372	(2,367,372)	-
Total Fund Equity	2,471,199	661,380	7,280	3,139,859	(3,139,859)	-
Total Liabilities, Fund Equity & Deferred Inflows of Resources	\$ 2,488,440	\$ 664,509	\$ 46,753	\$ 3,199,702		
<u>NET POSITION</u>						
Net Investment in Capital Assets					(1,646,389)	(1,646,389)
Restricted for Debt Service					664,509	664,509
Unrestricted					2,473,187	2,473,187
Total Net Position					\$ 1,486,190	\$ 1,491,307

The notes to financial statements are an integral part of this statement.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2D

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

		DEBT	CAPITAL		ADJUST-	STATEMENT
<u>REVENUES</u>	<u>GENERAL</u>	<u>SERVICE</u>	<u>PROJECTS</u>	<u>TOTAL</u>	<u>MENTS</u>	<u>OF</u>
						<u>ACTIVITIES</u>
Water Service	\$ 476,207	\$ -	\$ -	\$ 476,207	\$ -	\$ 476,207
Wastewater Service	409,358	-	-	409,358	-	409,358
Tap Connection Fees	45,200	-	-	45,200	-	45,200
Property Taxes	657,789	1,209,441	-	1,867,230	(1,329)	1,865,901
Interest	17,294	9,720	1,997	29,011	-	29,011
Other	21,722	-	-	21,722	-	21,722
TOTAL REVENUES	1,627,570	1,219,161	1,997	2,848,728	(1,329)	2,847,399
<u>EXPENDITURES</u>						
Current:						
Water Purchased	217,076	-	-	217,076	-	217,076
City Water Fees	120,158	-	-	120,158	-	120,158
Wastewater Service Purchased	409,358	-	-	409,358	-	409,358
Maintenance	213,829	-	-	213,829	-	213,829
Accounting Fees	20,527	-	-	20,527	-	20,527
Audit Fees	10,500	-	-	10,500	-	10,500
Engineering Fees	11,022	-	-	11,022	-	11,022
Legal Fees	71,200	-	-	71,200	-	71,200
Tax Assessor/Collector	9,579	-	-	9,579	-	9,579
Director Salaries and Payroll Taxes	11,487	-	-	11,487	-	11,487
Insurance	2,148	-	-	2,148	-	2,148
License and Fees	6,524	-	-	6,524	-	6,524
Printing and Office Supplies	3,864	-	-	3,864	-	3,864
Legal Notices	846	-	-	846	-	846
Depreciation	-	-	-	-	287,158	287,158
Debt Service:						
Fiscal Agent's Fees	525	2,000	-	2,525	-	2,525
Interest	-	538,031	-	538,031	(1,565)	536,466
Principal	-	670,000	-	670,000	(670,000)	-
Capital Expenditures	35,242	-	571,967	607,209	(607,209)	-
TOTAL EXPENDITURES	1,143,885	1,210,031	571,967	2,925,883	(991,616)	1,934,267
OTHER FINANCING SOURCES						
Bond Proceeds	-	-	-	-	-	-
Bond Issuance Costs	-	-	-	-	-	-
TOTAL OTHER SOURCES	-	-	-	-	-	-
Excess (Deficit) of Revenues						
Over Expenditures	483,685	9,130	(569,970)	(77,155)	77,155	-
Change in Net Position	-	-	-	-	913,132	913,132
Fund Balance/Net Position-Beginning	1,987,514	652,250	577,250	3,217,014	(2,638,839)	578,175
Fund Balance/Net Position-Ending	\$ 2,471,199	\$ 661,380	\$ 7,280	\$ 3,139,859	\$ (1,648,552)	\$ 1,491,307

The notes to financial statements are an integral part of this statement.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies

The combined financial statements of Lakeside Water Control and Improvement District No. 2D (the District) have been prepared in conformity with accounting principles applicable to governmental units that are generally accepted in the United States of America. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Lakeside Water Control and Improvement District No. 2D (the District), a political subdivision of the State of Texas, was created by an election to approve the division of Lakeside Water Control and Improvement District No. 2 held on January 15, 2000. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to customers within its boundaries and in the surrounding area. The District’s first Board of Directors meeting was held on June 28, 2000. The District is also authorized to provide recreational facilities.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the Board) that has been elected by District residents. The funds and account groups presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

A. Basis of Presentation, Basis of Accounting

In accordance with GASB Statement No. 34, the District has elected to combine their Government-wide and Governmental Fund Financial Statements into one set of financial statements with a reconciliation of the individual line items in a separate column on the financial statements.

Government-wide Financial Statements:

The **Statement of Net Position** and the **Statement of Activities** include the financial activities of the overall government. Governmental activities are generally financed through property taxes.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

The governmental fund financial statement columns are labeled **Government Funds Balance Sheet** and **Governmental Funds Revenue, Expenditures and Changes in Fund Balance**. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general long term debt principal and interest.

Capital Projects Fund: The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. Principal sources of revenue are municipal long-term debt proceeds and interest income.

B. Measurement Focus, Basis of Accounting

The Government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year end to be available in the current period. Revenues from local sources consist primarily of property taxes. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long term debt, which is recognized as an expenditure to the extent that it has matured. General capital asset acquisitions are reported as expenditures in major governmental funds. Proceeds of general long term debt are reported as other financing sources.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies (continued)

C. Fund Balances

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

Nonspendable – Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned – For the General Fund, amounts that are appropriated by the Board or Board designee, if any, that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned – Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has not delegated the authority to assign fund balance.

D. Budget

The Board adopted an annual budget for the General Fund on the basis consistent with generally accepted accounting principles. The District does not prepare budgets for other funds. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

E. Pensions

The District has not established a pension plan.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less at the time of purchase.

G. Prepaid Items

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

H. Capital Assets

Capital assets, which include Administrative Facilities and Equipment, Common and Recreation Areas, Water Production and Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the Government-wide column in the Statement of Net Position. Public domain (“infrastructure”) capital assets including water, wastewater and drainage systems, are capitalized as acquired. Items purchased or acquired are reported at historical cost. Contributed fixed assets are recorded as capital assets at estimated fair market value at the time received.

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

Water/Wastewater/Drainage System	50 years
Recreational Facilities	20 years

I. Interfund Transactions

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

J. Long-Term Debt

Unlimited tax bonds, which have been issued to acquire capital assets, are to be repaid from tax revenues of the District. In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

1. Summary of Significant Accounting Policies (continued)

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

K. Deferred Outflows and Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011 and has been implemented in the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 and has been implemented in these financial statements.

L. Recently Issued Accounting Pronouncements

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of GASB Statement No. 88 is to improve the consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This statement is effective for reporting periods beginning after June 15, 2018. GASB Statement No. 88 has been implemented in these financial statements.

2. Cash and Investments

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's Investment Policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Cash and Investments (continued)

Cash – At year end, deposits were held by the District’s depository bank in accounts that were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage or by pledged collateral held by the District’s agent bank in the District’s name.

Investments - The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act (“Act”) requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker’s acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Not all assets meeting the definition of an investment are required to be reported at fair value. Including among excepted investments are certain investments held by 2a7-like external investments pools. As detailed below the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

The District’s investments at year end are shown below.

Fair Value				
<u>Investment</u>	<u>Level</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	AAAm	1 day average	\$1,006,838

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Cash and Investments (continued)

Analysis of Specific Cash and Investment Risks – GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At year end, the District's investments, other than those which are obligations of or guaranteed by the US Government, are rated as to credit quality as detailed above.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterpart or the counterpart's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy – The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Cash and Investments (continued)

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other person who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio with one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underling portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

TexPool – The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard & Poor’s and operates in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll on January 1, 2018, upon which the levy for the 2018-19 fiscal year was based, was \$190,425,924. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2019, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.34 and \$0.63 per \$100 valuation, respectively, for a total of \$0.97 per \$100 valuation.

Current tax collections for the year ended September 30, 2019 were 99.74% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2019, property taxes receivable, totaled \$1,988 and \$3,129 for the General and Debt Service Funds, respectively.

4. Capital Assets

Using surplus bond proceeds, the District acquired \$571,967 in utility facilities serving the District's residents during the year. In addition, the District acquired \$15,849 in recreational facilities and spent \$15,849 in planning for a future amenity center. All of the District's utility facilities are being depreciated over their estimated useful life of 50 years while the recreational facilities are being depreciated over 20 years. Depreciation in the amount of \$287,158 has been charged to system operations for the year and accumulated depreciation amounted to \$1,402,474 leaving a net book value of \$12,919,602. A summary of changes in capital assets follows:

	Balance			Balance
<u>Capital Assets:</u>	10/1/2018	Additions	Deletions	9/30/2019
Water WW & Drainage	\$ 13,656,322	571,967	-	\$ 14,228,289
Amenity Center-In Progress	3,045	19,393	-	22,438
Recreational Facilities	45,500	15,849	-	61,349
Total	13,704,867	607,209	-	14,312,076
<u>Accumulated Depreciation:</u>				
Water WW & Drainage	(1,113,041)	(284,566)	-	(1,397,607)
Amenity Center-In Progress	-	-	-	-
Recreational Facilities	(2,275)	(2,592)	-	(4,867)
Total	(1,115,316)	(287,158)	-	(1,402,474)
Total Capital Assets (Net)	\$ 12,589,551	320,051	-	\$ 12,909,602

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

5. Bonds

At elections held within the District on November 8, 2005, May 13, 2006, and November 7, 2006, voters authorized a total of \$49,630,000 combination unlimited tax and revenue bonds for the purpose of purchasing, constructing, acquiring, owning, improving, extending, maintaining, repairing, or operating a waterworks system, a sanitary sewer system, a drainage and storm water system and recreational facilities for the District. The District's bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District. The District has no direct borrowings or direct placement debt.

On April 2, 2009, the District issued \$2,765,000 of these bonds dated April 1, 2009. The bonds mature serially on September 1, in each year 2010 through 2032, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in the years 2025 and 2032 are also subject to mandatory sinking fund redemption.

On November 30, 2010, the District issued \$1,495,000 of these bonds dated December 1, 2010. The bonds mature serially on September 1, in each year 2011 through 2033, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2033 are also subject to mandatory sinking fund redemption.

On October 15, 2013, the District issued \$1,675,000 of these bonds dated October 1, 2013. The bonds mature serially on September 1, in each year 2014 through 2034, in principal amounts set forth below. Bonds maturing on or after September 1, 2021, are subject to redemption, in whole or in part, on September 1, 2020, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2026, 2028, 2030 and 2034 are also subject to mandatory sinking fund redemption.

On December 10, 2013, the District issued \$1,240,000 of these bonds dated December 1, 2013. The bonds mature serially on September 1, in each year 2015 through 2035, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2022, are subject to redemption, in whole or in part, on September 1, 2021, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2031 and 2035 are also subject to mandatory sinking fund redemption.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

5. Bonds (continued)

On November 10, 2014, the District issued \$2,440,000 of these bonds dated December 1, 2014. The bonds mature serially on September 1, in each year 2015 through 2035, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2023, are subject to redemption, in whole or in part, on September 1, 2022, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. Bonds maturing in 2028, 2030, 2032, 2034 and 2036 are also subject to mandatory sinking fund redemption.

On February 3, 2016, the District issued \$3,680,000 of unlimited tax refunding bonds dated March 1, 2016. The bonds mature serially on September 1, in each year 2016 through 2033, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2024, are subject to redemption, in whole or in part, on September 1, 2023, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption.

On December 21, 2017, the District issued \$7,060,000 of unlimited tax bonds dated December 1, 2017. The bonds mature serially on September 1, in each year 2018 through 2037, in principal amounts set forth on the following page. Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or in part, on September 1, 2024, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. These bonds are described as follows:

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Installments (In Thousands)</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
Series 2009	\$2,765,000	\$50 to 240	2032	5.000–7.00 %	\$ -0-
Series 2010	\$1,495,000	\$30 to 115	2033	3.900–5.875%	\$ 55,000
Series 2013	\$1,675,000	\$30 to 125	2034	2.500–5.000%	\$1,375,000
Series 2013A	\$1,240,000	\$35 to 95	2035	3.000–4.750%	\$1,055,000
Series 2014	\$2,440,000	\$65 to 190	2036	2.000–4.125%	\$2,160,000
Series 2016	\$3,680,000	\$30 to 335	2033	2.000–4.000%	\$3,415,000
Series 2017	\$7,060,000	\$300 to 530	2037	3.000–3.500%	\$6,460,000

The change in the District's bonds during the year is as follows:

<u>Bonds:</u>	<u>Balance 9/30/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2019</u>
Unlimited Tax Bonds, Series 2010	\$ 105,000	-	(50,000)	\$ 55,000
Unlimited Tax Bonds, Series 2013	1,435,000	-	(60,000)	1,375,000
Unlimited Tax Bonds, Series 2013A	1,095,000	-	(40,000)	1,055,000
Unlimited Tax Bonds, Series 2014	2,235,000	-	(75,000)	2,160,000
Unlimited Tax Bonds, Series 2016	3,560,000	-	(145,000)	3,415,000
Unlimited Tax Bonds, Series 2017	6,760,000	-	(300,000)	6,460,000
Total Bond Indebtedness	\$15,190,000	\$ -	\$(670,000)	\$14,520,000

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

5. Bonds (continued)

Redemption

- Series 2009 Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the years 2025 and 2032 are subject to mandatory sinking fund redemption.
- Series 2010 Bonds maturing on or after September 1, 2019, are subject to redemption, in whole or in part, on September 1, 2018, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the year 2033 are subject to mandatory sinking fund redemption.
- Series 2013 Bonds maturing on or after September 1, 2021, are subject to redemption, in whole or in part, on September 1, 2020, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the year 2026, 2028, 2030 and 2034 are subject to mandatory sinking fund redemption.
- Series 2013A Bonds maturing on or after September 1, 2022, are subject to redemption, in whole or in part, on September 1, 2021, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on in the year 2031 and 2035 are subject to mandatory sinking fund redemption.
- Series 2014 Bonds maturing on or after September 1, 2023, are subject to redemption, in whole or in part, on September 1, 2022, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing in 2028, 2030, 2032, 2034 and 2036 are also subject to mandatory sinking fund redemption.
- Series 2016 Bonds maturing on or after September 1, 2024, are subject to redemption, in whole or in part, on September 1, 2023, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

5. Bonds (continued)

Series 2017 Bonds maturing on or after September 1, 2025, are subject to redemption, in whole or in part, on September 1, 2024, or on any date thereafter at a price equal to the principal amount thereof plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

Debt Service Requirements

Debt service requirements on long-term debt as of the end of the year are as follows:

<u>Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	\$ 690,000	\$ 519,259	\$ 1,209,259
2021	700,000	498,167	1,198,167
2022	725,000	477,334	1,202,334
2023	745,000	455,229	1,200,229
2024	770,000	431,951	1,201,951
2025-2029	4,175,000	1,744,909	5,919,909
2030-2034	4,690,000	905,951	5,595,951
2035-2039	2,025,000	137,238	2,162,238
Totals	\$ 14,520,000	\$ 5,170,038	\$ 19,690,038

6. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year, the District obtained liability coverage.

7. Contingencies

The District has an obligation to reimburse developers of property in the District for costs expended on behalf of the District for the construction of water, sewer and drainage systems designed to serve the District. Since the construction of these facilities is not yet complete, the ultimate amount of the future reimbursements cannot be determined at this time.

8. Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

9. Subsequent Events

The District has evaluated subsequent events as of December 31, 2019, the date the financial statements were available to be issued.

10. Reconciliation of Government-wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds Total Fund Balances	\$ 3,139,859
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	12,909,602
Long-term liabilities (bonds payable) are not due and payable in the current period and, therefore, are not reported in the funds	(14,520,000)
Interest is accrued on outstanding debt in the government-wide statements, whereas in the governmental funds, an interest expenditure is reported when made and not accrued in the funds	(43,271)
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds	5,117
Total Net Position	<u><u>\$ 1,491,307</u></u>

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2019

10. Reconciliation of Government-wide and Fund Financial Statements (continued)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds Excess of Revenues over Expenditures	\$ (77,155)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
Change in Deferred Tax Revenue	(1,329)
Governmental funds report capital outlays as expenditures	
however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense	
Capital Outlay	607,209
Depreciation Expense	(287,158)
Governmental funds report principal payments as expenditures	
however, in the Statement of Activities, these payments are not reported as operating expenses	
Bond Principal	670,000
Governmental funds do not report the change in accrued interest as an expenditure, however, in the Statement of Activities, this change in the amount accrued is reported as an expense	
Accrued Interest	1,565
Bond Proceeds are reported as other financing sources in the governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Net Position	
Bond Proceeds	-
Change in Net Position	<u>\$ 913,132</u>

REQUIRED SUPPLEMENTARY INFORMATION

LAKESIDE WATER CONTROL AND IMPROVEMENT DISTRICT No. 2D

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>				
Water Service	\$ 425,000	\$ 425,000	\$ 476,207	\$ 51,207
Wastewater Service	400,000	400,000	409,358	9,358
Tap Connection Fees	8,000	8,000	45,200	37,200
Property Taxes	634,500	634,500	657,789	23,289
Interest	4,000	4,000	17,294	13,294
Other	-	-	21,722	21,722
TOTAL REVENUES	<u>1,471,500</u>	<u>1,471,500</u>	<u>1,627,570</u>	<u>156,070</u>
<u>EXPENDITURES</u>				
Current:				
Water Purchased	217,000	217,000	217,076	(76)
City Water Fees	113,000	113,000	120,158	(7,158)
Wastewater Service Purchased	400,000	400,000	409,358	(9,358)
Maintenance	310,000	310,000	213,829	96,171
Accounting Fees	22,000	22,000	20,527	1,473
Audit Fees	10,500	10,500	10,500	-
Engineering Fees	20,000	20,000	11,022	8,978
Legal Fees	72,500	72,500	71,200	1,300
Tax Assessor/Collector	15,000	15,000	9,579	5,421
Director Salaries and Payroll Taxes	12,000	12,000	11,487	513
Insurance	9,000	9,000	2,148	6,852
License and Fees	15,000	15,000	6,524	8,476
Printing and Office Supplies	5,500	5,500	3,864	1,636
Legal Notices	2,000	2,000	846	1,154
Debt Service:				
Fiscal Agent's Fees	-	-	525	(525)
Interest	-	-	-	-
Principal	-	-	-	-
Capital Expenditures	100,000	100,000	35,242	64,758
TOTAL EXPENDITURES	<u>1,323,500</u>	<u>1,323,500</u>	<u>1,143,885</u>	<u>179,615</u>
Excess (Deficit) of				
Revenues over Expenditures	148,000	148,000	483,685	335,685
Fund Balance - Beginning of Year	1,987,514	1,987,514	1,987,514	-
Fund Balance - End of Year	<u>\$ 2,135,514</u>	<u>\$ 2,135,514</u>	<u>\$ 2,471,199</u>	<u>\$ 335,685</u>

The notes to financial statements are an integral part of this statement.

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APPENDIX B

Specimen Municipal Bond Insurance Policy

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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



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES