

**OFFICIAL STATEMENT DATED OCTOBER 29, 2020**

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX OF INDIVIDUALS. SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

**Rating:**  
**S&P: “AA” (Stable Outlook)/Insured**  
**Moody’s: “A2” (Stable Outlook)/Insured**  
**Moody’s: “Baa3”/Underlying**  
**Insurance: AGM**  
**See “MUNICIPAL BOND RATING**  
**AND INSURANCE” herein**

**NEW ISSUE – BOOK-ENTRY-ONLY**

**\$11,000,000**  
**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12**  
*(A political subdivision of the State of Texas located within Williamson County)*  
**UNLIMITED TAX BONDS, SERIES 2020**

**Dated Date: November 19, 2020**

**Due: August 15, as shown on the inside cover page**

**Interest Accrues from the Date of Initial Delivery**

The bonds described above (the “Bonds”) are obligations solely of Williamson County Municipal Utility District No. 12 (the “District”) and are not obligations of the State of Texas (“State”), Williamson County, Liberty Hill Independent School District, the City of Leander (the “City”) or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds is payable each February 15 and August 15, commencing February 15, 2021, until maturity or prior redemption. Interest on the Bonds accrues from the date of initial delivery and will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their 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. See “THE BONDS – 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.

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**CUSIP PREFIX: 97000W**  
**MATURITY SCHEDULE**  
**SEE INSIDE COVER PAGE**

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Bonds maturing on and after August 15, 2026, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 15, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2039, 2043 and 2048 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Austin, Texas, Bond Counsel. Orrick, Herrington & Sutcliffe LLP, Austin, Texas, has been engaged to serve as disclosure counsel for the offering. See “LEGAL MATTERS.” Delivery of the Bonds through DTC is expected on November 19, 2020.

## MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield <sup>(a)</sup>	CUSIP Numbers <sup>(b)</sup>
2021	\$ 250,000	3.000%	0.400%	97000WGR0
2022	350,000	3.000%	0.550%	97000WGS8
2023	350,000	4.000%	0.700%	97000WGT6
2024	350,000	4.000%	0.850%	97000WGU3
2025	350,000	3.000%	1.000%	97000WGV1
2026	350,000	2.000%	1.150%	(c) 97000WGW9
2027	350,000	2.000%	1.300%	(c) 97000WGX7
2028	350,000	2.000%	1.450%	(c) 97000WGY5
2029	350,000	2.000%	1.600%	(c) 97000WGZ2
2030	350,000	2.000%	1.850%	(c) 97000WHA6
2031	350,000	2.000%	2.000%	97000WHB4
2032	350,000	2.000%	2.100%	97000WHC2
2033	350,000	2.000%	2.200%	97000WHD0
2034	350,000	2.000%	2.300%	97000WHE8
2035	350,000	2.125%	2.350%	97000WHF5
2036	350,000	2.250%	2.400%	97000WHG3
2037	350,000	2.250%	2.450%	97000WHH1
***	***	***	***	***
2040	350,000	2.375%	2.550%	97000WHL2

**\$700,000 2.250% Term Bonds due August 15, 2039 Priced to Yield 2.500%<sup>(a)</sup> – 97000WHK4<sup>(b)</sup>**  
**\$1,400,000 2.500% Term Bonds due August 15, 2043 Priced to Yield 2.600%<sup>(a)</sup> – 97000WHP3<sup>(b)</sup>**  
**\$2,700,000 2.500% Term Bonds due August 15, 2048 Priced to Yield 2.650%<sup>(a)</sup> – 97000WHU2<sup>(b)</sup>**

### (Interest to accrue from the Date of Initial Delivery)

- (a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (b) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services (“CGS”), managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the service provided by CGS. CUSIP numbers are provided for convenience of reference only. The District, the District’s Financial Advisor and the Initial Purchaser do not take any responsibility for the accuracy of such numbers.
- (c) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2025, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

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.”

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

This Official Statement 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, orders, 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 Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, for further information.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or 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 MAKE 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.

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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 effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the “Initial Purchaser”) bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.021% of the par value thereof which resulted in a net effective interest rate of 2.576898% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the “IBA” method).

**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 a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term “public” shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, 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 Securities and Exchange Commission 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 and the Bonds have not 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 AND INSURANCE

The Bonds have been rated “AA” by S&P Global Ratings (“S&P”) and “A2” by Moody’s Investors Service (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM”) at the time of delivery of the Bonds. The Bonds have an underlying rating of “Baa3” by Moody’s without regard to credit enhancement.

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## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

### THE DISTRICT

<i>Description</i> .....	The District is a political subdivision of the State of Texas, created by a special act of the 78 <sup>th</sup> Texas Legislature, Regular Session (Acts 2003, Chapter 760) (the “Act”), effective September 1, 2003) and confirmed pursuant to an election held within the District on August 13, 2005. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains 611.4 acres of land. See “THE DISTRICT.”
<i>Location</i> .....	The District is located in northwest Williamson County approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard. The District is within the extraterritorial jurisdiction of the City of Leander. Access from Ronald Reagan Boulevard is provided by Via De Sienna Boulevard, a new street constructed by the Developer (defined below). See “AERIAL BOUNDARY MAP.”
<i>The Developer</i> .....	The current developer of the District is Nash Rancho Hills, LLC (the “Developer”). See “THE DISTRICT – Status of Development” and “THE DEVELOPER – Development History.”
<i>Status of Development</i> .....	Land within the District planned for residential development is currently owned by the Developer and Rancho Sienna KC, Ltd. The Developer is developing its land within the District as Rancho Sienna, a single-family residential project. Land within the District planned for commercial development is currently owned by the Developer and Rancho Sienna KC, Ltd.

As of September 1, 2020 the District contained 394 developed acres. A total of 1,077 homes were completed and occupied, 36 homes were completed and unoccupied, 53 homes were under construction, and 375 lots were available for construction. As of such date, there were approximately 118 acres of undeveloped but developable land, of which approximately 80 acres will be used for commercial development, with the remaining 38 acres to be used for single-family residential development and approximately 100 acres of undevelopable land. Homes within the District range in price from approximately \$225,000 to over \$600,000.

<i>Homebuilders</i> .....	Homebuilders in the District are Chesmar Homes, DR Horton, Lennar Homes, Trendmaker Homes, Pulte Homes and Perry Homes (the “Homebuilders”). See “THE DEVELOPER – Homebuilders.”
<i>Payment Record</i> .....	The Bonds are the District’s seventh issuance of debt. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

### THE BONDS

<i>Description</i> .....	The Bonds are being issued pursuant to a resolution authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature on August 15 in the years 2021 through 2037, inclusive, 2039, 2040, 2043 and 2048. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the date of initial delivery and is payable February 15, 2021, and each August 15 and February 15 thereafter, until maturity or prior redemption. See “THE BONDS.”
<i>Book-Entry-Only</i> .....	DTC 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 and will be deposited with DTC.
<i>Redemption</i> .....	Bonds maturing on and after August 15, 2026, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 15, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2039, 2043 and 2048 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

<i>Use of Proceeds</i> .....	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM.”
<i>Authority for Issuance</i> .....	The Bonds are the seventh series of bonds issued out of an aggregate of \$111,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system and \$10,000,000 to pay for recreational facilities in the District. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “INVESTMENT CONSIDERATIONS – Future Debt” and “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”
<i>Source of Payment</i> .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Leander, Liberty Hill Independent School District, Williamson County, the State of Texas or any entity other than the District. See “THE BONDS – Source of Payment.”
<i>Municipal Bond Rating and Insurance</i> .....	The Bonds have been rated “AA” by S&P Global Ratings (“S&P”) and “A2” by Moody’s Investors Service (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM”) at the time of delivery of the Bonds. The Bonds have an underlying rating of “Baa3” by Moody’s without regard to credit enhancement.
<i>Bond Counsel</i> .....	Allen Boone Humphries Robinson LLP, Austin, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>General Counsel</i> .....	Armbrust & Brown PLLC, Austin, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Disclosure Counsel</i> .....	Orrick, Herrington & Sutcliffe LLP, Austin, Texas.
<i>Financial Advisor</i> .....	Specialized Public Finance Inc., Austin, Texas.

**INVESTMENT CONSIDERATIONS**

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

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**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2018 Certified Taxable Assessed Valuation .....	252,757,657	(a)
2019 Certified Taxable Assessed Valuation .....	318,900,214	(a)
2020 Certified Taxable Assessed Valuation .....	368,758,902	(a)
Estimated Taxable Assessed Valuation (as of September 1, 2020).....	425,360,000	(b)
Gross Direct Debt Outstanding .....	\$ 52,465,000	(c)
Estimated Overlapping Debt.....	<u>33,035,636</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt .....	\$ 85,500,636	
Ratios of Gross Direct Debt to:		
2020 Certified Taxable Assessed Valuation .....	14.23%	
Estimated Taxable Assessed Valuation (as of September 1, 2020).....	12.33%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2020 Certified Taxable Assessed Valuation .....	23.19%	
Estimated Taxable Assessed Valuation (as of September 1, 2020).....	20.10%	
Debt Service Funds Available as of September 3, 2020 .....	\$ 1,298,377	
General Operating Fund Balance as of September 3, 2020.....	\$ 2,324,701	
Capital Projects Fund Balance as of September 3, 2020.....	\$ 144,847	
2020 District Debt Service Tax Rate .....	\$ 0.7100	
2020 District Maintenance Tax Rate.....	0.1400	
2020 Williamson County ESD #4 Tax Rate .....	0.0933	
2020 Williamson County Tax Rate.....	0.4587	(e)
2020 Liberty Hill Independent School District Tax Rate.....	<u>1.3647</u>	
2020 Total Overlapping Tax Rate.....	\$ 2.7667	
Average Annual Debt Service Requirement (2021-2048) .....	\$ 2,835,511	(f)
Maximum Annual Debt Service Requirement (2040) .....	\$ 3,091,344	(f)
Tax Rates Required to Pay Average Annual Debt Service (2021-2048) at a 97.5% Collection Rate:		
Based upon 2020 Certified Taxable Assessed Valuation.....	\$ 0.7887	
Based upon Estimated Taxable Assessed Valuation (as of September 1, 2020).....	\$ 0.6838	
Tax Rates Required to Pay Maximum Annual Debt Service (2040) at a 97.5% Collection Rate:		
Based upon 2020 Certified Taxable Assessed Valuation.....	\$ 0.8599	
Based upon Estimated Taxable Assessed Valuation (as of September 1, 2020).....	\$ 0.7454	
Status of Development as of September 1, 2020:		
Homes Completed and Occupied.....	1,077	
Homes Completed and Unoccupied.....	36	
Homes Under Construction.....	53	
Lots Available for Home Construction .....	375	
Developed Acreage.....	394	
Undeveloped but Developable Acreage (single-family) .....	38	
Undeveloped but Developable Acreage (commercial).....	80	
Undevelopable Acreage.....	100	
Estimated Population .....	3,770	(g)

- (a) As provided by the Williamson Central Appraisal District (the "Appraisal District" or "WCAD").
- (b) As estimated by the Appraisal District as of September 1, 2020 for informational purposes only. Such amount reflects an estimate of the taxable land and improvements value within the District on September 1, 2020. 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 revenues for the District. See "TAX PROCEDURES."
- (c) Includes the Bonds.
- (d) See "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt."
- (e) Includes \$0.0400 road and bridge tax rate.
- (f) Includes the Bonds. See "DEBT SERVICE REQUIREMENTS."
- (g) Based upon 3.5 persons per occupied single-family residence.

## OFFICIAL STATEMENT

**\$11,000,000**  
**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12**  
*(A political subdivision of the State of Texas located within Williamson County)*  
**UNLIMITED TAX BONDS, SERIES 2020**

This Official Statement provides certain information in connection with the issuance by Williamson County Municipal Utility District No. 12 (the “District”) of its \$11,000,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”).

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

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, the Developer (defined herein), and development activity in 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 Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

### INVESTMENT CONSIDERATIONS

**GENERAL . . .** The Bonds are obligations solely of the District and are not obligations of the City of Leander (the “City”), Liberty Hill Independent School District, Williamson County, the State, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS – Source of Payment.” The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation, which among other things, impose limitations on social gatherings and related activities. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconference meetings of a governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble larger groups of people. Williamson County, within which the District is located, has issued “stay home” orders for most citizens except when engaged in specific essential business functions. Williamson County’s “stay home” order does not prohibit homebuilding activity within the District. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas. Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

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

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition. The financial and operating data contained herein are the latest available but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition.

#### **FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS**

*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 developed lots which are currently being marketed and developed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting 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, credit availability, construction costs, energy availability and the prosperity and demographic characteristics and prospects 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; and thus increase the rate of taxation in the District.

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, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the area's metropolitan and regional economies. See "National and Regional Economy" below.

*National and Regional Economy:* The District is located in northwest Williamson County approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard. The District is within the extraterritorial jurisdiction of the City. Access from Ronald Reagan Boulevard is provided by Via De Sienna Boulevard, a new street constructed by the Developer. The District cannot predict what impact, if any, a future downturn in the national housing market and financial markets could have on the area market. See "Maximum Impact on District Tax Rates" below.

*Competition:* The demand for and construction of single-family homes in the District could be affected by competition from other residential developments in western Williamson County, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that additional building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

**MAXIMUM IMPACT ON DISTRICT TAX RATES . . .** Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Taxable Assessed Valuation is \$368,758,902. After issuance of the Bonds, the maximum debt service requirement will be \$3,091,344 (2040), and the average annual debt service requirement will be \$2,835,511 (2021-2048, inclusive). Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.8599 and \$0.7887 per \$100 appraised valuation at a ninety-seven and a half percent (97.5%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of September 1, 2020 is \$425,360,000. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of September 1, 2020, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.7454 and \$0.6838 per \$100 appraised valuation at a ninety-seven and a half percent (97.5%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners.

**DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPER . . .** The top ten principal taxpayers represent \$43,160,484 or 11.70% of the District's 2020 Certified Taxable Assessed Valuation of \$368,758,902. The District's Developer and Homebuilders (defined

herein) represent 100% of such value. If the Developer or Homebuilders were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

The Developer informed the Board that their current plan is to continue building homes on existing and future lots. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, Homebuilders or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See "THE DEVELOPER."

**UNDEVELOPED ACREAGE . . .** All but approximately 118 acres of developable land within the District has been provided with water, wastewater and storm drainage and detention facilities as of September 1, 2020.

**DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . .** As of September 1, 2020, 375 lots were available for construction. Failure of the Developer or Homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and other tax supported debt of the District. Future increases in value will result primarily from the construction of homes by builders. See "Maximum Impact on District Tax Rates" above.

**TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES . . .** 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 local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt" and "– Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any 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 assessed 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.

**REGISTERED OWNERS' REMEDIES . . .** Remedies available to Registered Owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Resolution are limited. Although state law and the Bond Resolution provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. State law and the Bond Resolution do not provide for acceleration of maturity of the Bonds. Additionally, the Bond Resolution does not appoint a trustee to protect the interests of the Registered Owners or any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. 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 Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property.

Further, the Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally or by a State statute reasonably required to attain an important public purpose. See "Bankruptcy Limitation to Registered Owners' Rights" below.

**BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . .** The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 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.

A district may not be forced into bankruptcy involuntarily.

**FUTURE DEBT . . .** The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, and refunding bonds and notes and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will continue to owe the Developer approximately \$17,585,000, which is expected to be financed with future bond issues. A total of \$111,000,000 principal amount of water, wastewater and drainage bonds and \$10,000,000 for recreational facilities have been authorized by the District's voters. After the issuance of the Bonds, \$57,360,000 of water, wastewater and drainage bonds as well as \$10,000,000 for recreational facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The issuance of certain types of additional bonds and obligations are subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District anticipates that it may issue the full principal amount of \$57,360,000 of unissued bonds authorized for water, wastewater and drainage purposes, in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). See "THE BONDS – Issuance of Additional Debt."

**UTILITY OPERATIONS . . .** Wholesale wastewater service is provided to the District by the City of Liberty Hill ("Liberty Hill"), pursuant to the following agreements: (i) Wholesale Wastewater Service Agreement from Lower Colorado River Authority (the "LCRA") to Chisolm Trail Special Utility District ("CTSUD") for Service to the District and Williamson County Municipal Utility District No. 19 ("MUD 19") dated effective as of September 25, 2006, as supplemented by Supplemental Agreement to the Wholesale Wastewater Service Agreement from LCRA to CTSUD For Service to the District and MUD 19 dated effective as of June 19, 2009, and as amended by First Amendment to the Wholesale Wastewater Service Agreement from LCRA to CTSUD for Service to the District and MUD 19 dated effective as of September 9, 2010; (ii) the Additional Wholesale Wastewater Service Agreement (MUDS 12, 19, and 19A) between the District, MUD No. 19, Williamson County Municipal Utility District No. 19A ("MUD 19A") and Liberty Hill dated effective as of October 30, 2013, as amended by First Amendment to Additional Wholesale Wastewater Agreement (MUD Nos. 12, 19 and 19A) dated effective as of June 12, 2015; and (iii) the Interlocal Agreement Concerning Sewer Service between the Liberty Hill, the District, and MUD No. 19A dated effective as of April 22, 2013.

Retail water service is provided within the District by the City of Georgetown ("Georgetown") pursuant to the First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna KC, LP ("Rancho Sienna"), and the District, dated effective October 9, 2007 ("Original Agreement"), as amended by the First Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District dated effective December 1, 2011 ("First Amendment"), and the Second Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District ("Second Amendment"); and as affected by that certain Assignment and Assumption of Contract dated October 68, 2013 (the "Assignment"), whereby Rancho Sienna assigned all of its rights, title and interest in and to the obligations of such agreements to Developer and CTSUD consented to such assignment; and as further amended by that certain Third Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Developer and the District dated effective August 15, 2013 ("Third Amendment"). The Original Agreement, as amended by the First Amendment, the Second Amendment, as assigned in the Assignment, and as further amended by the Third Amendment, is referred to as the "Service Agreement." The Service Agreement was subsequently assigned to and assumed by Georgetown.

**ENVIRONMENTAL REGULATIONS . . .** Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose 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 to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

*Air Quality Issues.* Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act (“CAA”) Amendments of 1990, the five-county Austin area (“Austin Area”)—Travis, Hays, Williamson, Bastrop, and Caldwell Counties—has been designated an attainment/unclassifiable area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (“the 1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (“the 2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (“the 2015 Ozone Standard”).

Although the Austin Area is currently in attainment, the Austin Area has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that the Austin Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. In the past, the Austin Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. Since 2004, the Austin Area has been party to a curtailment agreement with the TCEQ, and the Austin Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the Austin Area. It is possible that additional controls will be necessary to allow the Austin Area to maintain attainment with the ozone standards. Such additional controls could have a negative impact on the Austin Area’s economic growth and development.

*Water Supply & Discharge Issues.* Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the Austin Area. A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal 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, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

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

In addition to the foregoing, special district activities in the Austin Area involving the clearing of acreage and construction within the Edwards Aquifer recharge, transition, and contributing zones are subject to the TCEQ’s Edwards Aquifer Protection Program, which requires a site-specific application, construction plan approval, and the implementation of temporary and permanent structural and non-structural Best Management Practices and the protection of sensitive features.

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR is effective June 22, 2020 and is currently the subject of ongoing litigation.

Due to existing and possible future litigation, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

**OVERLAPPING AND COMBINED TAX RATES . . .** The tax rate projections for the District reflects a composite tax rate including the District’s debt service and/or maintenance taxes, not to exceed \$2.7667 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct unlimited tax bonds issued by the District, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Williamson County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The projections for the District are consistent with the rules of the TCEQ. If the total combined tax rate of the District should ever exceed \$1.20, the District could be prohibited under rules of the TCEQ from selling additional bonds.

The District may issue additional debt which may change the projected and actual tax rates in the future, which changes may adversely affect future growth and which could affect the ability of each to issue future debt.

**EFFECTS OF PLANNED COMMUNITY . . .** The Developer has no legal obligation to the District to carry out its current plans or any other plans of development within the District. Furthermore, there is no restriction on the Developer or other landowners selling their land. The District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developer. See “Factors Affecting Taxable Values and Tax Payments” above. Neither the Developer nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. See “THE DEVELOPER.” Furthermore, the Developer have no binding commitment to the District to carry out any plans of development in the District, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment. See “THE DISTRICT” and “THE DEVELOPER.”

**NO REQUIREMENT TO BUILD ON DEVELOPED LOTS . . .** There is currently no requirement that individuals or other purchasers of developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

**ATLAS 14 STUDY . . .** The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. Based on this study, various governmental entities, including Travis County, are contemplating amendments to their regulations

that will potentially increase the size of the 100 year floodplain and will also increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). See “THE SYSTEM – 100-Year Flood Plain.”

**MARKETABILITY OF THE BONDS . . .** The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price 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 more generally bought, sold or traded in the secondary market.

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

**GOVERNMENTAL APPROVAL . . .** As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed August 28, 2020. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

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

**DEMAND FOR AND FLUCTUATION OF ASSESSED VALUATION OF HOUSING PRODUCTS . . .** As reflected in “THE DISTRICT – History and Status of Development” herein, the housing product completed and currently planned for portions of the District consists of single-family homes with anticipated prices ranging from \$225,000 to \$600,000.

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**CHANGES IN TAX LEGISLATION . . .** Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

**BOND INSURANCE RISK FACTORS . . .** For a discussion of certain risk factors associated with the municipal bond insurance policy, see “BOND INSURANCE RISKS.”

## **THE BONDS**

**DESCRIPTION . . .** The Bonds will be dated November 19, 2020, with interest payable each February 15 and August 15, beginning February 15, 2021 (each an “Interest Payment Date”) until the earlier of maturity or prior redemption, and will mature on the dates and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the date of initial delivery and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000.

**BOOK-ENTRY-ONLY SYSTEM . . .** The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, 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 3.5 million issues of U.S.

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest 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 Agent, 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 nor its nominee, Agent, or the, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Agent. Payments of principal and interest to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the last day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**SOURCE OF PAYMENT . . .** While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, beginning with the year after the issuance of Bonds, a continuing direct annual ad valorem tax, without legal limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State, Williamson County, the City, Liberty Hill Independent School District, 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, and capitalized interest, shall be deposited in the Debt Service Fund upon receipt. The remaining proceeds from the sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund and used to reimburse the costs of acquiring or construction of District facilities or capacity in facilities serving the District, pay interest on such reimbursements, and pay the costs of issuing the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds” for a more complete description of the use of Bond proceeds.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2026, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 2025, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing on August 15 in the years 2039, 2043 and 2048 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption:

<u>Term Bonds Due August 15, 2039</u>		<u>Term Bonds Due August 15, 2043</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2038	\$ 350,000	August 15, 2041	\$ 400,000
August 15, 2039*	350,000	August 15, 2042	500,000
		August 15, 2043*	500,000

<u>Term Bonds Due August 15, 2048</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2044	\$ 500,000
August 15, 2045	500,000
August 15, 2046	500,000
August 15, 2047	600,000
August 15, 2048*	600,000

\*Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the



Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

**AUTHORITY FOR ISSUANCE . . .** At a bond election held within the District on September 10, 2005, the voters of the District authorized the issuance of \$111,000,000 to supply water, wastewater and drainage facilities for the District as well as \$10,000,000 for recreational facilities. See "Issuance of Additional Debt" below.

The TCEQ has authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS" and recommended, among other things, the levy of a debt service tax rate of at least \$0.9000 per \$100 of appraised valuation in the initial year after the issuance of the Bonds, which is intended to be the 2021 tax year.

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State relating to the issuance of bonds by political subdivisions of the State.

Before the Bonds can be issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

**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.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

**LOST, STOLEN OR DESTROYED BONDS . . .** In the event the book-entry-only system should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

**ISSUANCE OF ADDITIONAL DEBT . . .** The District may issue additional ad valorem tax bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." The District's voters have authorized the issuance of \$111,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system and could authorize additional amounts. The District voters also authorized the issuance of \$10,000,000 principal amount of unlimited tax bonds for

the purpose of recreational facilities. The issuance of additional bonds to refund or redeem the District's bonds is also authorized. After the issuance of the Bonds, \$57,360,000 of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing and constructing a water, wastewater and drainage system as well as \$10,000,000 to fund recreational facilities in the District.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

According to the Engineer, following the issuance of the Bonds, the District will remain obligated to reimburse the Developer approximately \$17,585,000. The District expects to submit bond applications to the TCEQ for the sale of additional bonds (excluding the Bonds) to satisfy its obligation to pay the Developer for such facilities. The District intends to issue such bonds in approximately annual installments, subject to the pace of development and timely TCEQ approval. See "INVESTMENT CONSIDERATIONS – Future Debt."

*Fire-fighting activities:* 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 fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for firefighting purposes. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

*Parks:* The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The voters of the District have authorized a park plan and voted park bonds. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park projects and bonds by the TCEQ; and (b) 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.

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

**ANNEXATION . . .** Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City, the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, under legislation effective December 1, 2017, the City may not annex the District unless (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 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation.

If the District is annexed, the City will assume the District's assets and obligations (including the Bonds) and dissolve the District. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should annexation occur.

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

**REMEDIES IN EVENT OF DEFAULT . . .** The Bond Resolution provides that, in addition to all other rights and remedies of any registered owner provided by the laws of the State, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board or other officers of the District to observe or perform such covenants.

The Bond Resolution provides no additional remedies to a registered owner. Specifically, the Bond Resolution does not provide for an appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy that may have to be enforced from year to year by the registered owners. Under Texas law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Resolution. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

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

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

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

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

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

For purposes of these provisions, “Defeasance Securities” means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America (including Interest Strips of the Resolution Funding Corporations), (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

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

***Retention of Rights:*** To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing the issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the

exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

*Investments:* Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank, which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District or deposited as directed in writing by the District.

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

On 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 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 June 30, 2020:

- The policyholders’ surplus of AGM was approximately \$2,667 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$1,018 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 \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiaries Assured Guaranty (Europe) plc (“AGE UK”) and

Assured Guaranty (Europe) SA (“AGE SA”), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE:** Portions of the following 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:

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

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

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

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

## **BOND INSURANCE RISKS**

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 or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absent 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 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 general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

### USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Jones-Heroy & Associates, Inc. (“Jones-Heroy”), and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts or estimates of various costs by Jones-Heroy and Specialized Public Finance Inc. (“Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and reviewed by the District’s auditor. The contingency or surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

#### I. CONSTRUCTION COSTS

	<u>District’s Share</u>
A. Developer Contribution Items	
1. Rancho Sienna Sections 14, Phase 1 and 15 .....	\$ 1,999,145
2. Rancho Sienna Section 4, Phase 1.....	924,904
3. Rancho Sienna Sections 4, Phase 2 and 11 Phase 1 .....	2,445,000
4. Rancho Sienna Sections 11, Phase 2.....	686,477
5. Engineering and Texting (12.5% of Item No. 2 and 3) .....	513,311
6. Additional Engineering on Previous Projects.....	123,213
7. Preliminary Engineering .....	16,345
8. Section 11 Phase 1 – Pond Maintenance.....	12,307
9. Section 11 Phase 1 – Lift Station Electric Service .....	<u>29,608</u>
Total Developer Contribution Items .....	\$ 6,750,310
B. District Items	
1. Water Impact Fees .....	\$ 1,231,938
2. Wastewater Impact Fees .....	<u>273,700</u>
Total District Items .....	\$ 1,505,638
Total Construction Costs.....	\$ 8,255,948
Less: Surplus Funds .....	<u>\$ (144,403)</u>
<b>Net Construction Costs.....</b>	<b>\$ 8,111,545</b>

#### II. NON-CONSTRUCTION COSTS

A. Legal and Bond Counsel Fees (2.40%) .....	\$ 260,000 <sup>(a)</sup>
B. Fiscal Agent Fees (1.75%).....	192,500 <sup>(b)</sup>
C. Interest Costs:	
1. Capitalized Interest (12 months at 2.58%) .....	269,250
2. Developer Interest .....	1,433,110
D. Bond Discount (2.98%).....	327,645
E. Bond Issuance Expenses .....	41,917
F. Bond Application Report .....	65,000
G. Creation Legal Expenses.....	33,928
H. TCEQ Bond Issuance Fee (0.25%) .....	27,500
I. Attorney General Fees (0.10%).....	9,500
J. Contingency .....	<u>228,105</u>
<b>Total Non-Construction Costs .....</b>	<b>\$ 2,888,455</b>

**TOTAL BOND ISSUE REQUIREMENT .....** \$ **11,000,000**

(a) Pursuant to contract provided, includes fees to be 3% of the first \$3,000,000 in bonds issued; 2.5% of the next \$2,000,000 for the next \$2,000,000 in bonds issued; and 2% of bonds issued over \$5,000,000.

(b) Contract provided indicates fee to be 1.75% of bonds issued.

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**THE DISTRICT**

**GENERAL . . .** The District is a municipal utility district created by a special act of the 78<sup>th</sup> Texas Legislature, Regular Session (Acts 2003, Chapter 760 (the “Act”), effective September 1, 2003). The creation of the District was confirmed at an election held within the District on August 13, 2005. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is located in northwest Williamson County approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard. The District is within the extraterritorial jurisdiction of the City. Access from Ronald Reagan Boulevard is provided by Via De Sienna Boulevard, a new street constructed by the Developer.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants 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. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District, including the District’s issuance of bonds. The City has no jurisdiction regarding issuance of the District’s bonds. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM – Regulation.”

**LAND USE . . .** The following table has been provided by the District’s Engineer and represents the current and planned land use within the District.

	<u>Lots</u>
Single-Family Residential	
Rancho Sienna, Section 1 .....	91
Rancho Sienna, Section 2 .....	67
Rancho Sienna, Section 3 .....	52
Rancho Sienna, Section 4PH1 .....	46
Rancho Sienna, Section 4PH2 .....	53
Rancho Sienna, Section 5A.....	51
Rancho Sienna, Section 5B.....	35
Rancho Sienna, Section 6 .....	48
Rancho Sienna, Section 7 .....	57
Rancho Sienna, Section 8 .....	62
Rancho Sienna, Section 9 .....	97
Rancho Sienna, Section 11PH1 .....	54
Rancho Sienna, Section 11PH2 .....	53
Rancho Sienna, Section 11PH3 .....	52
Rancho Sienna, Section 12 (MHV).....	13
Rancho Sienna, Section 12A.....	35
Rancho Sienna, Section 12B.....	67
Rancho Sienna, Section 13 .....	103
Rancho Sienna, Section 14PH1 .....	51
Rancho Sienna, Section 14PH2 .....	41
Rancho Sienna, Section 15 .....	54
Rancho Sienna, Section 16 .....	46
Rancho Sienna, Section 17 .....	59
Rancho Sienna, Section 18A.....	57
Rancho Sienna, Section 18B.....	56
Rancho Sienna, Section 19A-PH1 (Condo).....	60
Rancho Sienna, Section 19A-PH2 (Condo).....	53
Rancho Sienna, Section 19B.....	<u>23</u>
Subtotal .....	1,536
Undeveloped but Developable Acres.....	118
Undevelopable Acres.....	100

**STATUS OF DEVELOPMENT . . .** Nash Rancho Hills, LLC (the “Developer”) is developing the District as Rancho Sienna, a single-family residential development project. In addition, Rancho Sienna KC, Ltd. is developing a portion of the territory within the District for commercial use.

Homebuilders in the District are Chesmar Homes, DR Horton, Lennar Homes, Trendmaker Homes, Pulte Homes and Perry Homes.

As of September 1, 2020 the District contained 394 developed acres. A total of 1,077 homes were completed and occupied, 36 homes were completed and unoccupied, 53 homes were under construction, and 375 lots were available for construction. As of such date, there were approximately 118 acres of undeveloped but developable land, of which approximately 80 acres will be used for commercial development, with the remaining 38 acres to be used for single-family residential development and approximately 100 acres of undevelopable land. Homes within the District range in price from approximately \$225,000 to \$600,000.

**FUTURE DEVELOPMENT** . . . The District is currently planned as a primarily single-family residential development. All undeveloped but developable acres of land in the District are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities.

The District anticipates issuing additional bonds to accomplish full development of the District. The District's Engineer has stated that under current development plans, the remaining authorized but unissued new money bonds authorized for the acquisition and construction of water, wastewater and storm drainage facilities (\$57,360,000, after issuance of the Bonds) is expected to be sufficient to finance the construction of water, wastewater and storm drainage facilities to complete the District's water, wastewater and storm drainage system for full development of the District and to reimburse the Developer for funds previously advanced to complete such facilities. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments," "– Future Debt" and "THE SYSTEM."

## **THE DEVELOPER**

**ROLE OF A DEVELOPER** . . . In general, the activities of a landowner or developer in a municipal utility district such as the District include conceptualizing 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. While a developer is required by the TCEQ to pave certain streets in the District, 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.

**THE DEVELOPER** . . . The current Developer of the District is Nash Rancho Hills, LLC.

The Developer is developing the land within the District as Rancho Sienna, a master planned community comprised of approximately 1,536 single-family homes.

In addition, the Developer and Rancho Sienna KC, Ltd. intend to develop 79.6 acres within the District for commercial purposes.

**DEVELOPMENT HISTORY** . . . At the time of the District's creation in 2003, all acreage comprising the District was owned by Silvercreek Development, Ltd. In 2004, Silvercreek Development, Ltd. purchased an additional 254.779 acres adjacent to the District. The District currently contains 611.4 acres of land. The land is being developed by the Developer (Nash Rancho Hills, LLC).

**DEVELOPMENT FINANCING** . . . The Developer has financed its development activities in the District with funds provided by its indirect parent, Nash Financing LLC is a wholly-owned subsidiary of NORTH AMERICA SEKISUI HOUSE, LLC, which is a wholly-owned subsidiary of Sekisui House, Ltd., which is listed on the Tokyo Stock Exchange.

**HOMEBUILDERS** . . . Homebuilders in the District are Chesmar Homes, DR Horton, Lennar Homes, Trendmaker Homes, Pulse Homes and Perry Homes (the "Homebuilders").

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**MANAGEMENT OF THE DISTRICT**

**BOARD OF DIRECTORS** . . . The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May of even numbered years only. None of the Board members reside within the District; however, each member owns a small parcel of land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
F. Hagen McMahon, Jr.	President	May 2024
James C. Bohls	Vice President	May 2022
Andrew Hunt	Secretary	May 2024
Michael DaSilva	Assistant Secretary	May 2022
Josh Janysek	Assistant Secretary	May 2024

**DISTRICT CONSULTANTS** . . . The District does not have any full-time employees, but contracts for certain necessary services as described below.

Tax Appraisal: The Williamson Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District contracts with the Williamson County Tax Assessor/Collector (the “Tax Assessor/Collector”) to serve in this capacity.

Engineer: The District’s consulting engineer is Jones-Heroy and Associates, Inc. The District contracted with its Engineer to prepare its bond application to the TCEQ.

Bookkeeper: The District has contracted with Bott & Douthitt, PLLC for bookkeeping services.

Auditor: The District’s financial statements for the year ended September 30, 2019, were audited by Maxwell Locke & Ritter, LLP, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s audited September 30, 2019 financial statements.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as Bond Counsel in connection with the issuance of the District’s debt obligations. Bond Counsel fees are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Specialized Public Finance Inc. serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

General Counsel: The District has engaged Armbrust & Brown, PLLC as general counsel to the District. Compensation for such legal services to the District for work related to the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: Orrick, Herrington & Sutcliffe LLP has been engaged as Disclosure Counsel in connection with the issuance of the Bonds. The fees of the attorneys in their capacity as Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

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## **WATER, SANITARY SEWER AND DRAINAGE FACILITIES**

**REGULATION** . . . Construction and operation of the water, sanitary sewer and storm drainage system serving the District as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and Williamson County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

**WATER AND WASTEWATER** . . . The District is party to the following agreements: (i) Wholesale Wastewater Service Agreement from the LCRA to CTSUD for Service to the District and Williamson County Municipal Utility District No. 19 (“MUD 19”) dated effective as of September 25, 2006, as supplemented by Supplemental Agreement to the Wholesale Wastewater Service Agreement from LCRA to CTSUD For Service to the District and MUD 19 dated effective as of June 19, 2009, and as amended by First Amendment to the Wholesale Wastewater Service Agreement from LCRA to CTSUD for Service to the District and MUD 19 dated effective as of September 9, 2010; (ii) the Additional Wholesale Wastewater Service Agreement (MUDS 12, 19, and 19A) between the District, MUD No. 19, MUD 19A and Liberty Hill dated effective as of October 30, 2013, as amended by First Amendment to Additional Wholesale Wastewater Agreement (MUD Nos. 12, 19 and 19A) dated effective as of June 12, 2015; and (iii) the Interlocal Agreement Concerning Sewer Service between the Liberty Hill, the District, and MUD No. 19A dated effective as of April 22, 2013.

Retail water service is provided within the District by the City of Georgetown (“Georgetown”) pursuant to the First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna KC, LP (“Rancho Sienna”), and the District, dated effective October 9, 2007 (“Original Agreement”), as amended by the First Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District dated effective December 1, 2011 (“First Amendment”), and the Second Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District (“Second Amendment”); and as affected by that certain Assignment and Assumption of Contract dated October 68, 2013 (the “Assignment”), whereby Rancho Sienna assigned all of its rights, title and interest in and to the obligations of such agreements to Developer and CTSUD consented to such assignment; and as further amended by that certain Third Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Developer and the District dated effective August 15, 2013 (“Third Amendment”). The Original Agreement, as amended by the First Amendment, the Second Amendment, as assigned in the Assignment, and as further amended by the Third Amendment, is referred to as the “Service Agreement.” The Service Agreement was subsequently assigned to and assumed by Georgetown. Thereafter, effective June 23, 2020, Georgetown transferred and assigned the Service Agreement and all of Georgetown’s benefits, rights, duties and obligations thereunder to the City of Leander pursuant to that certain Assignment, Assumption, and Consent to Assignment of the First Amended and Restated Non-Standard Water and Wastewater Service Agreement, as Amended, Pertaining to the Rancho Sienna Subdivision, Williamson County, Texas, a/k/a Williamson County Municipal Utility District No. 12. Under these agreements, the District is entitled to capacity in the amount of 1,584 LUEs of wastewater service, and additional LUEs can be transferred from MUD 19A.

**STORM DRAINAGE FACILITIES** . . . The natural drainage patterns of the land in the District include two separate sub-watersheds. The northern part of the District generally drains northward to tributaries of the Middle Fork of the San Gabriel River. The central and southern parts generally drain southward to tributaries of the South Fork of the San Gabriel River.

The drainage system improvements for the District’s development include curb and gutter streets with inlets, storm sewers, and detention and six (6) water quality ponds.

This bond issue includes funding for inlets and storm sewers.

The District is located within the Edwards Aquifer Contributing Zone and Recharge Zone and is subject to the TCEQ’s Edwards Aquifer Rules, including an approved Water Pollution Abatement Plan for water quality control during construction and after completion of development. The selected option for storm water quality facilities includes ponds for detention and treatment of runoff. Four ponds have been constructed in the contract for Rancho Sienna Sections 1 and 2 for detention and water quality with permanent pool wet ponds.

**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. The Flood Insurance Rate Map associated with the District indicates that a portion of the land in the District is located within the 100-year flood plain. See “THE DISTRICT – Land Use” and “INVESTMENT CONSIDERATIONS – Environmental Regulations – Atlas 14 Study.” No portion of the District that is within the floodplain is to be developed.

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band

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

### DEBT SERVICE REQUIREMENTS

**TABLE 1 – DEBT SERVICE REQUIREMENTS . . .** The following sets forth the debt service on the Bonds at the rates shown on the inside cover page.

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2021	\$ 890,000	\$ 1,442,519	\$ 2,332,519	\$ 250,000	\$ 198,946	\$ 448,946	\$ 2,781,465
2022	935,000	1,400,969	2,335,969	350,000	261,750	611,750	2,947,719
2023	975,000	1,359,294	2,334,294	350,000	251,250	601,250	2,935,544
2024	1,015,000	1,315,844	2,330,844	350,000	237,250	587,250	2,918,094
2025	1,060,000	1,280,144	2,340,144	350,000	223,250	573,250	2,913,394
2026	1,110,000	1,245,044	2,355,044	350,000	212,750	562,750	2,917,794
2027	1,160,000	1,208,931	2,368,931	350,000	205,750	555,750	2,924,681
2028	1,210,000	1,170,769	2,380,769	350,000	198,750	548,750	2,929,519
2029	1,265,000	1,130,219	2,395,219	350,000	191,750	541,750	2,936,969
2030	1,325,000	1,090,156	2,415,156	350,000	184,750	534,750	2,949,906
2031	1,380,000	1,047,563	2,427,563	350,000	177,750	527,750	2,955,313
2032	1,450,000	1,003,813	2,453,813	350,000	170,750	520,750	2,974,563
2033	1,510,000	957,350	2,467,350	350,000	163,750	513,750	2,981,100
2034	1,585,000	908,575	2,493,575	350,000	156,750	506,750	3,000,325
2035	1,650,000	855,956	2,505,956	350,000	149,750	499,750	3,005,706
2036	1,735,000	800,794	2,535,794	350,000	142,313	492,313	3,028,106
2037	1,815,000	741,900	2,556,900	350,000	134,438	484,438	3,041,338
2038	1,895,000	680,319	2,575,319	350,000	126,563	476,563	3,051,881
2039	1,985,000	614,475	2,599,475	350,000	118,688	468,688	3,068,163
2040	2,085,000	545,531	2,630,531	350,000	110,813	460,813	3,091,344
2041	1,885,000	472,863	2,357,863	400,000	102,500	502,500	2,860,363
2042	1,665,000	408,725	2,073,725	500,000	92,500	592,500	2,666,225
2043	1,745,000	350,600	2,095,600	500,000	80,000	580,000	2,675,600
2044	1,830,000	289,713	2,119,713	500,000	67,500	567,500	2,687,213
2045	1,910,000	225,325	2,135,325	500,000	55,000	555,000	2,690,325
2046	2,005,000	158,100	2,163,100	500,000	42,500	542,500	2,705,600
2047	1,490,000	87,550	1,577,550	600,000	30,000	630,000	2,207,550
2048	900,000	33,500	933,500	600,000	15,000	615,000	1,548,500
	<u>\$ 41,465,000</u>	<u>\$ 22,826,538</u>	<u>\$ 64,291,538</u>	<u>\$ 11,000,000</u>	<u>\$ 4,102,758</u>	<u>\$ 15,102,758</u>	<u>\$ 79,394,296</u>

Average Annual Debt Service Requirements (2021-2048) .....\$ 2,835,511  
Maximum Annual Debt Service Requirement (2040).....\$ 3,091,344

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**ESTIMATED OVERLAPPING DEBT . . .** The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas.

Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Amount
Williamson County ESD #4	\$ -	9/30/2020	3.01%	\$ -
Liberty Hill Independent School District	224,838,665	9/30/2020	12.67%	28,487,059
Williamson County	1,010,794,956	9/30/2020	0.45%	<u>4,548,577</u>
Total Estimated Overlapping Debt				\$ 33,035,636
The District's Total Direct Debt <sup>(a)</sup>				<u>52,465,000</u>
Total Direct and Estimated Overlapping Debt				\$ 85,500,636

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Certified Taxable Assessed Valuation	23.19%
Estimated Taxable Assessed Valuation (as of September 1, 2020)	20.10%

(a) Includes the Bonds.

**OVERLAPPING TAXES . . .** Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property.

The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2020 tax year by all taxing jurisdictions that overlap the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2020 Tax Rate Per \$100 <u>Assessed Valuation</u>
Williamson County <sup>(a)</sup> .....	\$ 0.4587
Williamson County ESD #4.....	0.0933
Liberty Hill Independent School District.....	<u>1.3647</u>
Total Overlapping Tax Rate.....	\$ 1.9167
The District.....	<u>0.8500</u>
Total Tax Rate.....	\$ 2.7667

(a) Includes \$0.0400 road and bridge tax rate.

TABLE 2 – STATEMENT OF ACTIVITIES

	Fiscal Year Ending September 30,				
	10/1/2019 to 7/31/2020 <sup>(a)</sup>	2019	2018	2017	2016
Property Tax	\$ 448,746	\$ 458,916	\$ 672,783	\$ 893,072	\$ 665,902
Other	11,073	31,537	19,805	7,636	1,735
Total Revenues	\$ 459,819	\$ 490,453	\$ 692,588	\$ 900,708	\$ 667,637
Water Reservation Fees	\$ 433	\$ 17,705	\$ 23,134	\$ 26,640	\$ 32,717
Wastewater Monthly Fees	31,506	75,600	75,600	75,600	75,600
Water Purchases	-	-	-	-	-
Drainage Fees	118,848	105,412	104,843	70,758	47,280
Security Patrol Fees	104,538	108,007	106,184	79,518	55,310
Repairs and Maintenance	114,903	83,651	59,720	58,977	61,795
Utilities	1,758	3,172	1,655	-	-
Director Fees/Payroll Taxes	6,136	9,204	7,428	9,204	8,720
Legal Fees	78,948	71,610	50,462	50,567	58,132
Engineering Fees	14,875	13,740	18,646	26,540	13,078
Bookkeeping Fees	15,750	17,550	17,550	17,200	17,550
Audit Fees	14,000	13,500	16,500	13,000	12,000
Tax Assessor/Collector Fees	2,068	2,728	3,403	5,941	4,709
Insurance	14,612	11,677	8,286	4,730	10,279
Other	1,695	-	4,166	2,871	992
Capital Outlay	-	-	-	-	-
Repayment of Developer Advances	-	9,065	-	-	214,000
Total Expenses	\$ 520,070	\$ 542,621	\$ 497,577	\$ 441,546	\$ 612,162
Excess (Deficiency)	\$ (60,251)	\$ (52,168)	\$ 195,011	\$ 459,162	\$ 55,475
Advances/Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ 214,000
Beginning Fund Balance	\$ 1,311,344	\$ 1,363,512	\$ 1,168,501	\$ 709,339	\$ 439,864
Ending Fund Balance	\$ 1,251,093	\$ 1,311,344	\$ 1,363,512	\$ 1,168,501	\$ 709,339

(a) Unaudited, provided by the bookkeeper.

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**TAX DATA**

**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. The TCEQ, in connection with its approval of the Bonds, recommended that a debt service tax rate of not less than \$0.9000 per \$100 of appraised valuation be levied in the initial year after the issuance of the Bonds, which is expected to be 2021. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments,” “TAX DATA – Historical Tax Rate,” “TAX DATA – Tax Roll Information” below, and “TAXING PROCEDURES.”

**MAINTENANCE TAX . . .** The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.00 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

**TAX EXEMPTIONS . . .** The District has not adopted any local option tax exemptions for property located within the District.

**ADDITIONAL PENALTIES . . .** The District has contracted with Williamson County to collect taxes. Williamson County has contracted with a delinquent tax attorney to collect certain delinquent taxes. The contract establishes an additional penalty of fifteen percent (15%) of the tax to defray the costs of collection. This 15% 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.”

**TABLE 3 – HISTORICAL TAX RATE**

	2016	2017	2018	2019	2020
Debt Service	\$ 0.2500	\$ 0.5660	\$ 0.6710	\$ 0.7100	\$ 0.7100
Maintenance	0.6000	0.2840	0.1790	0.1400	0.1400
Total	\$ 0.8500	\$ 0.8500	\$ 0.8500	\$ 0.8500	\$ 0.8500

**HISTORICAL TAX COLLECTIONS . . .** The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s tax assessor/collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Net Certified Taxable		Total Tax Levy <sup>(b)</sup>	Total Collections		As of
	Assessed Valuation <sup>(a)</sup>	Tax Rate		Amount	Percent	
2015	\$ 84,469,482	\$ 0.8500	\$ 719,433	\$ 719,433	100.00%	9/30/2016
2016	139,700,912	0.8500	1,236,886	1,227,560	99.25%	9/30/2017
2017	178,482,970	0.8500	1,585,041	1,580,286	99.70%	9/30/2018
2018	252,757,657	0.8500	2,159,101	2,158,197	99.96%	9/30/2019
2019	318,900,214	0.8500	2,725,574	2,722,810	99.90%	7/31/2020
2020	368,758,902	0.8500	N/A	N/A	N/A	N/A

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

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**TAX ROLL INFORMATION . . .** The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES – Valuation of Property for Taxation”). The following represents the composition of property comprising the 2017-2020 Certified Taxable Appraised Valuations.

	2020 Certified Taxable Appraised Valuation	2019 Certified Taxable Appraised Valuation	2018 Certified Taxable Appraised Valuation	2017 Certified Taxable Appraised Valuation
Land and Improvements	\$ 355,665,043	\$ 315,433,226	\$ 243,214,665	\$ 166,463,058
Total Appraised Valuation	355,665,043	315,433,226	243,214,665	166,463,058
Exemptions	13,093,859	3,466,988	5,588,475	12,019,912
<b>Total Taxable Appraised Valuation</b>	<b>\$ 368,758,902</b>	<b>\$ 318,900,214</b>	<b>\$ 248,803,140</b>	<b>\$ 178,482,970</b>

**TABLE 4 – PRINCIPAL TAXPAYERS . . .** The following table represents the principal taxpayers, the taxable appraised value of such property, and such property’s appraised value as a percentage of the 2020 Certified Taxable Assessed Valuation. The 2020 Certified Taxable Assessed Valuation is subject to protest, which could result in changes to the principal taxpayers lists.

Taxpayer	Taxable Assessed Value	% of 2020 Taxable Assessed Valuation
Lennar Homes of Texas Land & Construction	\$ 8,187,360	2.22%
Trendmaker Homes Inc.	6,562,383	1.78%
Nash Rancho Hills LLC	6,115,130	1.66%
Nash Rancho Hills LLC	6,097,809	1.65%
Chesmar Homes LLC	4,751,407	1.29%
Rancho Sienna KC LP	2,695,167	0.73%
Lennar Homes of Texas Land & Construction	2,439,309	0.66%
Perry Homes LLC	2,428,374	0.66%
AR3K Holding LLC	2,365,202	0.64%
Pulte Homes of Texas LP	1,518,343	0.41%
	<b>\$ 43,160,484</b>	<b>11.70%</b>

**TAX ADEQUACY FOR DEBT SERVICE . . .** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2020 Certified Taxable Assessed Valuation of \$368,758,902, and the Estimated Taxable Assessed Valuation (as of September 1, 2020) of \$425,360,000, as provided by the Williamson Central Appraisal District. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the debt of the District when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-seven and a half percent (97.5%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “DEBT SERVICE REQUIREMENTS.”

Average Annual Debt Service Requirements on the Bonds (2021-2048).....	\$ 2,835,511
\$0.7887 Tax Rate on 2020 Certified Taxable Assessed Valuation of \$368,758,902 @ 97.5% collections ...	\$ 2,835,691
\$0.6838 Tax Rate on Estimated Taxable Assessed Valuation of \$425,360,000 @ 97.5% collections .....	\$ 2,835,896
 Maximum Annual Debt Service Requirements on the Bonds (2040).....	 \$ 3,091,344
\$0.8599 Tax Rate on 2020 Certified Taxable Assessed Valuation of \$368,758,902 @ 97.5% collections ...	\$ 3,091,684
\$0.7454 Tax Rate on Estimated Taxable Assessed Valuation of \$425,360,000 @ 97.5% collections .....	\$ 3,091,368

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## INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the “Act”). The District’s goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation (“FDIC”) and secured by collateral authorized by the Act, and in TexPool and Texas Class, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service.

**TABLE 5 – CURRENT INVESTMENTS . . .** On September 3, 2020, the District had \$1,298,377 in debt service funds, \$2,324,701 in general funds and \$144,847 in capital project funds. All general funds are held in TexPool or in ABC Bank in checking accounts, money market accounts or certificates of deposit.

## TAXING 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 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. See “TAX DATA – Maintenance Tax.”

**PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . .** The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

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

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the



levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year but must be adopted before July 1.

*Freeport Goods and Goods-in-Transit:* 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 . . .** Williamson County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Williamson County, the Liberty Hill Independent School District and the District, 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 years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. 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. 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.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price 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. 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 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 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 sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property 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 . . .** Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "TAX DATA – Table 3 – Historical Tax Rate" 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 districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the 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 as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its total tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate in excess of 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold a rollback 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 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts: Developed Districts that adopt a total tax rate in excess of 1.035 times the amount of the total tax rate imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions and any unused increments authorized by the Tax Code for the preceding tax year, are required to hold a rollback 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 1.035 times the previous year's operation and maintenance tax rate. 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.

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Other District will be made by the Board on an annual basis, at the time a district sets its tax rate, 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 state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations and Foreclosure Remedies."

**THE EFFECT OF FIRREA 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, interest, or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

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

## LEGAL MATTERS

**LEGAL PROCEEDINGS . . .** Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect, and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, and interest on the Bonds is not subject to the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws," "THE BONDS" (except for "Book-Entry-Only System"), "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor has 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.

Armbrust & Brown PLLC serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to 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 upon the sale and delivery of the Bonds.

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

**NO-LITIGATION CERTIFICATE . . .** The District will furnish 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 there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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

### **TAX MATTERS**

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the "Code") imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service;

rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

**TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . .** The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) The difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) Such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchaser has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

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

## **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 Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and from 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 such sources, 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 . . .** Specialized Public Finance Inc. is employed 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, Specialized Public Finance Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer 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.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Tax Assessor/Collector's office and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this Official Statement relating to engineering 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 Jones-Heroy and Associates, Inc. and has been included herein in reliance upon the authority of said firms as experts in the field of civil engineering.

*Developer:* The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE DEVELOPER – The Developer" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

**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 the Initial Purchaser 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 the 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 Board has relied in part upon its examination of records of the District, and upon 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 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 material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "Table 1 – Debt Service Requirements," "Table 2 – Statement of Activities," "Table 3 – Historical Tax Rate," "Table 4 – Principal Taxpayers," and in "APPENDIX A" (the Audit). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2020 to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 12c2-12 (the "Rule"). 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 such period, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-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 events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). 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 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."

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://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 holders 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 or the business of the Developer, 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 the Rule, taking into account any amendments or interpretations of the Rule 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 holders 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 the Rule 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 Initial purchaser 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 last five years, the District has complied in all material respects with its continuing disclosure agreements in accordance with the Rule.

**MISCELLANEOUS**

All estimates, statements and assumptions in this Official Statement and the APPENDICES 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.

/s/ F. HAGEN MCMAHON, JR.  
President, Board of Directors  
Williamson County Municipal Utility District No. 12

ATTEST:

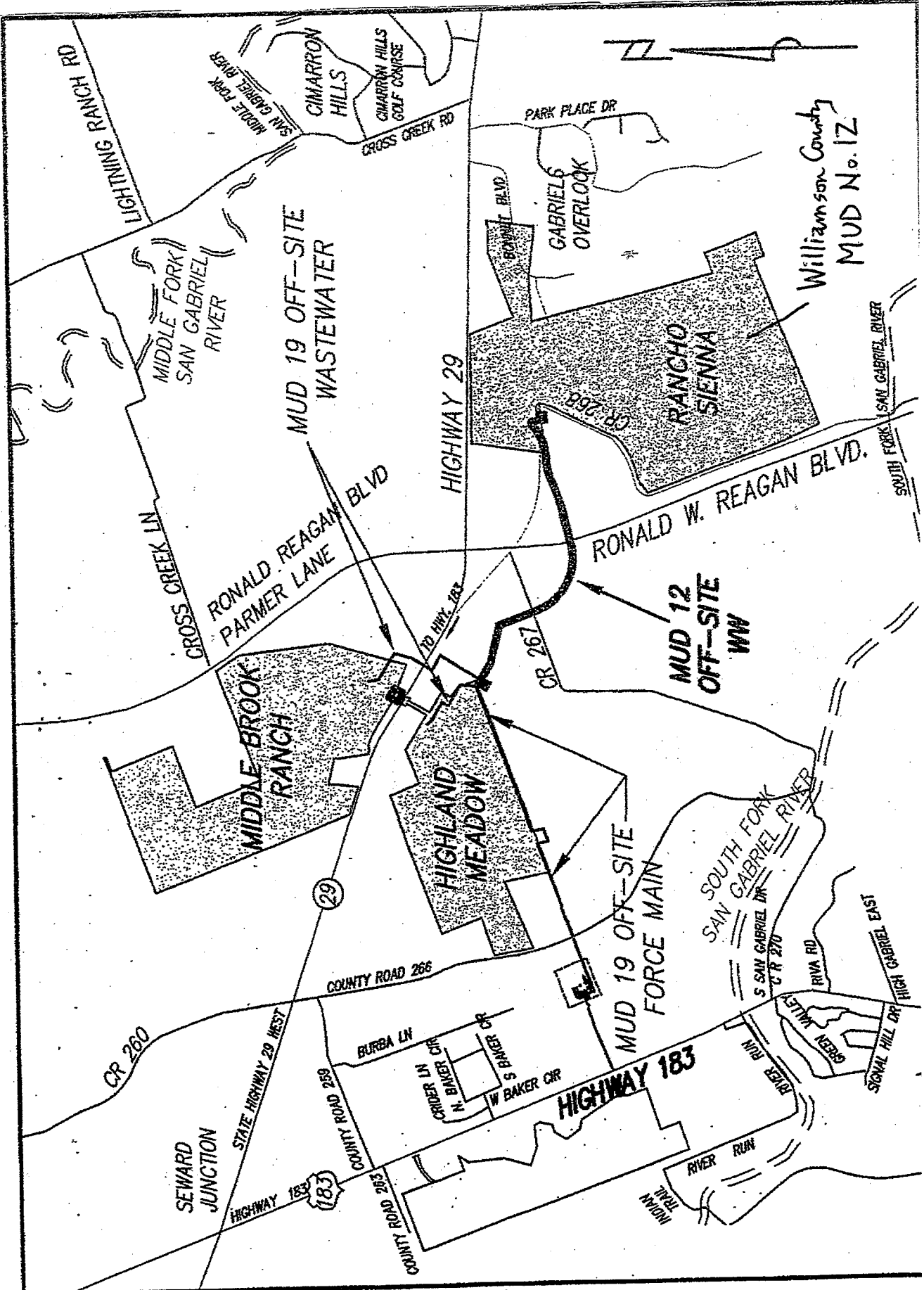
/s/ ANDREW HUNT  
Secretary, Board of Directors  
Williamson County Municipal Utility District No. 12



**AERIAL BOUNDARY MAP**

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# LOCATION MAP



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**PHOTOGRAPHS OF THE DISTRICT**

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**APPENDIX A**

AUDITED FINANCIAL STATEMENT OF THE DISTRICT  
FOR THE YEAR ENDED SEPTEMBER 30, 2019

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MAXWELL LOCKE & RITTER LLP

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Williamson County Municipal Utility District No. 12:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Williamson County Municipal Utility District No. 12 (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

Affiliated Company  
ML&R WEALTH MANAGEMENT LLC  
*"A Registered Investment Advisor"*  
*This firm is not a CPA firm*

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and FS-20, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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



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

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

*Maxwell Locke & Ritter LLP*

Austin, Texas  
February 6, 2020

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Williamson County Municipal Utility District No. 12 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- *General Fund:* At the end of the current fiscal year, the fund balance totaled \$1,311,344, a decrease of \$52,168 from the previous fiscal year. General Fund expenditures increased from \$497,577 in the previous fiscal year to \$542,621 in the current fiscal year. General Fund revenues decreased from \$692,588 in the previous fiscal year to \$490,453 in the current fiscal year, primarily due to a decrease in the property tax rate allocated to the General Fund.
- *Debt Service Fund:* At the end of the current fiscal year, the fund balance for the Debt Service Fund was \$641,344. During the current fiscal year, the District paid \$525,000 of principal and \$1,288,188 of interest on outstanding unlimited tax bonds.
- *Capital Projects Fund:* At the end of the current fiscal year, the fund balance for the Capital Projects Fund was \$557. During the current fiscal year, the District issued \$11,010,000 of unlimited tax bonds and used the proceeds to reimburse the developer for \$8,633,201 of water, wastewater and drainage improvements and land acquisitions, \$1,146,233 of developer interest, and paid \$993,218 on bond related expenditures.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$2,315,633 in the current fiscal year. Net position decreased from a deficit balance of \$3,518,705 at September 30, 2018 to a deficit balance of \$5,834,338 at September 30, 2019.

**OVERVIEW OF THE DISTRICT**

The District was created, organized and established on June 20, 2003, by Texas House Bill No. 3560 relating to the creation, administration, powers, duties, operation and financing of the District.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**USING THIS ANNUAL REPORT**

This annual report consists of six parts:

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

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

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

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

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

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2019	2018	
Current and other assets	\$ 2,512,086	\$ 2,251,214	\$ 260,872
Capital assets	30,622,962	22,590,222	8,032,740
<b>Total Assets</b>	<b>33,135,048</b>	<b>24,841,436</b>	<b>8,293,612</b>
Current liabilities	803,333	721,173	82,160
Long-term liabilities	38,166,053	27,638,968	10,527,085
<b>Total Liabilities</b>	<b>38,969,386</b>	<b>28,360,141</b>	<b>10,609,245</b>
Net investment in capital assets	(6,917,607)	(4,449,888)	(2,467,719)
Restricted for debt service	472,573	267,143	205,430
Unrestricted	610,696	664,040	(53,344)
<b>Total Net Position</b>	<b>\$ (5,834,338)</b>	<b>\$ (3,518,705)</b>	<b>\$ (2,315,633)</b>

The District's net position decreased by \$2,315,633 during the 2019 fiscal year to a deficit balance of \$5,834,338 at September 30, 2019 from a deficit balance of \$3,518,705 at September 30, 2018. The District's unrestricted net position, which can be used to finance day to day operations, decreased \$53,344 from the previous fiscal year.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

**Revenues and Expenses:**

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2019	2018	
Property taxes, including penalties	\$ 2,164,025	\$ 1,737,303	\$ 426,722
Other	67,192	45,267	21,925
<b>Total Revenues</b>	<b>2,231,217</b>	<b>1,782,570</b>	<b>448,647</b>
Professional fees	123,078	108,751	14,327
Water and wastewater fees	93,305	98,734	(5,429)
Security patrol fees	108,007	106,184	1,823
Recurring operating	228,456	196,283	32,173
Developer interest	1,146,233	-	1,146,233
Debt service	2,255,829	957,093	1,298,736
Depreciation and amortization	591,942	424,408	167,534
<b>Total Expenses</b>	<b>4,546,850</b>	<b>1,891,453</b>	<b>2,655,397</b>
Change in Net Position	(2,315,633)	(108,883)	(2,206,750)
Beginning Net Position	(3,518,705)	(3,409,822)	(108,883)
Ending Net Position	<b>\$ (5,834,338)</b>	<b>\$ (3,518,705)</b>	<b>\$ (2,315,633)</b>

Revenues were \$2,231,217 for the fiscal year ended September 30, 2019, while expenses were \$4,546,850. Net position decreased \$2,315,633 during the 2019 fiscal year.

Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2018 tax year (September 30, 2019 fiscal year) were based upon a current assessed value of \$253,811,956 and a tax rate of \$0.85 per \$100 of assessed valuation. Property taxes levied for the 2017 tax year (September 30, 2018 fiscal year) were based upon an adjusted assessed valuation of \$186,382,452 and a tax rate of \$0.85 per \$100 of assessed valuation. Property tax revenue in the current fiscal year totaled \$2,164,025, an increase of \$426,722 from fiscal year 2018. Property taxes are the primary source of revenue for the District.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**ANALYSIS OF GOVERNMENTAL FUNDS**

Governmental Funds by Year

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,987,960	\$ 1,779,296
Receivables	46,351	119,343
Prepaid expenditures	43,933	68,537
Total Assets	<u>\$ 2,078,244</u>	<u>\$ 1,967,176</u>
Accounts payable	\$ 78,848	\$ 79,191
Interfund payables	45,247	115,254
Total Liabilities	<u>124,095</u>	<u>194,445</u>
Deferred Inflows of Resources	<u>904</u>	<u>4,089</u>
Nonspendable	287	633
Restricted	641,901	405,130
Assigned	183,684	103,983
Unassigned	<u>1,127,373</u>	<u>1,258,896</u>
Total Fund Balances	<u>1,953,245</u>	<u>1,768,642</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 2,078,244</u>	<u>\$ 1,967,176</u>

As of September 30, 2019, the District's governmental funds reflected a total fund balance of \$1,953,245, of which \$1,127,373 is considered unassigned fund balance.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**CAPITAL ASSETS**

The District's governmental activities have invested \$30,622,962 in land and easements and water, wastewater and drainage facilities. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2019	9/30/2018
Land and easements	\$ 2,003,048	\$ 1,792,362
Water/wastewater/drainage facilities	30,023,055	21,600,540
Less: Accumulated depreciation	(1,403,141)	(802,680)
Total Net Capital Assets	\$ 30,622,962	\$ 22,590,222

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

**LONG-TERM DEBT ACTIVITY**

Voters within the District have authorized issuance of \$111,000,000 of unlimited tax bonds to fund the cost of proposed facilities and related non-construction costs based upon the District's engineer reports. Additionally, \$10,000,000 of bonds to fund costs for parks and recreational facilities were approved by voters of the District. As of September 30, 2019, \$38,390,000 of unlimited tax bonds have been issued, \$37,770,000 of which remains outstanding at September 30, 2019.

At September 30, 2019, the District owes \$700,838 to the developer for advances used to fund operating activities and purchase capital assets.

**BUDGETARY HIGHLIGHTS**

The General Fund pays for daily operating costs. On September 6, 2018, the Board of Directors approved a budget including revenues of \$452,987 as compared to expenditures of \$556,970 for the 2019 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive variance of \$51,815 for the 2019 fiscal year primarily due to increased property tax receipts and interest earnings. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.



**BASIC  
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<b>ASSETS:</b>						
Cash and cash equivalents:						
Cash	\$ 63,176	\$ -	\$ -	\$ 63,176	\$ -	\$ 63,176
Cash equivalents	1,280,023	644,761	-	1,924,784	-	1,924,784
Receivables:						
Property taxes	190	714	-	904	-	904
Interfund	45,247	-	-	45,247	(45,247)	-
Other	200	-	-	200	-	200
Prepaid expenditures	287	-	43,646	43,933	479,089	523,022
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	2,003,048	2,003,048
Water/wastewater/drainage facilities	-	-	-	-	28,619,914	28,619,914
<b>TOTAL ASSETS</b>	<b>1,389,123</b>	<b>645,475</b>	<b>43,646</b>	<b>2,078,244</b>	<b>31,056,804</b>	<b>33,135,048</b>
<b>LIABILITIES:</b>						
Accounts payable	\$ 77,589	\$ 1,259	\$ -	\$ 78,848	-	78,848
Accrued interest payable	-	-	-	-	169,485	169,485
Interfund payables	-	2,158	43,089	45,247	(45,247)	-
Long-term liabilities -						
Due to developer	-	-	-	-	700,838	700,838
Bonds payable:						
Due within one year	-	-	-	-	555,000	555,000
Due after one year	-	-	-	-	37,465,215	37,465,215
<b>TOTAL LIABILITIES</b>	<b>77,589</b>	<b>3,417</b>	<b>43,089</b>	<b>124,095</b>	<b>38,845,291</b>	<b>38,969,386</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Property taxes	190	714	-	904	(904)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>190</b>	<b>714</b>	<b>-</b>	<b>904</b>	<b>(904)</b>	<b>-</b>
<b>FUND BALANCES / NET POSITION:</b>						
Fund balances:						
Nonspendable	287	-	-	287	(287)	-
Restricted for:						
Debt service	-	641,344	-	641,344	(641,344)	-
Capital projects	-	-	557	557	(557)	-
Assigned for 2019 - 2020 budget deficit	183,684	-	-	183,684	(183,684)	-
Unassigned	1,127,373	-	-	1,127,373	(1,127,373)	-
<b>TOTAL FUND BALANCES</b>	<b>1,311,344</b>	<b>641,344</b>	<b>557</b>	<b>1,953,245</b>	<b>(1,953,245)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 1,389,123</b>	<b>\$ 645,475</b>	<b>\$ 43,646</b>	<b>\$ 2,078,244</b>		
Net position:						
Net investment in capital assets					(6,917,607)	(6,917,607)
Restricted for debt service					472,573	472,573
Unrestricted					610,696	610,696
<b>TOTAL NET POSITION</b>					<b>\$ (5,834,338)</b>	<b>\$ (5,834,338)</b>

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
<b>REVENUES:</b>						
Property taxes, including penalties	\$ 458,916	\$ 1,708,294	\$ -	\$ 2,167,210	\$ (3,185)	\$ 2,164,025
Other	31,537	32,957	2,698	67,192	-	67,192
<b>TOTAL REVENUES</b>	<b>490,453</b>	<b>1,741,251</b>	<b>2,698</b>	<b>2,234,402</b>	<b>(3,185)</b>	<b>2,231,217</b>
<b>EXPENDITURES / EXPENSES:</b>						
Water reservation fees	17,705	-	-	17,705	-	17,705
Wastewater monthly fees	75,600	-	-	75,600	-	75,600
Drainage maintenance	105,412	-	-	105,412	-	105,412
Repairs and maintenance	83,651	-	-	83,651	-	83,651
Utilities	3,172	-	-	3,172	-	3,172
Security patrol fees	108,007	-	-	108,007	-	108,007
Director fees, including payroll taxes	9,204	-	-	9,204	-	9,204
Legal fees	71,610	-	-	71,610	-	71,610
Bookkeeping fees	17,550	-	-	17,550	-	17,550
Audit fees	13,500	-	-	13,500	-	13,500
Engineering fees	13,740	-	-	13,740	-	13,740
Other consulting fees	6,678	-	-	6,678	-	6,678
Tax appraisal/collection fees	2,728	10,225	-	12,953	-	12,953
Insurance	11,677	-	-	11,677	-	11,677
Public notice	555	-	-	555	-	555
Other	1,832	-	-	1,832	-	1,832
Developer interest	-	-	1,146,233	1,146,233	-	1,146,233
Debt service:						
Principal	-	525,000	-	525,000	(525,000)	-
Interest	-	1,288,188	-	1,288,188	70,206	1,358,394
Bond issue costs	-	-	993,218	993,218	(97,500)	895,718
Fiscal agent fees and other	-	1,717	-	1,717	-	1,717
Capital outlay	-	-	8,633,201	8,633,201	(8,633,201)	-
Depreciation and amortization	-	-	-	-	591,942	591,942
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>542,621</b>	<b>1,825,130</b>	<b>10,772,652</b>	<b>13,140,403</b>	<b>(8,593,553)</b>	<b>4,546,850</b>
Excess (deficit) of revenues over (under) expenditures / expenses	(52,168)	(83,879)	(10,769,954)	(10,906,001)	8,590,368	(2,315,633)
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of bonds	-	-	11,010,000	11,010,000	(11,010,000)	-
Discount on sale of bonds	-	-	(39,071)	(39,071)	39,071	-
Premium on sale of bonds	-	-	119,675	119,675	(119,675)	-
Operating transfer	-	343,821	(343,821)	-	-	-
<b>TOTAL OTHER FINANCING SOURCES, NET</b>	<b>-</b>	<b>343,821</b>	<b>10,746,783</b>	<b>11,090,604</b>	<b>(11,090,604)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(52,168)</b>	<b>259,942</b>	<b>(23,171)</b>	<b>184,603</b>	<b>(184,603)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,315,633)</b>	<b>(2,315,633)</b>
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	1,363,512	381,402	23,728	1,768,642	(5,287,347)	(3,518,705)
End of the year	\$ 1,311,344	\$ 641,344	\$ 557	\$ 1,953,245	\$ (7,787,583)	\$ (5,834,338)

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

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Williamson County Municipal Utility District No. 12 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. GAAP for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Reporting Entity** - The District was created, organized and established on June 20, 2003, by Texas House Bill No. 3560 relating to the creation, administration, powers, duties, operation and financing of the District. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units which are included in the District's reporting entity.

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

- **Government-Wide Financial Statements:** The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District's capital assets, including infrastructure, and amortization of original issue discounts and premiums.

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

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

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

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

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

*Basis of Accounting*

- **Governmental Funds**

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

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

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

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

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. The District has made no such accrual for the year ended September 30, 2019. All other revenues of the District are recorded on the accrual basis in all funds.

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

*Budgets and Budgetary Accounting* - A budget was adopted on September 6, 2018 for the General Fund on a basis consistent with GAAP. The District’s Board utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end. The budget was not amended during the fiscal year.



**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

*Cash and Cash Equivalents* - Cash and cash equivalents include cash on deposit as well as investments with maturities of three months or less. The short-term investments, consisting of obligations in the State Treasurer's Investment Pool, are recorded at amortized cost.

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

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

*Capital Assets* - Capital assets, which include land and easements and the water, wastewater and drainage facilities, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including the water, wastewater and drainage facilities are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets will be recorded as capital assets at estimated acquisition value at the time received.

Capital assets, other than land and easements, are depreciated using the straight-line method over the following estimated useful life:

Asset	Years
Water, Wastewater and Drainage Facilities	50

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



**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

*Recently Issued Accounting Pronouncements* - In June 2017, GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS**

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

Fund balances - total governmental funds		\$ 1,953,245
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital assets (including land and easements)	\$ 32,026,103	
Less: Accumulated depreciation	(1,403,141)	30,622,962
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available.		904
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Developer advances	(700,838)	
Bonds payable	(37,770,000)	
Bond discounts, net	298,655	
Bond premiums, net	(548,870)	
Bond insurance premium, net	479,089	
Accrued interest	(169,485)	(38,411,449)
Total net position		<u>\$ (5,834,338)</u>

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

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

Changes in fund balances - total governmental funds		\$ 184,603
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond principal in year paid	\$ 525,000	
Interest expenditures in year paid	(70,206)	
Tax revenue when collected	(3,185)	
Bond insurance premium in year paid	97,500	
Capital outlay in year paid	8,633,201	
Bond proceeds, net of premium/discount	<u>(11,090,604)</u>	(1,908,294)
Governmental funds do not report:		
Depreciation	(600,461)	
Amortization of bond premium, discount	<u>8,519</u>	<u>(591,942)</u>
Change in net position		<u>\$ (2,315,633)</u>

**3. CASH AND CASH EQUIVALENTS**

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

**Cash** - At September 30, 2019, the carrying amount of the District's deposits was \$63,176 and the bank balance was \$67,078. The bank balance was covered by FDIC insurance.

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

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

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

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

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

<u>Cash Equivalents</u>	<u>Fair Value at 9/30/2019</u>	<u>Weighted Average Maturity (Days)</u>	<u>Investment Rating</u>	
			<u>Rating</u>	<u>Rating Agency</u>
TexPool	\$ 1,924,784	1	AAAm	Standard & Poors

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

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

**Concentration of credit risk** - In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2019, the District did not own any investments in individual securities.

**Custodial credit risk** - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2019, the District's bank deposits were fully covered by FDIC insurance.

**4. PROPERTY TAXES**

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Williamson Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. The uncollected balance is reported as deferred inflows of resources. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges. The maximum allowable maintenance tax of \$1.00 was established by the voters on September 10, 2005.

In September 2018, the District levied a tax rate of \$0.85 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The total 2018 tax levy (plus adjustments) was \$2,157,402 based on a taxable valuation of \$253,811,956.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

Property tax receivables at September 30, 2019 consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 190	\$ 714	\$ 904
	\$ 190	\$ 714	\$ 904

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

**5. INTERFUND ACCOUNTS**

A summary of interfund accounts at September 30, 2019 is as follows:

	Interfund	
	Receivable	Payable
General Fund :		
Debt Service Fund	\$ 2,158	-
Capital Projects Fund	43,089	-
Debt Service Fund -		
General Fund	-	2,158
Capital Projects Fund -		
General Fund	-	43,089
	\$ 45,247	\$ 45,247

During the year ended September 30, 2019, the Capital Projects Fund transferred \$343,821 to the Debt Service Fund to utilize excess proceeds from previous bond issuances for debt service.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated - Land and easements	\$ 1,792,362	\$ 210,686	\$ -	\$ 2,003,048
Capital assets being depreciated - Water/Wastewater/Drainage Facilities	21,600,540	8,422,515	-	30,023,055
Total capital assets being depreciated	21,600,540	8,422,515	-	30,023,055
Less accumulated depreciation for - Water/Wastewater/Drainage Facilities	(802,680)	(600,461)	-	(1,403,141)
Total accumulated depreciation	(802,680)	(600,461)	-	(1,403,141)
Total capital assets being depreciated, net of accumulated depreciation	20,797,860	7,822,054	-	28,619,914
Total capital assets, net	<u>\$22,590,222</u>	<u>\$ 8,032,740</u>	<u>\$ -</u>	<u>\$30,622,962</u>

**7. LONG-TERM DEBT**

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

	Unlimited Tax Bonds
Bonds payable at September 30, 2018	\$ 27,285,000
Bonds issued	11,010,000
Bonds retired	(525,000)
Less: Bond discounts, net	(298,655)
Less: Bond premiums, net	548,870
Bonds payable at September 30, 2019	<u>\$ 38,020,215</u>

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

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

**Unlimited Tax Bonds -**

\$3,805,000 - 2015 Unlimited Tax Bonds payable serially through the year 2040 at interest rates which range from 3.00% to 4.00%.

\$4,170,000 - 2016 Unlimited Tax Bonds payable serially through the year 2041 at interest rates which range from 2.00% to 5.00%.

\$8,920,000 - 2016A Unlimited Tax Bonds payable serially through the year 2046 at interest rates which range from 3.00% to 5.50%.

\$9,865,000 - 2017 Unlimited Tax Bonds payable serially through the year 2047 at interest rates which range from 3.00% to 5.00%.

\$11,010,000 - 2018 Unlimited Tax Bonds payable serially through the year 2048 at interest rates which range from 3.75% to 5.00%.

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

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2020	\$ 555,000	\$ 1,355,881	\$ 1,910,881
2021	810,000	1,329,405	2,139,405
2022	850,000	1,290,255	2,140,255
2023	885,000	1,251,130	2,136,130
2024	920,000	1,210,380	2,130,380
2025-2029	5,280,000	5,545,840	10,825,840
2030-2034	6,600,000	4,581,203	11,181,203
2035-2039	8,280,000	3,350,650	11,630,650
2040-2044	8,225,000	1,840,147	10,065,147
2045-2048	5,365,000	432,483	5,797,483
	<u>\$ 37,770,000</u>	<u>\$ 22,187,374</u>	<u>\$ 59,957,374</u>



**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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

\$641,344 is available in the Debt Service Fund to service the bonded debt as of September 30, 2019. Bonds authorized but not issued as of September 30, 2019 are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 72,610,000
Refunding Bonds	\$ 166,500,000
Parks and Recreational Facilities	\$ 10,000,000

**8. RISK MANAGEMENT**

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

**9. COMMITMENTS AND CONTINGENCIES**

In 2006, the District entered into a Non-Standard Water and Wastewater Service Agreement with Chisholm Trail Special Utility District ("CTSUD") and the developer, whereby CTSUD agreed to provide retail water and wastewater services to the District. The District agreed to pay an Annual Water Supply Reservation Fee to the Brazos River Authority equal to \$62.50 times 1,584 reserved Living Unit Equivalents ("LUEs") times 0.40 (the conversion factor between one acre-foot and one LUE). The annual water supply reservation fee is calculated as of January 1 and due January 31 of each reservation period. The calculation is equal to the product of the reservation fee times the reserved LUEs less the total number of active connections within the District, as of January 1 of each year. The total water supply reservation fees accrued during the fiscal year ended September 30, 2019 were \$17,705. During 2013, this agreement was assigned to the City of Liberty Hill ("Liberty Hill").

In April 2013, the District entered into an Interlocal Agreement Concerning Sewer Service with Liberty Hill, whereby the District agrees to assign the waste discharge permit to Liberty Hill at such time a permit is obtained to build a wastewater plant within the District. In return, Liberty Hill will provide a total of 9,251 LUEs of wastewater service, with a minimum of 1,584 of those LUEs allocated to the District.



**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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**9. COMMITMENTS AND CONTINGENCIES (continued) -**

On October 24, 2013, the District entered into a Wastewater Operation Services Agreement with Liberty Hill which provides that Liberty Hill will bill, collect, operate and maintain the District's wastewater system on behalf of the District. Liberty Hill began providing these services on November 1, 2013 and is to pay the costs of operations and maintenance of the wastewater system. In the event of any repair, replacement or improvement of the wastewater system that is projected to cost in excess of \$5,000, the District is to provide the funds to Liberty Hill to make the repair or is responsible for the repair itself.

In 2013, NASH Rancho Hills, LLC ("NASH") purchased all residential property within the District from Rancho Sienna KC, LP ("Rancho"). Pursuant to the utility allocation agreement, Rancho and NASH agreed that 1,394 LUEs of water capacity and 1,352 LUEs of wastewater capacity would be set aside for NASH for the benefit of the land acquired under the Purchase and Sale Agreement. NASH acquired the balance of the prepaid water impact fees under Agreement No. 5, and NASH also acquired the remaining prepaid wastewater impact fees pursuant to the \$380,000 previously paid by Rancho for wastewater impact fees. Rancho and NASH are to pay any other water and wastewater impact fees. Rancho and NASH are to also pay their pro rata share of the Reservation Fees under the Non-Standard Water and Wastewater Service Agreement discussed above.

The District is currently under development and the construction of facilities is being paid by the developer of the District. The Board authorized the funding of the projects and the reimbursement of the developer for the cost of the projects out of bond proceeds when the bonds are authorized and issued. The bond proceeds will be used to purchase all of the capital assets within the District including related infrastructure. Voters within the District have approved authorization to issue \$111,000,000 of unlimited tax bonds to fund the cost of proposed facilities and related non-construction costs based upon the District's engineer reports. Additionally, \$10,000,000 of bonds to fund costs for parks and recreational facilities were approved by voters of the District. As of September 30, 2019, \$38,390,000 of unlimited tax bonds have been issued. As of September 30, 2019, the District owed \$700,838 to the developer for advances used to fund operating activities and purchase capital assets.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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**10. FUND BALANCES**

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

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District has assigned \$183,684 for a budgeted deficit for the fiscal year ending September 30, 2020.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

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

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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**11. SUBSEQUENT EVENT**

On November 7, 2019, the District closed on the sale of the \$4,250,000 Series 2019 Bonds. Proceeds of the bonds were used to reimburse a developer within the District for the District's portion of certain costs of water and wastewater impact fees and land acquisition costs. The bonds were issued at interest rates ranging from 2.0% to 3.0% with maturity dates through August 15, 2048.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 458,916	\$ 443,387	\$ 15,529
Other	31,537	9,600	21,937
<b>TOTAL REVENUES</b>	<u>490,453</u>	<u>452,987</u>	<u>37,466</u>
<b>EXPENDITURES:</b>			
Water reservation fees	17,705	25,000	7,295
Wastewater monthly fees	75,600	75,600	-
Drainage fees	105,412	108,000	2,588
Repairs and maintenance	83,651	84,000	349
Utilities	3,172	6,000	2,828
Security patrol fees	108,007	108,000	(7)
Director fees, including payroll taxes	9,204	9,720	516
Legal fees	71,610	60,000	(11,610)
Bookkeeping fees	17,550	17,550	-
Audit fees	13,500	17,500	4,000
Engineering fees	13,740	24,000	10,260
Other consulting fees	6,678	-	(6,678)
Tax appraisal/collection fees	2,728	9,000	6,272
Insurance	11,677	8,600	(3,077)
Public notice	555	1,000	445
Other	1,832	3,000	1,168
<b>TOTAL EXPENDITURES</b>	<u>542,621</u>	<u>556,970</u>	<u>14,349</u>
<b>NET CHANGE IN FUND BALANCE</b>	(52,168)	<u>\$ (103,983)</u>	<u>\$ 51,815</u>
Beginning of the year	<u>1,363,512</u>		
End of the year	<u>\$ 1,311,344</u>		

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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