

OFFICIAL STATEMENT DATED MAY 7, 2021

NEW ISSUE -BOOK-ENTRY-ONLY

RATINGS: BAM Insured S&P “AA” (stable outlook);  
Moody’s Underlying “Baa3”  
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

*In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel to the District, interest on the Bonds (defined herein) is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date of such opinion, subject to the matters described under “TAX MATTERS” herein.*

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

**\$1,900,000**  
**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**  
**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

**Dated: June 8, 2021**

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

The \$1,900,000 Williamson County Municipal Utility District No. 22 Unlimited Tax Refunding Bonds, Series 2021 (the “Bonds”) constitute obligations solely of Williamson County Municipal Utility District No. 22 (the “District”) and are not obligations of the State of Texas (the “State”); the City of Hutto, Texas; Williamson County, Texas; or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the date of delivery, currently anticipated to be June 8, 2021, and is payable September 1, 2021, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY-SYSTEM.” The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Austin, Texas.

The Bonds are being issued to (i) currently refund a portion of the District’s outstanding Unlimited Tax Bonds, Series 2015 to achieve a debt service savings and (ii) pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “MUNICIPAL BOND RATINGS” AND “BOND INSURANCE.”



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

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The Bonds, when issued, will constitute valid and legally binding obligations of the District 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. See “THE BONDS – Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. SEE “INVESTMENT CONSIDERATIONS” HEREIN.

The Bonds are offered when, as, and if issued by the District, and accepted by the initial purchaser thereof named below (the “Underwriter”) subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe, LLP, Austin, Texas. The Bonds in definitive form are expected to be available for delivery in book-entry form through DTC, on or about June 8, 2021.

**SAMCO Capital**

**MATURITY SCHEDULE  
(Due September 1)**

CUSIP Prefix: 97000V

Principal		Interest	Initial	CUSIP	Principal		Interest	Initial	CUSIP
Due	Amount	Rate	Reoffering Yield <sup>(b)</sup>	Suffix <sup>(c)</sup>	Due	Amount	Rate	Reoffering Yield <sup>(b)</sup>	Suffix <sup>(c)</sup>
2021	\$ 15,000	3.000%	0.370%	GD3	2025	\$ 85,000	3.000%	0.930%	GH4
2022	65,000	3.000%	0.490%	GE1	2026	85,000	3.000%	1.020%	GJ0
2023	70,000	3.000%	0.610%	GF8	2027	90,000	3.000%	1.140%	GK7
2024	75,000	3.000%	0.810%	GG6					
\$190,000 2.000% Term Bond due September 1, 2029 <sup>(a)</sup> Yield 1.450% <sup>(b)</sup> CUSIP Suffix GM3 <sup>(c)</sup> \$315,000 2.000% Term Bond due September 1, 2032 <sup>(a)</sup> Yield 1.900% <sup>(b)</sup> CUSIP Suffix GQ4 <sup>(c)</sup> \$360,000 2.000% Term Bond due September 1, 2035 <sup>(a)</sup> Yield 2.090% <sup>(b)</sup> CUSIP Suffix GT8 <sup>(c)</sup> \$550,000 2.125% Term Bond due September 1, 2039 <sup>(a)</sup> Yield 2.320% <sup>(b)</sup> CUSIP Suffix GX9 <sup>(c)</sup>									

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, the Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds maturing September 1, 2029, September 1, 2032, September 1, 2035, and September 1, 2039 (collectively, the “Term Bonds”) are also subject to mandatory sinking fund redemption. See “THE BONDS – Redemption.”
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first allowable redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligences on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, nor Public Finance Group LLC, the District’s financial advisor (the “Financial Advisor”) is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

**Build America Mutual Assurance Company (“BAM”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM supplied by BAM and presented under the heading “BOND INSURANCE” and “APPENDIX C – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”**

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

Any reference to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the readers' convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

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

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

## SALE AND DISTRIBUTION OF THE BONDS

### Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the District pursuant to a bond purchase agreement (the "Bond Purchase Agreement") for \$1,901,461.10 (an amount equal to the principal amount of the Bonds, plus a net premium of \$25,068.00, less an Underwriter's discount of \$23,606.90).

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

### Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current COVID-19 pandemic. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outbreak

(COVID-19)." Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See "INVESTMENT CONSIDERATIONS – No Certainty of a Secondary Market."

## **Securities Laws**

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

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

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

## **MUNICIPAL BOND RATINGS**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa3" to the Bonds.

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

## **BOND INSURANCE**

### **Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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.

### **Build America Mutual Assurance Company**

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any

downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at [www.buildamerica.com](http://www.buildamerica.com), is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

#### **BAM GreenStar Bonds**

The Bonds have been designated *BAM GreenStar Bonds* because BAM has determined that the use of bond proceeds by the Issuer as described in this Official Statement and in any additional information obtained by BAM aligns with one of the Green Bond Principles ("GBPs") developed by the International Capital Markets Association ("ICMA"). The GBPs were developed by the ICMA with the goal of establishing universally accepted guidelines for the issuance of green bonds, and one of the key requirements addresses the use of proceeds.

BAM has been identified by the ICMA as an observer organization that is active in the field of green and/or social or sustainability finance and as a Climate Bond Initiative approved verifier. The GreenStar Credit Profile prepared by BAM for the Bonds will identify which of the following GBP categories applies to the Bonds:

- renewable energy
- energy efficiency
- pollution prevention and control
- environmentally sustainable management of living natural resources and land use
- terrestrial and aquatic biodiversity
- clean transportation
- climate change adaptation
- sustainable water and wastewater management
- green buildings

Each of the GBPs correlates to one of the following UN Sustainable Development Goals which will also be included in the GreenStar Credit Profile for the Bonds:

- clean water and sanitation
- affordable and clean energy
- sustainable cities and communities
- industry innovation and infrastructure
- responsible consumption and production
- climate action
- life below water
- life on land

*The Issuer makes no representation regarding the applicability of or suitability of the GreenStar designation. The term "GreenStar" is neither defined in, nor related to, the security documents relating to the Bonds. The GreenStar designation is solely for identification purposes and is not intended to provide or imply that the owners of the Bonds are entitled to any security other than that described in this official statement. The Issuer is under no contractual or other legal obligation to ensure compliance with any legal or other principles relating to "GreenStar" designation. The Issuer has made no commitment to provide ongoing reporting or information regarding the designation or compliance with the GBPs.*

The BAM GreenStar designation is based upon an assessment by BAM at the time of the issuance of the Bonds and such designation by BAM reflects only the views of BAM. BAM does not charge a fee in connection with the designation, does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. The designation is provided on an "AS IS" basis and is based on BAM's own investigation, studies, assumptions, and criteria using its reasonable best efforts. In issuing its GreenStar designation, BAM has assumed and relied upon the accuracy and completeness of the information made publicly available by the Issuer or

that was otherwise made available to BAM. BAM makes no representation or warranty, express or implied, including, but not limited to, the accuracy, results, timeliness, completeness, merchantability or fitness for any particular purpose with respect to the designation. A complete description of BAM GreenStar, and its limitations and terms of use, are available on BAM's website <https://buildamerica.com/greenstar> and <https://buildamerica.com/terms-of-use> and incorporated herein by reference. The BAM GreenStar designation is determined solely by BAM; it has not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for such designation.

BAM's GreenStar designation does not and is not intended to make any representation or give any assurance with respect to any other matter relating to the Bonds and is not a recommendation to any person to purchase, hold, or sell the Bonds. Such labeling does not address the market price, marketability or suitability of these Bonds for a particular investor. There is no assurance that the designation will be retained for any given period of time or that the designation will not be revised, suspended, or withdrawn by BAM if, in its judgment, circumstances so warrant.

*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <http://www.buildamerica.com/videos>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

**Disclaimers.** The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

*(The remainder of this page intentionally left blank)*

## OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the Schedules and Appendices attached hereto. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement (including the Schedules and Appendices.)

### THE DISTRICT

The District .....	Williamson County Municipal Utility District No. 22 (the "District"), a political subdivision of the State of Texas, was legislatively created by Acts of the 79 <sup>th</sup> Texas Legislature, 2005 Regular Session, pursuant to Senate Bill 1887, now codified as Chapter 8135, Texas Special District Local Laws Code (the "Special Act"), and confirmed pursuant to an election held within the District on February 4, 2006. The District was created for, among other purposes, the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater; providing park and recreational facilities; and providing road improvements. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, Article XVI, Section 59 of the Texas Constitution, and, with respect to its road powers, Article III, Section 52 of the Texas Constitution. The District contains approximately 430.28 acres. There have been no annexations or exclusions of acreage since the District's creation.
Location .....	The District is located primarily within the extraterritorial jurisdiction of the City of Hutto, Texas ("Hutto" or the "City") and is situated in southeastern Williamson County. The District is located on the west and east sides of State Highway 130 Toll Road ("SH 130"), and is bound to the north by Brushy Creek. The northern part of the District lies approximately one mile south of the intersection of SH 130 and US Highway 79. See "THE DISTRICT - Location."
The Developers .....	The developer currently active within the District is Star Golf Development, Inc., a Texas corporation of which Tim Timmerman serves as President ("SGD" or the "Developer"). See "THE DEVELOPER – Description of Developer" and "THE DISTRICT – Historical and Current Status of Development."
Status of Development .....	The District contains approximately 430.28 acres, of which approximately 359.40 acres are developable. As of April 1, 2021, approximately 175.46 acres (or 48.82% of the approximately 359.40 developable acres within the District) have been developed with utility facilities as the single-family residential subdivision Star Ranch, Section 7, Phases 1A, 1B, 2, 3 (Parcel 22, Phases 1 and 2), 4, 5, 6, 7, and 8, and townhome section Parcel 23, encompassing a total of 703 developed lots, which includes 574 completed homes, 6 homes under construction, and 123 vacant single family lots, and 4 townhomes. See "THE DISTRICT – Historical and Current Status of Development."
Builder.....	According to the Developer, there are currently three (3) homebuilders active within the District: Pacesetter Homes, Clark Wilson Builder, Inc., and KB Home. According to the Developer, Pacesetter Homes' homes range in price \$235,900 to \$321,900, with square footage ranging from approximately 1,531 to 3,117. According to Developer, Clark Wilson Builders, Inc.'s homes range in price from \$250,000 to \$340,000, with square footage ranging from approximately 1,675 to 2,574. According to the Developer, KB Home's homes range in price from \$220,995 to \$266,995, with square footage ranging from approximately 1,353 to 2,898. See "THE DEVELOPERS – Homebuilders within the District."

### THE BONDS

Description.....	The Bonds in the aggregate principal amount of \$1,900,000 mature serially in varying amounts on September 1 of each of the years 2021 through 2027, inclusive, and as Term Bonds which mature on September 1, 2029, September 1, 2032, September 1, 2035, and September 1, 2039 (collectively, the "Term Bonds"), as set forth on the inside cover page hereof. Interest accrues from the date of delivery, currently anticipated to be June 8, 2021 at the rates per annum set forth on the inside cover page hereof and is payable on September 1, 2021 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
Redemption.....	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2029, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Term Bonds are also subject to mandatory sinking fund redemption See "THE BONDS - Redemption."



Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "TAXING PROCEDURES." <b>The Bonds are obligations solely of the District and are not obligations of the City of Hutto, Texas; Williamson County, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.</b> See "THE BONDS - Source of and Security for Payment."
Payment Record .....	The District has previously issued six (6) installments of unlimited tax new money bonds. The Bonds constitute the District's first installment of unlimited tax refunding bonds. The District has never defaulted on the timely payment of principal of and interest on its previously issued obligations. The proceeds of each installment of unlimited tax new money bonds included up to twenty-four (24) months of capitalized interest. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."
Authority for Issuance.....	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State, Chapter 1207 of the Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, the Special Act, an order adopted by the Board of Directors of the District on March 11, 2021, and a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"). See "THE BONDS – Authority for Issuance."
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to (i) establish an escrow fund to currently refund a portion of the District's outstanding Unlimited Tax Bonds, Series 2015 (the "Refunded Bonds"), to achieve a debt service savings and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING."
Bonds Authorized But Unissued.....	At an election held within the District on May 12, 2007, voters within the District authorized a total of \$164,350,000 in new money unlimited tax bonds for water, wastewater, and drainage facilities. The District has previously issued five (5) installments of new money unlimited tax bonds in an aggregate principal amount of \$11,000,000 for such purpose. The District has \$153,350,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities. Additionally, at the election held in the District on May 12, 2007, the voters within the District also approved the issuance of \$50,725,000 in aggregate principal amount of new money bonds for the acquisition and construction of road improvements. The District has previously issued one installment of new money unlimited tax bonds in aggregate principal amount of \$2,995,000 for such purpose. The District has \$47,730,000 aggregate principal amount remaining authorized but unissued unlimited tax new money bonds for the acquisition and construction of road improvements. Additionally, at the election held in the District on May 12, 2007, the voters within the District also approve the issuance of \$6,300,000 aggregate principal amount of new money bonds for the acquisition and construction of park and recreational facilities, all of which remains authorized but unissued. See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS." Additionally, at the election held in the District on May 12, 2007, the voters within the District also approved the issuance of \$246,000,000 in aggregate principal amount of refunding bonds for water, wastewater, and drainage facilities, \$76,087,500 in aggregate principal amount of refunding bonds for road purposes, and \$9,450,000 in aggregate principal amount of refunding bonds for park and recreational facilities. The Bonds represent the District's first issuance of unlimited tax refunding bonds, which uses \$145,000 of the District's voted authorization of unlimited tax refunding bonds. After the issuance of the Bonds, \$245,855,000 of voted authorization of refunding bonds for water, wastewater, and drainage facilities will remain unissued.
Municipal Bond Ratings and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "Baa3" to the Bonds.
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2021 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

Bond Counsel..... McCall, Parkhurst & Horton L.L.P., Austin, Texas.  
General Counsel..... Armbrust & Brown PLLC, Austin, Texas.  
Financial Advisor..... Public Finance Group LLC, Austin, Texas.  
Underwriter’s Counsel ..... Orrick, Herrington & Sutcliffe LLP, Austin, Texas.  
Verification Agent..... Public Finance Partners, LLC, Minneapolis, Minnesota.  
Paying Agent/Registrar ..... UMB Bank, N.A., Austin, Texas  
and Escrow Agent

**INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to the investment security of the Bonds.

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**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

2020 Certified Assessed Valuation	\$ 120,432,726 <sup>(a)</sup>
2021 Preliminary Assessed Valuation	\$ 169,932,728 <sup>(b)</sup>
Estimated Assessed Valuation as of April 1, 2021	\$ 171,290,000 <sup>(c)</sup>
Gross Debt Outstanding (after issuance of the Bonds)	\$ 13,555,000 <sup>(d)</sup>
Ratio of Gross Debt to 2020 Certified Assessed Valuation <sup>(a)</sup>	11.26%
Ratio of Gross Debt to 2021 Preliminary Assessed Valuation <sup>(b)</sup>	7.98%
Ratio of Gross Debt to Estimated Assessed Valuation as of April 1, 2021 <sup>(c)</sup>	7.91%
2020 Tax Rate	
Debt Service	\$ 0.5384
Maintenance	<u>0.4116</u>
<b>Total 2020 Tax Rate</b>	<u><u>\$ 0.9500</u></u> <sup>(e)</sup>
Debt Service Fund Balance (as of April 8, 2021)	\$ 775,205 <sup>(f)</sup>
Percentage of current tax collections (Tax Years 2010-2020)	99.79% <sup>(g)</sup>
Percentage of total tax collections (Tax Years 2010-2020)	99.78% <sup>(g)</sup>
Average Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Average Requirement") (2021-2044, inclusive)	\$ 809,814
Tax Rate required to pay Average Requirement based upon 2020 Certified Assessed Valuation <sup>(a)</sup> at 95% collections	\$ 0.71 /\$100 AV
Tax Rate required to pay Average Requirement based upon 2021 Preliminary Assessed Valuation <sup>(b)</sup> at 95% collections	\$ 0.51 /\$100 AV
Tax Rate required to pay Average Requirement based upon Estimated Assessed Valuation as of April 1, 2021 <sup>(c)</sup> at 95% collections	\$ 0.50 /\$100 AV
Maximum Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Maximum Requirement") (2042)	\$ 876,950
Tax Rate required to pay Maximum Requirement based upon 2020 Certified Assessed Valuation <sup>(a)</sup> at 95% collections	\$ 0.77 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon 2021 Preliminary Assessed Valuation <sup>(b)</sup> at 95% collections	\$ 0.55 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon Estimated Assessed Valuation as of April 1, 2021 <sup>(c)</sup> at 95% collections	\$ 0.54 /\$100 AV
Number of active connections as of April 1, 2021	
Single Family	574
Builder/Vacant	<u>6</u>
<b>Total Number of Active Connections</b>	<b>580</b>
Estimated Population as of April 1, 2021	1,722 <sup>(h)</sup>

- (a) Assessed valuation of the District as of January 1, 2020 as certified by the Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2021, as provided by WCAD. No taxes will be levied on this preliminary assessed valuation unless it is certified by WCAD. See "TAXING PROCEDURES."
- (c) The estimated assessed valuation as of April 1, 2021, as provided by WCAD. No taxes will be levied on this estimated assessed valuation unless it is certified by WCAD. See "TAXING PROCEDURES."
- (d) Includes the Bonds, excludes the Refunded Bonds.
- (e) The District levied a 2020 tax rate of \$0.9500 at its meeting in September 2020.
- (f) Unaudited as of April 8, 2021. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (g) See "TAX DATA – Tax Collections – Table 10."
- (h) Based upon 3.0 residents per occupied single-family home (includes duplexes and townhomes).

**OFFICIAL STATEMENT  
relating to**

**\$1,900,000  
WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2021**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Williamson County Municipal Utility District No. 22 (the "District") of its \$1,900,000 Unlimited Tax Refunding Bonds, Series 2021 (the "Bonds").

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District on March 11, 2021, a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"), Article XVI, Section 59 of the Texas Constitution, and general laws of the State of Texas (the "State"), including Senate Bill 1887, Acts of the 79<sup>th</sup> Texas Legislature, 2005 Regular Session, now codified as Chapter 8135, Texas Special Districts Local Laws Code (the "Special Act"), Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District's Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, West Lake Hills, Texas, 78746, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District undertaking to provide certain information on a continuing basis.

**PLAN OF FINANCING**

**Purpose**

The Bonds are being issued to achieve debt service savings in the years 2021 through 2039, inclusive, by refunding a portion of the District's outstanding Unlimited Tax Bonds, Series 2015 (the "Refunded Bonds"), and to pay the costs of issuing the Bonds. See "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3."

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**The Refunded Bonds**

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

<b>Year</b>	<b>Series 2015</b>	<b>Total</b>
2022	55,000	55,000
2023	60,000	60,000
2024	65,000	65,000
2025	70,000	70,000
2026	70,000	70,000
2027	75,000	75,000
2028*	80,000	80,000
2029*	85,000	85,000
2030*	90,000	90,000
2031*	95,000	95,000
2032*	100,000	100,000
2033*	110,000	110,000
2034*	115,000	115,000
2035*	120,000	120,000
2036*	130,000	130,000
2037*	135,000	135,000
2038*	145,000	145,000
2039*	155,000	155,000
	<b>\$ 1,755,000</b>	<b>\$ 1,755,000</b>
Redemption Date: 9/1/2021		

\*Installments of Term Bonds.

At an election held within the District on May 12, 2007, voters within the District authorized a total of \$164,350,000 in new money unlimited tax bonds for water, wastewater, and drainage facilities. The District has previously issued five (5) installments of new money unlimited tax bonds in an aggregate principal amount of \$11,000,000 for such purpose. The District has \$153,350,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities. Additionally, at the election held in the District on May 12, 2007, the voters within the District also approved the issuance of \$50,725,000 in aggregate principal amount of new money bonds for the acquisition and construction of road improvements. The District has previously issued one installment of new money unlimited tax bonds in aggregate principal amount of \$2,995,000 for such purpose. The District has \$47,730,000 aggregate principal amount remaining authorized but unissued unlimited tax new money bonds for the acquisition and construction of road improvements. Additionally, at the election held in the District on May 12, 2007, the voters within the District also approve the issuance of \$6,300,000 aggregate principal amount of new money bonds for the acquisition and construction of park and recreational facilities, all of which remains authorized but unissued. See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS." Additionally, at the election held in the District on May 12, 2007, the voters within the District also approved the issuance of \$246,000,000 in aggregate principal amount of refunding bonds for water, wastewater, and drainage facilities, \$76,087,500 in aggregate principal amount of refunding bonds for road purposes, and \$9,450,000 in aggregate principal amount of refunding bonds for park and recreational facilities. The Bonds represent the District's first issuance of unlimited tax refunding bonds, which uses \$145,000 of the District's voted authorization of unlimited tax refunding bonds. After the issuance of the Bonds, \$245,855,000 of voted authorization of refunding bonds for water, wastewater, and drainage facilities will remain unissued.

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**The Remaining Outstanding Bonds**

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

<b>Year</b>	<b>Series 2015</b>	<b>Series 2016</b>	<b>Series 2017</b>	<b>Series 2018</b>	<b>Series 2019</b>	<b>Series 2020</b>	<b>The Bonds</b>	<b>Total</b>
2021	55,000	5,000	50,000	70,000	30,000	135,000	15,000	360,000
2022	-	50,000	50,000	70,000	35,000	95,000	65,000	365,000
2023	-	75,000	50,000	75,000	40,000	70,000	70,000	380,000
2024	-	75,000	50,000	75,000	60,000	70,000	75,000	405,000
2025	-	75,000	50,000	80,000	65,000	70,000	85,000	425,000
2026	-	75,000	50,000	85,000	70,000	75,000	85,000	440,000
2027	-	75,000	50,000	85,000	75,000	90,000	90,000	465,000
2028	-	75,000	50,000	90,000	75,000	90,000	95,000	475,000
2029	-	100,000	50,000	95,000	80,000	65,000	95,000	485,000
2030	-	100,000	50,000	95,000	85,000	75,000	100,000	505,000
2031	-	100,000	50,000	100,000	90,000	75,000	105,000	520,000
2032	-	100,000	50,000	105,000	95,000	80,000	110,000	540,000
2033	-	125,000	50,000	110,000	100,000	55,000	115,000	555,000
2034	-	125,000	50,000	115,000	105,000	65,000	120,000	580,000
2035	-	125,000	50,000	120,000	105,000	75,000	125,000	600,000
2036	-	150,000	50,000	120,000	105,000	60,000	130,000	615,000
2037	-	150,000	50,000	125,000	110,000	75,000	135,000	645,000
2038	-	150,000	50,000	130,000	110,000	80,000	140,000	660,000
2039	-	175,000	50,000	135,000	115,000	65,000	145,000	685,000
2040	-	175,000	50,000	145,000	115,000	200,000	-	685,000
2041	-	-	370,000	150,000	150,000	45,000	-	715,000
2042	-	-	380,000	155,000	220,000	45,000	-	800,000
2043	-	-	-	160,000	225,000	425,000	-	810,000
2044	-	-	-	-	225,000	615,000	-	840,000
	<b><u>\$ 55,000</u></b>	<b><u>\$ 2,080,000</u></b>	<b><u>\$ 1,750,000</u></b>	<b><u>\$ 2,490,000</u></b>	<b><u>\$ 2,485,000</u></b>	<b><u>\$ 2,795,000</u></b>	<b><u>\$ 1,900,000</u></b>	<b><u>\$ 13,555,000</u></b>

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## The Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Bonds, as applicable, from cash and direct obligations of the United States of America (the “Escrowed Securities”) to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the District and UMB Bank, N.A., Austin, Texas (the “Escrow Agent”). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter the District will deposit with the Escrow Agent cash and direct obligations of the United States in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date.

In connection with the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturities on the redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of direct obligations of the United States, if any, and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the Bond Order authorizing the issuance of such Refunded Bonds and in accordance with State law and in reliance upon the Verification Report described herein. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Public Finance Partners LLC (the “Verification Report”), the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement, and the District will have no further responsibility with respect to amounts available for the payment of such defeased bonds, including any insufficiencies.

## Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Par Amount of Bonds	\$1,900,000.00
Net Original Issue Premium	<u>25,068.00</u>
Total Sources of Funds	\$1,925,068.00
Uses of Funds:	
Escrow Deposit	\$1,787,655.00
Costs of Issuance (includes the insurance premium)	113,409.63
Underwriter’s Discount	23,606.90
Deposit to Debt Service Fund (Rounding Amount)	<u>396.47</u>
Total Uses of Funds	\$1,925,068.00

## THE BONDS

### General Description

The Bonds will bear interest from the date of delivery, currently anticipated to be June 8, 2021 and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2021 and each March 1 and September 1 thereafter until maturity and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent”).

### Redemption

**Optional Redemption** . . . The Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

**Mandatory Sinking Fund Redemption** . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2029, September 1, 2032, September 1, 2035, and September 1, 2039 are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates, and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

<b>\$190,000 Term Bond Maturing September 1, 2029</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2028	\$ 95,000
2029*	95,000

<b>\$315,000 Term Bond Maturing September 1, 2032</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2030	\$ 100,000
2031	105,000
2032*	110,000

<b>\$360,000 Term Bond Maturing September 1, 2035</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2033	\$ 115,000
2034	120,000
2035*	125,000

<b>\$550,000 Term Bond Maturing September 1, 2039</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2036	\$ 130,000
2037	135,000
2038	140,000
2039*	145,000

\* 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.

**Notice of Redemption** . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds or portions thereof prior to maturity a written notice of such optional redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such optional redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular maturities of the Bonds, or sinking fund installments in the case of Term Bonds, to be redeemed shall be selected by the District; and if less than all of the Bonds of a particular maturity or sinking fund installments in the case of the Term Bonds are to be redeemed, the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot or other customary random method in accordance with DTC Procedures.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

**Selection of Bonds for Redemption**

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



## **DTC Redemption Provisions**

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

## **Termination of Book-Entry-Only System**

The District is initially utilizing the Book-Entry-Only System of DTC. See “BOOK-ENTRY-ONLY SYSTEM.” In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

**Payment** . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the “Designated Payment/Transfer Office”). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

**Registration** . . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may be, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in denominations of \$5,000 or any integral multiple thereof.

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

## **Replacement Bonds**

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

## **Authority for Issuance**

The Bonds are issued pursuant to the Bond Order, the bond elections held within the District on May 12, 2007 (the “Bond Elections”), and Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas (the “State”), including the Special Act, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

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

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

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

## **Payment Record**

The District has previously issued five (5) installments of new money unlimited tax bonds for water, wastewater, and drainage facilities, one installment of new money unlimited tax bonds for the acquisition and construction of road improvements, and the Bonds represent the first installment of unlimited tax refunding bonds. The District has never defaulted on the timely payment of principal of and interest on its previously issued obligations entitled: \$2,000,000 Unlimited Tax Bonds, Series 2015 (the "Series 2015 Bonds"); \$2,100,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); \$1,900,000 Unlimited Tax Bonds, Series 2017 (the "Series 2017 Bonds"); \$2,500,000 Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"); \$2,500,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"); and \$2,995,000 Unlimited Tax Road Bonds, Series 2020 (the "Series 2020 Bonds") (collectively, the "Outstanding Bonds"). The proceeds of each installment of new money unlimited tax bonds included up to 24 months of capitalized interest.

## **Flow of Funds**

The Bond Order creates, or affirms creation, establishment, and maintenance by the District of, a Debt Service Fund and Escrow Fund for the Bonds.

The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Underwriter, the amount received from proceeds of the Bonds representing accrued interest on the Bonds, if any, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent when due.

The Refunded Bonds and the interest due thereon will be paid on the redemption date from funds on deposit with the Escrow Agent and held in a separate Escrow Fund. See "PLAN OF FINANCING – Escrow Agreement."

## **Defeasance of Outstanding Bonds**

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

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the

payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

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

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iv) any other then-authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

**Retention of Rights** . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing the issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

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

#### **Paying Agent/Registrar**

Principal of and semiannual interest on the Bonds will be paid by UMB Bank, N.A., having its office for payment in Austin, Texas, the initial Paying Agent/Registrar. The Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination, and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar, will be sent by the District or the successor paying agent/registrar to each Registered Owner by first-class mail, postage prepaid.

#### **Record Date**

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

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

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the Texas Commission on Environmental Quality (the "TCEQ") and, in the case of bonds payable from taxes, the

District's voters. At the Bond Election held within the District on May 12, 2007, voters within the District authorized a total principal amount of \$164,350,000 in new money unlimited tax bonds for water, wastewater, and drainage facilities, \$153,350,000 of which remains authorized but unissued. Additionally, at the election held in the District on May 12, 2007, the voters within the District also approved the issuance of \$50,725,000 in aggregate principal amount of new money bonds for the acquisition and construction of road improvements. The District has previously issued one installment of new money unlimited tax bonds in aggregate principal amount of \$2,995,000 for such purpose. The District has \$47,730,000 aggregate principal amount remaining authorized but unissued unlimited tax new money bonds for the acquisition and construction of road improvements. Additionally, at the election held in the District on May 12, 2007, the voters within the District also approve the issuance of \$6,300,000 aggregate principal amount of new money bonds for the acquisition and construction of park and recreational facilities, all of which remains authorized but unissued. Additionally, at the election held in the District on May 12, 2007, the voters within the District approved the issuance of \$246,000,000 in aggregate principal amount of refunding bonds for water, wastewater, and drainage facilities, \$76,087,5000 in aggregate principal amount of refunding bonds for road improvements, and \$9,450,000 in aggregate principal amount of refunding bonds for park and recreational facilities.

The Bonds represent the District's first issuance of unlimited tax refunding bonds for water, wastewater, and drainage facilities, which uses an additional \$145,000 of the District's voted authorization of refunding bonds. After the issuance of the Bonds, \$245,855,000 of voted authorization of refunding bonds for water, wastewater, and drainage facilities will remain unissued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued – Table 5."

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code authorize certain districts, such as the District, to issue bonds, subject to voter approval and, if applicable, the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of certain park and recreational facilities (other than swimming pools and golf courses). Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness which may be issued by the District. Any additional indebtedness issued by the District may dilute the security of the Bonds.

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

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

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations, or public entities for investment purposes or to secure deposits of public funds. The District has made no investigation of other laws, regulations, or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

### **Specific Tax Covenants**

In the Bond Order, the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

### **Additional Covenants**

The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules, and regulations and open to inspection in the office of the District.

### **Remedies in Event of Default**

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is

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

### **Consolidation**

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

### **Annexation**

The District is located primarily within the extraterritorial jurisdiction of the City of Hutto, Texas (the “City” or “Hutto”). Under Texas law, a municipality may annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district subject to compliance by the municipality with various requirements of Chapter 43 of the Texas Government Code (“Chapter 43”). Under Chapter 43, (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation.

Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of April 1, 2021, the District had an estimated population of 1,722, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District. See “Strategic Partnership Agreement” below.

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

## **Strategic Partnership Agreement**

The District and the City entered into a Strategic Partnership Agreement effective November 20, 2006 pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District (approximately 70 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City's extraterritorial jurisdiction. As a result of the limited purpose annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also entered into an Economic Development Agreement with Tack Development, as assignee of Commerce Properties, Inc., pursuant to which the City has agreed to grant 50% of the sales tax funds collected within the District to Tack Development, as assignee of Commerce Properties, Inc., pursuant to which the City has agreed to grant 50% of the sales tax funds collected within the District to Tack or its assignee for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the Strategic Partnership Agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of the utility infrastructure by the District. The City has recently indicated a desire to amend the Strategic Partnership Agreement with the District to annex for limited purposes additional commercial property within the District, and drafts of the applicable documentation have been initiated. No official action to amend the Strategic Partnership Agreement has been taken by the City at this time. See "THE DISTRICT – Consent Agreement" and "Strategic Partnership Agreement."

## **Alteration of Boundaries**

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

## **Approval of the Bonds**

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

## **Amendments to the Bond Order**

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

## **BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the DTC while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

*The District cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (ii) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of

the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Rating. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

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

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

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Williamson County, Texas; the City; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. See "THE BONDS - Source of and Security for Payment". The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

### Infectious Disease Outbreak (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic") which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed this declaration monthly, most recently on May 5, 2021.

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. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconference meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble large groups of people. 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. Homebuilding activity or the construction of utility facilities within the District are not prohibited. On March 2, 2021, the Governor issued Executive Order GA-34, effective March 10, 2021, rescinding Executive Orders GA-17 GA-25, GA-29, GA-31, and superseding GA-32, but not GA-10 or GA-13, rescinding all COVID-19 related operating limits for any business or other establishments, as well as, the state-imposed requirement to wear a face covering, in counties not located in an area with high hospitalizations (meaning any trauma service area that has had seven consecutive days in which the number of COVID-19 hospitalized patients as a percentage of total hospital capacity exceeds 15%). Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://www.gov.texas.gov/>.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. While any 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 or rating by impacting property tax values, the collection of ad valorem taxes, and homebuilding activity within the District, including delays in obtaining construction permits for development. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Dependence Upon the Developer, Lot Owners, and Homebuilders."

The Bonds are secured by an unlimited ad valorem tax, and 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 financial and operating data contained herein are the latest available but are as of dates and for periods largely prior to the economic impact of the Pandemic and measures instituted to slow the Pandemic. Accordingly, they are not indicative of the economic impact of the Pandemic on the District's financial condition or its rating. See "MUNICIPAL BOND RATINGS." For more information regarding the District's current fund balances, see "FINANCIAL STATEMENT – Cash and Investment Balances – Table 7" and "– Current Investments – Table 8."

### No Certainty of a Secondary Market

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



## Factors Affecting Taxable Values and Tax Payments

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

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on construction activity, particularly short-term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

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

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

*Developers under No Obligation to the District:* There is no commitment from, or obligation of, any developers to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the developers and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPERS" and "TAX DATA - Principal Taxpayers – Table 12."

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Assessed Valuation of the District is \$120,432,726. After issuance of the Bonds, the Maximum Requirement will be \$876,950 (2042) and the Average Requirement will be \$809,814 (2021 through 2044, inclusive). Assuming (1) no increase or decrease from the 2020 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.77 and \$0.71 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The 2021 Preliminary Assessed Valuation of the District is \$169,932,728. Based upon the assumptions above, tax rates of \$0.55 and \$0.51 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The Estimated Assessed Valuation as of April 1, 2021 of the District is \$171,290,000. Based upon the assumptions above, tax rates of \$0.54 and \$0.50 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

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

The three principal taxpayers in the District, KB Home Lone Star, Inc., Star Golf Development, Inc., and an individual homeowner represent \$6,393,794 or 5.31% of the District's 2020 Certified Taxable Assessed Valuation of \$120,432,726. If the homebuilders (or other principal taxpayers) 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 see 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 payments of taxes. The District is not required by law or the Bond

Order to maintain a specified amount of surplus in its debt service fund. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX DATA – Principal Taxpayers – Table 12” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

*Undeveloped Acreage:* Approximately 183.94 acres of developable land within the District had not been provided with water, wastewater, and storm drainage and detention facilities as of April 1, 2021. In the opinion of the District’s engineers, the remaining authorized but unissued utility system bonds should be sufficient to fund water, sanitary sewer, and drainage services to all areas now within the District. There is no assurance that such undeveloped acreage will be developed. See “THE BONDS – Alteration of Boundaries” and “THE DISTRICT – Historical and Current Status of Development.”

Development and Home Construction in the District: As of April 1, 2021, approximately 123 developed lots within the District remained available for home construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. See “*Impact on District Tax Rates*” above.

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

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District’s tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming, and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors’ rights generally.

### **Registered Owners’ Remedies**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

### **Bond Insurance Risks**

The District has qualified for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds, and will use a portion of the proceeds of the Bonds to purchase the bond insurance. The risk factors relating to the purchase of bond insurance are listed below.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer (the “Bond Insurer”) without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

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

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

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

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

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

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

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

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

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

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

Under FIRREA real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary liens shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real or personal property tax when due, and (iii) notwithstanding failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

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

### **Marketability**

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

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

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

### **Future Debt**

Approximately 183.94 acres of land within the District have been developed with utility facilities by the Developer as of April 1, 2021. According to the information obtained by Jones-Heroy & Associates, Inc., special engineer for purposes of District bond applications to TCEQ, SGD, or affiliates of SGD, have advanced approximately \$19,482,719 in utility facilities and road construction costs, excluding advances for Section 7-8, plus engineering (including capital recovery fees), of which approximately \$7,087,935 (excluding reimbursable amounts related to Section 7-8) will remain owing to such Developer from future bond proceeds.

Therefore, the Developer is owed additional funds with reimbursements expected to be made from the proceeds of future installments of bonds 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 DEVELOPER – Utility Development Agreements." The District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for water, wastewater, and drainage purposes or park and recreational improvements 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. See "THE BONDS – Issuance of Additional Debt."

The District has reserved in the Bond Order the right to issue the remaining authorized but unissued bonds approved by the voters. See "THE BONDS – Authority of Issuance." All of the remaining unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval off the Attorney General of the State of Texas and, as applicable, the TCEQ.

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

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

### **Forward-Looking Statements**

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

## **Future and Proposed Tax Legislation**

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

## **State Legislative Issues**

The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is 140 days. The 87<sup>th</sup> regular legislative session convened on January 12, 2021 and will conclude on May 31, 2021. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature, at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. While in session, the State Legislature may consider bills which could have a direct impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed while the State Legislature is in session.

## **Environmental Regulation**

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

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

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

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

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

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

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

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

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

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

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

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

In 2015, the EPA and United States Army Corps of Engineers (“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.

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 became final on December 23, 2019.

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 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 waterfilled 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 became effective on June 22, 2020, and is currently the subject of ongoing litigation.

Operations of the District are also subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted, by reference, the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. Pursuant to the Clean Water Act and EPA regulations, the District is defined as a MS4 (Municipal Separate Storm Sewer System) as it is located in an urbanized area as defined by the EPA. The District will be required to develop a stormwater management program (the “Stormwater Management Program”). The Stormwater Management Program must include certain minimum control measures as outlined in the Permit. These include pollution prevention and good housekeeping for facility operations, construction site runoff controls, post construction control measures, illicit discharge detection and elimination, and public education. For each minimum control measure, the District must utilize one or more best-management practices to achieve minimal compliance as outlined in the permit. The District obtained a waiver of the MS4 Stormwater Management Program in 2014 and has applied for a renewal of such waiver, which application is currently pending at the TCEQ. The District could incur substantial costs related to the Stormwater Management Program as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

## **Drought Conditions**

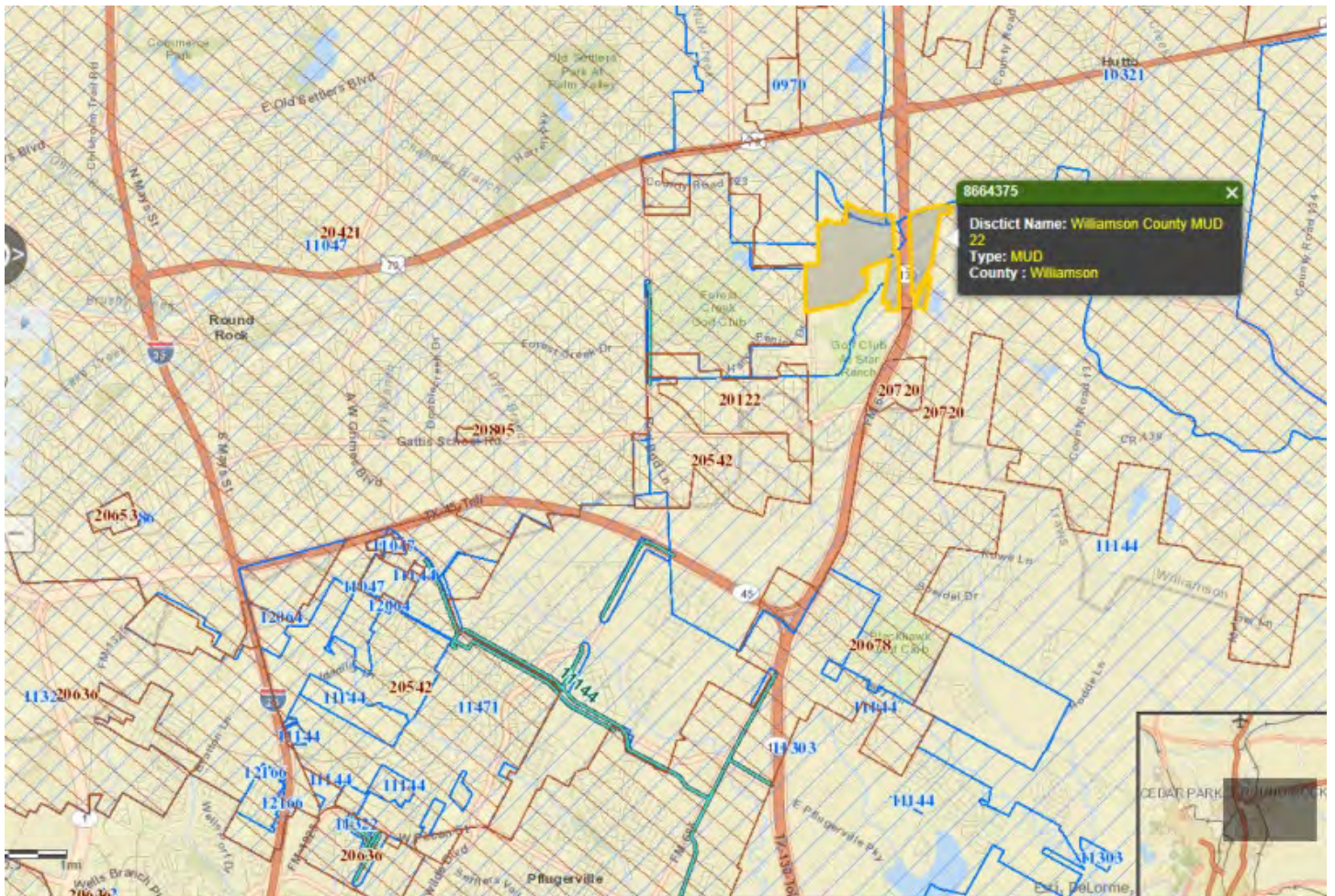
Central Texas, like other areas of the State, is susceptible to drought conditions. The District adopted a water conservation and drought contingency plan and currently has implemented voluntary water restrictions for residents of the District. Manville Water Supply Corporation ("MWSC") provides water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

## **Storm Water**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). The study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities in the Central Texas area are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSTEM – 100-Year Flood Plain."

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# LOCATION MAP





## THE DISTRICT

### General

The District was legislatively created by the Special Act as a municipal utility district under Article XVI, Section 59 of the Texas Constitution and operates under the Special Act, and Chapters 49 and 54, Texas Water Code, as amended, and with respect to its road powers, the Special Act and Article III, Section 52 of the Texas Constitution.

The District was created to, among other things, provide water, wastewater, and drainage services, road improvements, and parks and recreational facilities to the property within the District currently being developed as a mixed-use development. The District has entered into utility construction agreements with the Developer in order to facilitate the construction of water, wastewater, and drainage facilities, road improvements, and park and recreational facilities to serve property within its boundary.

### Management of the District

#### *Board of Directors*

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

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires November</u>
Kyle Spears	President	14 ½ years	2024
Gary Fisher	Vice President	14 ½ years	2022
Claudia Capers	Secretary	3 years	2022
Doug Snyder	Treasurer	14 ½ years	2024
Kenny Mire	Asst. Secretary/Treasurer	14 ½ years	2024

#### *Consultants*

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

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

#### **General Manager**

The District contracts with Crossroads Utility Services LLC (“Crossroads”) to serve as the General Manager and Operator for the District. Crossroads serves in a similar capacity for approximately 50 other special districts in the Austin metropolitan area.

#### **Engineer**

The District’s consulting engineer is Randall Jones & Associates Engineering, Inc. (the “District Engineer”). Such firm serves as consulting engineer to 15 other special districts. Additionally, Jones-Heroy & Associates, Inc. serves as special engineer for purposes of District bond applications to TCEQ.

#### **Bookkeeper**

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

#### **Financial Advisor**

Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The Financial Advisor’s fee for services rendered in connection with the issuance of the Bonds is based on the percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

#### **Bond Counsel**

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

## **General Counsel**

The District employs Armbrust & Brown PLLC ("A&B") as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

## **Location**

The District is located primarily within the extraterritorial jurisdiction of the City and lies within Williamson County, Texas. The District is located on the west and east sides of SH 130, and is bound to the north by Brushy Creek. The northern part of the District lies approximately one mile south of the intersection of SH 130 and US Highway 79.

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

The District as originally created contained approximately 430.28 acres. Since the creation of the District, there have been no annexations or exclusions of land.

In March 2006, Tack Development, Ltd. ("Tack Development"), a Texas limited partnership whose general partner is Commerce Texas Properties, Inc., a Texas corporation ("Commerce"), purchased 325.34 acres within the District. Tack Development purchased the land with a combination of cash and a revolving line of credit with First Texas Bank. According to Tack Development, there is no longer any amounts outstanding on the revolving line of credit with respect to the purchase of the property, but the lien with respect to such revolving line of credit remains in place on the land that Tack Development still owns. Tack Development does not intend to develop the land itself and has sold acreage in the District to other entities.

Approximately 104.94 acres in the District is owned by KMHR L.P., a family-owned Texas limited partnership. The District is not aware of any plans of the owner of such acreage to sell or develop the land, and the District can make no representations as to what will happen in the future with respect to such land.

From 2011 to 2014, SR Investments, Ltd. ("SRI"), an affiliate of Tack Development, purchased approximately 58.72 acres from Tack Development, which were developed as Star Ranch Section 7, Phases 1A, 1B, 2, and 4, encompassing 230 single-family lots. These phases are fully built-out and contain 230 completed homes.

In 2016, SGD purchased property, with cash, from Tack Development, which was developed as Star Ranch Section 7, Phase 5 (15.91 acres; platted as 56 single-family lots). Star Ranch Section 7, Phase 5 is completely built-out and contains 56 completed homes.

In 2017, SGD purchased property, with cash, from Tack Development, which was developed as Star Ranch Section 7, Phase 6 (23.28 acres; platted as 91 single-family lots). Star Ranch Section 7, Phase 6 is completely built-out and contains 91 completed homes.

To finance construction of Star Ranch Section 7, Phase 7 (14.96 acres; platted as 44 single-family lots; currently has 42 completed homes, 1 homes under construction, and 1 vacant developed single-family lot), as well as Star Ranch Section 7, Phase 8 (28.46 acres; platted as 116 single-family lots was completed in the first quarter of 2021. SGD has obtained a revolving line of credit from Independent Bank in the maximum principal amount of \$6,137,269. According to SGD, the current outstanding balance on this line of credit is approximately \$150,000.

In 2015, KB Home purchased 20.97 acres from Tack Development and completed the utility facilities to serve Star Ranch Parcel 23, which KB Home developed as the Villas at Star Ranch Townhomes. Parcel 23 lies within both the District and Williamson County Water, Sewer, Irrigation and Drainage District No. 3 ("WCWSIDD3"). Of the 136 townhomes in Star Ranch Parcel 23, 4 townhomes are located within the District and 131 townhome lots are located within WCWSIDD3. The total platted acreage is 20.97 acres, with 0.98 acres located within the District. KB Home has constructed townhomes in Star Ranch Parcel 23 as the Villas at Star Ranch Townhomes. The portion of Star Ranch Parcel 23 within the District is fully built-out and contains 4 completed townhomes.

In 2018, KB Home purchased an additional 33.15 acres of land from Tack Development, of which approximately 22.687 acres was developed as Star Ranch Section 7, Phase 3, Phase 1 (platted as 131 single-family lots and also known as Star Ranch Parcel 22, Phase 1) in April 2018. As of April 1, 2021, Star Ranch Section 7, Phase 3, Phase 1 (Star Ranch Parcel 22, Phase 1) contained 119 completed homes, 10 homes under construction, and 2 vacant developed single-family lots. KB Home is currently developing the remaining 10.463 acres of land purchased from Tack Development, as Star Ranch Section 7, Phase 3, Phase 2 (Star Ranch Parcel 22, Phase 2) as 56 single-family lots. Of the platted 56 single-family lots in Star Ranch Section 7, Phase 3, Phase 2 (Star Ranch Parcel 22, Phase 2), 31 lots are located within the District and the remaining 25 lots are within WCWSIDD3. Tack Development reserved reimbursement rights to relevant bond proceeds in connection with such development. As of April 1, 2021, Star Ranch Section 7, Phase 3, Phase 2 (Star Ranch Parcel 22, Phase 2) had 29 completed homes, 1 home under construction, and 1 vacant developed single-family lots.

As of April 1, 2021, approximately 175.46 acres have been or are currently being developed with utility facilities as the single-family residential subdivision Star Ranch Section 7, Phases 1A, 1B, 2, 3 (Parcel 22 Phases 1 and 2), 4, 5, 6, 7, 8, and townhome section Star Ranch Parcel 23, encompassing a total of 587 developed lots, which includes 574 completed homes, 6 homes under construction, 123 vacant developed single-family lots, 4 townhomes.

The following chart more completely describes the status of development within the District as of April 1, 2021:

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Single Family Developed with Utility Facilities</b>					
Star Ranch Section 7, Phase 1A	6.7800	26	26	-	-
Star Ranch Section 7, Phase 1B	13.5500	50	50	-	-
Star Ranch Section 7, Phase 2	17.0000	56	56	-	-
Star Ranch Section 7, Phase 4	21.3900	98	98	-	-
Star Ranch Section 7, Phase 5	15.9100	56	56	-	-
Star Ranch Section 7, Phase 6	23.2800	91	90	-	1
Star Ranch Section 7, Phase 7	14.9600	44	43	-	1
Star Ranch Section 7, Phase 8	28.4600	116	-	-	116
Star Ranch Parcel 22, Phase 1 <sup>(a)</sup>	22.6870	131	122	5	4
Star Ranch Parcel 22, Phase 2 <sup>(a)</sup>	10.4630	31	29	1	1
Star Ranch Parcel 23 <sup>(b)</sup>	0.9800	4	4	-	-
<b>Total Single Family Developed with Utilities</b>	<b>175.4600</b>	<b>703</b>	<b>574</b>	<b>6</b>	<b>123</b>
<b>B. Remaining Developable Acreage</b>	<b>183.9400</b>				
<b>C. Undevelopable Acreage</b>					
Floodplain/Open Space	62.2600				
Detention Ponds	7.5900				
Golf Course <sup>(c)</sup>	1.0300				
<b>Total Undevelopable Acreage</b>	<b>70.8800</b>				
<b>Total District Acreage</b>	<b>430.2800</b>				

(a) Star Ranch Parcel 22, Phase 1 is also known as Star Ranch Section 7, Phase 3 (33.15 acres total).

KB Home Lone Star, Inc., a subsidiary of KB Home Inc., a publicly traded company listed on the New York Stock Exchange, purchased this acreage from Tack Development, Ltd., and developed the utility facilities, with Tack Development reserving all reimbursement rights.

In Parcel 22, Phase 2, of the 56 platted single family lots developed, 31 lots will be within the District and the remaining 25 lots will be within WCWSIDD3.

(b) Star Ranch Parcel 23 (20.97 acres, platted as 36 townhome lots) lies mostly within WCWSIDD3. Only a small portion (0.98 acres; platted as 4 townhome lots) lies within the District. KB Home developed and constructed townhomes in Parcel 23, called the Villas at Star Ranch.

(c) A small portion of the Star Ranch Golf Course (approximately 1.03 acres) lies within the District. The remaining 185.20 acres lies within WCWSIDD3.

### Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any homebuilder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$153,350,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. See "THE BONDS – Issuance of Additional Debt." The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

## **Consent Agreement with the City of Hutto**

Effective March 15, 2006, the City, the District, and Commerce Properties, Inc. entered into an Agreement Concerning Creation of and Inclusion of Land in Conservation and Reclamation District and to Division of District (the "Consent Agreement") pursuant to which the City consented to the creation of the District and to the division of the District as permitted by the Special Act. Among other things, the Consent Agreement (i) required the City and the District to enter into a strategic partnership agreement pursuant to which the commercial acreage within the District would be annexed by the City for limited purposes; (ii) authorized the issuance of bonds by the District; and (iii) set forth certain provisions that govern the development of the land within the District, including approval of the Concept Plan for the District. See "Strategic Partnership Agreement" below. Pursuant to the Consent Agreement, the City consented to the annexation of certain additional property into the District and agreed not to annex the District for full purpose until the earlier of 30 years after approval of the Consent Agreement or the completion of construction and issuance of the District's bonds for 90% of the "District Facilities" defined in the Consent Agreement. The Consent Agreement also provides that neither the City nor the District will, during the term of the agreement, attempt to impose (a) any moratorium on building or development within the District or (b) any land use or development regulation that limits the rate or timing of land use approvals. However, such limitation does not apply to temporary moratoriums uniformly imposed through the City due to an emergency constituting imminent threat to the public health or safety. The Consent Agreement became effective upon execution and will continue until the District is annexed and dissolved by the City. The City has recently indicated a desire to amend the Consent Agreement to update the Concept Plan for the District and clarify certain development procedures and requirements applicable to the land within the District. No official action to amend the Consent Agreement has been taken by the City at this time.

## **Strategic Partnership Agreement**

The District and the City entered into a Strategic Partnership Agreement dated effective November 20, 2006 pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District (approximately 70 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City's extraterritorial jurisdiction. As a result of the limited purposes annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also entered into an Economic Development Agreement with Commerce Properties, Inc. pursuant to which the City has agreed to grant 50% of the sales tax funds collected within the District to Commerce Properties or its assignees, for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the Strategic Partnership Agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of utility infrastructure by the District. The City has recently indicated a desire to amend the Strategic Partnership Agreement with the District to annex for limited purposes additional commercial property within the District, and drafts of the applicable documentation have been initiated. No official action to amend the Strategic Partnership Agreement has been taken by the City at this time.

## **THE DEVELOPERS**

### **Role of Developers**

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads, and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers, or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection, and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

### **Description of the Developers**

The Developer currently active within the District is SGD. Additionally, KB Home Lone Star Inc. a subsidiary of KB Home Inc., a publicly traded company listed on the New York Stock Exchange (such subsidiary, "KB Home"), purchased approximately 33.15 acres of land from Tack Development, which was developed by KB Home as Star Ranch Section 7, Phase 3, Phase 1 (platted as 131 single-family lots and also known as Star Ranch Parcel 22, Phase 1) in April 2018. KB Home has constructed Star Ranch Section 7, Phase 3, Phase 2 (also known as Star Ranch Parcel 22, Phase 2) (platted as 56 single-family lots), of which 31 lots will be within District and 25 lots will be within WCWSIDD3. As of April 1, 2021, Star Ranch Section 7, Phase 3, Phase 2 (also known as Star Ranch Parcel 22, Phase 2) had 29 completed homes, 1 home under construction, and 1 vacant developed single-family lots. Tack Development reserved all reimbursement rights to relevant bond proceeds in connection with such development.

The President of SGD is Tim Timmerman, a second-generation developer of residential and commercial property in Central Texas and current chairman of the Board of Directors of the Lower Colorado River Authority. Among other development projects with which Mr. Timmerman and his affiliated entities have been involved is the broader Star Ranch development project within WCWSIDD3, where Mr. Timmerman and his affiliated entities have completed development of approximately 129.17 acres of residential development (consisting of

462 single-family lots and 81 townhome units) and approximately 250 acres of commercial development (including an approximately 183-acre golf course). Outside the broader Star Ranch development, other single-family development projects involving Mr. Timmerman and his affiliated entities have been involved included Round Rock Ranch, an approximately 400-acre master-planned community in Round Rock, Texas. Other multi-family projects involving Mr. Timmerman and his affiliated entities include the Creekside at Kenney's Fort development in Round Rock, Texas and the Biltmore at the Park development in Pflugerville, Texas, together comprising a total of 670 multi-family units.

The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time.

### **Acquisition and Development Financing**

In March 2006, Tack Development purchased 325.34 acres within the District with a combination of cash and a revolving line of credit with First Texas Bank. According to Tack Development, there are no longer any amounts outstanding on the line of credit with respect to the purchase of the property, but the lien with respect to such revolving line of credit remains in place on the land that Tack Development owns.

SRI, a related entity to Tack Development, has purchased acreage from Tack Development and developed such acreage with development loans for each phase borrowed against the revolving line of credit with First Texas Bank.

In 2011, SRI purchased property from Tack Development which was developed as Star Ranch Section 7, Phases 1A and 1B. SRI obtained approximately \$900,000 as a development loan from the revolving line of credit with First Texas Bank to develop Star Ranch Section 7, Phase 1A. Additionally, SRI obtained approximately \$900,000 as a development loan from the revolving line of credit with First Texas Bank to develop Star Ranch Section 7, Phase 1B. According to SRI, there are no outstanding balances with respect to both development loans.

In January 2014, SRI purchased property from Tack Development, which was developed as Star Ranch Section 7, Phase 2. SRI obtained approximately \$1,700,000 as a development loan from the revolving line of credit with First Texas Bank to develop Star Ranch Section 7, Phase 2. According to SRI, there is no outstanding balance on the revolving line of credit with respect to this development loan.

In 2015, SRI purchased property from Tack Development which was developed as Star Ranch Section 7, Phase 4. SRI obtained an approximately \$2,16,450 development loan from Independent Bank to develop Star Ranch Section 7, Phase 4. According to SRI, there is no outstanding balance on this development loan.

In 2016, SGD purchased property, with cash, from Tack Development, which was developed as Star Ranch Section 7, Phase 5. SGD obtained a development loan from Independent Bank. According to SGD, there is no outstanding balance on this development loan.

In 2017, SGD purchased property, with cash, from Tack Development, which was developed as Star Ranch Section 7, Phase 6. SGD obtained a development loan from Independent Bank. According to SGD, there is no outstanding balance on this development loan.

To finance construction of Star Ranch Section 7, Phase 7 (platted as 44 single-family lots on approximately 14.955 acres, of which was completed in 2020, as well as Star Ranch Section 7, Phase 8 which was completed in the first quarter of 2021, SGD has obtained a revolving line of credit from Independent Bank in the maximum principal amount of \$6,317,269. According to SGD, the current outstanding balance on this line of credit is approximately \$150,000.

The President of the Board of Directors of the District, Kyle Spears, is employed as a Senior Vice President of Independent Bank.

SGD also has \$3,500,000 revolving line of credit with First Texas Bank that is secured by property that SGD owns in the District, and approximately \$1,433,754 is currently outstanding on the revolving line of credit.

In 2018, KB Home purchased an additional 33.15 acres of land from Tack Development, of which approximately 22.687 acres was developed as Star Ranch Section 7, Phase 3, Phase 1 (platted as 131 single family lots and also known as Parcel 22, Phase I) in April 2018. As of April 1, 2021, Star Ranch Section 7, Phase 3, Phase 1 (Parcel 22, Phase 1) contained 119 completed homes, 10 homes under construction, and 2 vacant developed single-family lots. KB Home has developed the remaining 10.463 acres of land purchased from Tack Development, as Star Ranch Section 7, Phase 3, Phase 2 (Parcel 22, Phase 2) as 56 single-family lots. Of the platted 56 single-family lots in Star Ranch Section 7, Phase 3, Phase 2 (Parcel 22, Phase 2), 31 lots are located within the District and the remaining 25 lots will be within WCWSIDD3. As of April 1, 2021, Star Ranch Section 7, Phase 3, Phase 2 (Parcel 22, Phase 2) had 29 completed homes, 1 home under construction, and 1 vacant developed single-family lots. Tack Development reserved reimbursement rights to relevant bond proceeds in connection with such development. As of April 1, 2021, Star Ranch Section 7, Phase 8 (28.46 acres; platted as 116 single-family lots) was completed and homebuilding activity has commenced.

### Homebuilders within the District

According to the Developer, there are currently three homebuilders active within the District: Pacesetter Homes, Clark Wilson Builder, Inc., and KB Home. According to the Developer, Pacesetter Homes' homes range in price from \$235,900 to \$321,900, with square footage ranging from approximately 1,531 to 3,117. According to the Developer, Clark Wilson Builder, Inc.'s homes range in price from \$250,000 to \$340,000, with square footage ranging from approximately 1,675 to 2,574. According to the Developer, KB Home's homes range in price from \$220,995 to \$266,995, with square footage ranging from approximately 1,353 to 2,898.

Home construction in the District began in 2013. The following chart illustrates the number of homes built per year starting in 2013.

Calendar Year	No. of Single-Family Homes Constructed
2013	28
2014	44
2015	45
2016	61
2017	85
2018	59
2019	89
2020	92
2021	54*

\* Includes 48 completed homes and 6 homes under construction as of April 1, 2021.

### Utility Construction Agreements

The District has entered into several utility construction agreements with the Developer of affiliates of the Developer governing the development of water, wastewater, and drainage facilities, roads, and park and recreational facilities to serve the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District. The District has entered into 4 separate utility construction agreements with SRI relating to the payment of water and wastewater impact fees, water, wastewater, and drainage facilities, road improvement, and parks and recreational facilities to serve Star Ranch Section 7-1A, 7-1B, 7-2, and 7-4. The District has entered into two utility construction agreements with SGD relating to the payment of water and wastewater impact fees, water, wastewater, and drainage facilities, road improvements, and parks and recreational facilities to serve Star Ranch, Section 7-5, Star Ranch, Section 7-6, Star Ranch, Section 7-7, and Star Ranch Section 7, Phases 8 – 10. The District has also entered into utility construction agreements with Tack Development relating to Star Ranch Parcel 23 and Star Ranch, Section 7-3 (aka Parcel 22), portions of which are in the District; and Star Ranch, Commercial Lot 1, Block D.

### Agricultural Exemption

Much of the undeveloped acreage within the District is subject to an agricultural exemption. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

## THE SYSTEM

### Regulation

The water, wastewater, and storm drainage facilities (the "System"), have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Williamson County, and the City. According to the District Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the EPA and the TCEQ. The rules and regulations promulgated by these agencies change periodically and are subject to further development and revision. The TCEQ makes annual inspections of the water and wastewater systems to assure compliance with its rules.

### Water Supply and Distribution

The District receives its potable water from the Manville Water Supply Corporation ("MWSC") pursuant to a 40-year wholesale water supply agreement dated July 13, 2000 between WCWSIDD3, MWSC, and Tack Development, which agreement was amended on August 13, 2001, August 21, 2006 and November 10, 2011 (as amended, the "Water Supply Agreement.") The Water Supply Agreement, prior to the

November 10, 2011 amendment, provided for water in an amount sufficient to serve up to 2,600 living-unit-equivalents (“LUE’s”) based upon a phased development schedule beginning with 250 LUE’s in 2000 and the addition of 250 LUE’s per year up to 2014 and the remainder paid by 2015. The November 10, 2011 amendment added the District as a party to the agreement, bringing additional area into the agreement for water service, and provided for water in an amount sufficient to serve up to 3,400 LUEs. The absorption schedule was changed to reflect 100 LUEs per year up to 2027 and the remainder paid by 2028. Of the 3,400 LUEs of capacity, 800 LUEs are currently allocated to the District and 2,600 LUE’s are allocated to WCWISDD3 at full build-out.

Pursuant to the Water Supply Agreement, for each LUE to be purchased during a fiscal year, Tack Development, the District, or WCWISDD3 is required to pay MWSC a capital recovery fee for such LUE in the amount from time to time charged by MWSC to its own retail customers. A deposit in the amount of \$100 per LUE for all LUEs to be purchased during each fiscal year must be paid to MWSC at the start of each fiscal year, which is then credited against the LUE fees to be paid during that fiscal year. If Tack Development, the District, and WCWISDD3 fail to purchase or make deposits for water LUEs in accordance with the LUE purchase schedule, any and all LUEs not timely purchased are deemed forfeited for that fiscal year and the cumulative total commitment is reduced accordingly. Pursuant to the November 10, 2011 amendment, the District and WCWISDD3 allocate the LUEs to be purchased during each fiscal year between themselves. Additionally, the obligation of MWSC to continue delivery of water to the District is specifically conditioned on the District, Tack Development, or related entities contributing to MWSC a water storage facility site and two water well sites. Any defaults or disputes under the Water Supply Agreement are to be subject to arbitration by the parties.

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

### **Wastewater Collection and Treatment**

The District receives wastewater treatment service through a 40-year wholesale contract with SWWC Utilities, Inc. (“SWWC”) (as amended, the “Wastewater Agreement”). Pursuant to the Wastewater Agreement, SWWC agrees to provide wastewater treatment service for ultimate build out within the District. SWWC has stated that its Forest Creek wastewater treatment plant is operated pursuant to a permit issued by the TCEQ, with a permitted capacity of 990,000 gallons per day (“gpd”). Additionally, SWWC has stated that an expansion of the Forest Creek wastewater treatment has been completed, bringing its capacity up to the permitted maximum, which is capable of serving 4,950 equivalent single-family connections (“ESFCs”) based on an average daily flow of 200 gpd/ESFC. The TCEQ approved the use of a lower flow (gallons per day) per connection design criteria for the Forest Creek WWTP based upon historical flow and connection records for the plant and service area collected from January 2006 through February 2009. The TCEQ concluded that using a flow factor of 200 gpd/ESFC is reasonable. SWWC has stated that it has sufficient capacity available for the District’s requirements.

According to the District’s Engineer, the ultimate build out of the District is estimated at 2,273 LUEs, under the current land plan. Additionally, SWWC has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development.

### **Storm Drainage**

The storm drainage system that serves the District consists of curb and guttered streets and storm sewers. The collected storm water runoff is routed through detention and water quality ponds, thence into tributaries of Brushy Creek, and ultimately to the Brazos River.

### **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 rainstorm of such intensity to statistically have a one percent (1%) chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet regulatory requirements and to be eligible for federal flood insurance.

According to the District’s Engineer, no acreage located within the District is located within the 100-year flood plain, as identified by the Federal Flood Insurance Administration Rate Map No. 48491C0675E for Williamson County, Texas, dated September 26, 2008.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including

Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

**Water, Wastewater and Drainage Operations**

***Rate and Fee Schedule - Table 1***

The Board of Directors of the District establishes rates and fees for water and sewer service. The following schedule sets forth the rates and fees for the District's water and sewer service which were effective as of March 14, 2019.

**Water (monthly billings)**

Base Rate for 5/8" meter:

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

**Wastewater Usage Charge (monthly billings)**

Single Family:

Base Rate: .....	\$ 56.74
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**Tap Connection Fees:**

Water 5/8" Meter .....	\$ 350.00
Water 3/4" Meter .....	\$ 425.00
Water 1" Meter .....	\$ 650.00
Water 1-1/2" Meter .....	\$ 1,750.00
Over Water 1-1/2" Meter .....	if installed by the District, cost
.....	times three; if installed by the
.....	customer, \$350 per LUE
Wastewater Residential .....	\$ 350.00 per LUE
Wastewater Commercial .....	if installed by the District, cost
.....	times three; if installed by the
.....	customer, \$350 per LUE

**Capital Expenditure Fees:**

Water and wastewater capacity charges are also charged by the District and payable to the District for wholesale water from MWSC and wastewater service from SWWC.

Water .....	\$ 2,800.00 per LUE
Wastewater .....	\$ 1,931.00 per LUE

*[Remainder of this page intentionally left blank]*



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

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

	<b>Fiscal Year End</b>				
	<u>3/31/2021<sup>(a)</sup></u>	<u>9/30/2020<sup>(b)</sup></u>	<u>9/30/2019<sup>(b)</sup></u>	<u>9/30/2018<sup>(b)</sup></u>	<u>9/30/2017<sup>(b)</sup></u>
<b>REVENUES</b>					
Property taxes, including penalties	\$ 489,773	\$ 504,663	\$ 407,019	\$ 269,602	\$ 241,971
Service Accounts	388,381	661,701	495,911	416,942	305,667
Tap Connection & Inspection Fees	78,225	135,575	93,950	71,275	74,900
Interest	365	7,375	16,854	5,440	1,268
Developer Advance	-	-	-	-	-
Other	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 956,743</b>	<b>\$ 1,309,314</b>	<b>\$ 1,013,734</b>	<b>\$ 763,259</b>	<b>\$ 623,806</b>
<b>EXPENDITURES</b>					
Water & WW Purchases	\$ 300,492	\$ 484,919	\$ 354,423	\$ 289,082	\$ 217,990
Garbage Fees	55,618	85,807	64,887	51,377	34,746
Operations Fee	37,461	63,955	40,705	34,225	27,160
Cost Sharing Allocation Fee	2,400	-	-	-	-
Inspection Fees	25,549	58,076	35,035	26,150	37,612
Utilities	6,448	13,682	14,520	9,392	6,281
Repairs & Maintenance	77,898	49,524	44,323	30,222	20,703
Director Fees, including payroll	5,167	10,496	6,620	5,006	6,620
Tax Appraisal/Collection Fees	1,526	3,093	2,295	1,667	1,746
Insurance	2,821	3,303	3,071	2,421	1,974
Legal Fees	36,819	63,538	65,278	41,889	35,061
Accounting Fees	9,150	22,350	21,650	20,600	21,300
Engineering Fees	16,532	56,255	26,997	38,109	7,095
Audit Fees	12,500	12,000	11,500	11,000	10,500
Financial Advisor Fees	893	1,035	915	935	1,189
Capital Outlay	-	225,530	1,227	-	12,216
Other	29,727	41,597	12,204	11,791	4,982
<b>TOTAL EXPENDITURES</b>	<b>\$ 620,999</b>	<b>\$ 1,195,160</b>	<b>\$ 705,650</b>	<b>\$ 573,866</b>	<b>\$ 447,176</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 335,744</b>	<b>\$ 114,154</b>	<b>\$ 308,084</b>	<b>\$ 189,393</b>	<b>\$ 176,630</b>
<b>Beginning Fund Balance</b>	<b>\$ 911,270</b>	<b>\$ 797,116</b>	<b>\$ 489,032</b>	<b>\$ 299,639</b>	<b>\$ 123,009</b>
<b>Plus / (Less): Fund Transfers</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 1,247,014</b>	<b>\$ 911,270</b>	<b>\$ 797,116</b>	<b>\$ 489,032</b>	<b>\$ 299,639</b>

(a) Unaudited as of March 31, 2021. Partial year. Represents six (6) months of the District's current fiscal year.

(b) Audited.

**DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3**  
**Williamson County Municipal Utility District No. 22**  
**\$1,900,000**

**Unlimited Tax Refunding Bonds, Series 2021**

**Dated Date: June 8, 2021**

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

Year Ending 31-Dec	Outstanding Debt	Less: Refunded Debt	Total Debt	The Bonds				Principal and Interest	Total Debt Service Requirements
				Principal (Due 9/01)	Interest		Total		
					(Due 3/01)	(Due 9/01)			
2021	\$ 782,404	\$ 32,655	\$ 749,749	\$ 15,000	\$ -	\$ 10,038	\$ 10,038	\$ 25,038	\$ 774,787
2022	779,716	120,310	659,406	65,000	21,544	21,544	43,088	108,088	767,494
2023	782,229	123,798	658,431	70,000	20,569	20,569	41,138	111,138	769,569
2024	794,279	126,998	667,281	75,000	19,519	19,519	39,038	114,038	781,319
2025	795,139	129,983	665,156	85,000	18,394	18,394	36,788	121,788	786,944
2026	795,194	127,813	667,381	85,000	17,119	17,119	34,238	119,238	786,619
2027	805,584	130,503	675,081	90,000	15,844	15,844	31,688	121,688	796,769
2028	802,484	132,953	669,531	95,000	14,494	14,494	28,988	123,988	793,519
2029	804,809	135,153	669,656	95,000	13,544	13,544	27,088	122,088	791,744
2030	811,230	137,093	674,138	100,000	12,594	12,594	25,188	125,188	799,325
2031	811,856	138,763	673,094	105,000	11,594	11,594	23,188	128,188	801,281
2032	816,681	140,200	676,481	110,000	10,544	10,544	21,088	131,088	807,569
2033	820,450	146,400	674,050	115,000	9,444	9,444	18,888	133,888	807,938
2034	827,700	147,000	680,700	120,000	8,294	8,294	16,588	136,588	817,288
2035	829,213	147,400	681,813	125,000	7,094	7,094	14,188	139,188	821,000
2036	829,681	152,600	677,081	130,000	5,844	5,844	11,688	141,688	818,769
2037	838,925	152,400	686,525	135,000	4,463	4,463	8,925	143,925	830,450
2038	836,813	157,000	679,813	140,000	3,028	3,028	6,056	146,056	825,869
2039	843,988	161,200	682,788	145,000	1,541	1,541	3,081	148,081	830,869
2040	809,963	-	809,963	-	-	-	-	-	809,963
2041	817,738	-	817,738	-	-	-	-	-	817,738
2042	876,950	-	876,950	-	-	-	-	-	876,950
2043	858,100	-	858,100	-	-	-	-	-	858,100
2044	863,663	-	863,663	-	-	-	-	-	863,663
	<b><u>\$ 19,634,785</u></b>	<b><u>\$ 2,540,218</u></b>	<b><u>\$ 17,094,568</u></b>	<b><u>\$ 1,900,000</u></b>	<b><u>\$ 215,463</u></b>	<b><u>\$ 225,500</u></b>	<b><u>\$ 440,963</u></b>	<b><u>\$ 2,340,963</u></b>	<b><u>\$ 19,435,530</u></b>

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value - Table 4**

2020 Certified Assessed Valuation		\$ 120,432,726 <sup>(a)</sup>
2021 Preliminary Assessed Valuation		\$ 169,932,728 <sup>(b)</sup>
Estimated Assessed Valuation as of April 1, 2021		\$ 171,290,000 <sup>(c)</sup>
Gross Debt Outstanding (after issuance of the Bonds)		\$ 13,555,000 <sup>(d)</sup>
Ratio of Gross Debt to 2020 Certified Assessed Valuation <sup>(a)</sup>		11.26%
Ratio of Gross Debt to 2021 Preliminary Assessed Valuation <sup>(b)</sup>		7.98%
Ratio of Gross Debt to Estimated Assessed Valuation as of April 1, 2021 <sup>(c)</sup>		7.91%
2020 Tax Rate		
	Debt Service	\$ 0.5384
	Maintenance	<u>0.4116</u>
	<b>Total 2020 Tax Rate</b>	<u>\$ 0.9500</u> <sup>(e)</sup>
Debt Service Fund Balance (as of April 8, 2021)		\$ 775,205 <sup>(f)</sup>
Estimated Population as of April 1, 2021 .....	1,722 <sup>(g)</sup>	
	Area of District: 751.26 acres	

- (a) Assessed valuation of the District as of January 1, 2020 as certified by the Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2021, as provided by WCAD. No taxes will be levied on this preliminary assessed valuation unless it is certified by WCAD. See "TAXING PROCEDURES."
- (c) The estimated assessed valuation as of April 1, 2021, as provided by WCAD. No taxes will be levied on this estimated assessed valuation unless it is certified by WCAD. See "TAXING PROCEDURES."
- (d) Includes the Bonds, excludes the Refunded Bonds.
- (e) The District's Board, at its meeting in September 2020, levied a total tax rate of \$0.9500. See "TAXING PROCEDURES."
- (f) Unaudited as of April 8, 2021. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (g) Based upon 3.0 residents per occupied single-family home (including townhomes).

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

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
5/12/2007	Water, Wastewater, and Drainage	\$ 164,350,000	\$ 11,000,000	\$ 153,350,000
5/12/2007	Water, Wastewater, and Drainage Refunding Bonds	246,000,000	145,000	245,855,000
5/12/2007	Roads	50,725,000	2,995,000	47,730,000
5/12/2007	Road Refunding Bonds	76,087,500	-	76,087,500
5/12/2007	Parks and Recreation	6,300,000	-	6,300,000
5/12/2007	Parks and Recreation Refunding Bonds	<u>9,450,000</u>	<u>-</u>	<u>9,450,000</u>
<b>Total</b>		<b>\$ 552,912,500</b>	<b>\$ 14,140,000</b>	<b>\$ 538,772,500</b>

*[Remainder of this page intentionally left blank]*

**Outstanding Bonds - Table 6**

<b>Dated Date</b>	<b>Purpose</b>	<b>Original Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding after the Issuance of the Bonds <sup>(a)</sup></b>
<b>A. New Money Bonds</b>				
03/01/15	Water, Sanitary Sewer, & Drainage	2015	2,000,000	55,000 <sup>(b)</sup>
08/11/16	Water, Sanitary Sewer, & Drainage	2016	2,100,000	2,080,000
06/08/17	Water, Sanitary Sewer, & Drainage	2017	1,900,000	1,750,000
09/13/18	Water, Sanitary Sewer, & Drainage	2018	2,500,000	2,490,000
09/12/19	Water, Sanitary Sewer, & Drainage	2019	2,500,000	2,485,000
06/11/20	Roads	2020	2,995,000	2,795,000
	<b>Subtotal</b>		<b>\$ 13,995,000</b>	<b>\$ 11,655,000</b>
<b>B. Refunding Bonds</b>				
06/08/21	Refunding	2021	1,900,000 <sup>(c)</sup>	1,900,000 <sup>(c)</sup>
	<b>Subtotal</b>		<b>\$ 1,900,000</b>	<b>\$ 1,900,000</b>
	<b>Total</b>		<b>\$ 15,895,000</b>	<b>\$ 13,555,000 <sup>(a)</sup></b>

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

(b) Excludes the Refunded Bonds.

(c) The Bonds.

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

General Fund	\$ 1,292,614
Debt Service Fund	775,205 <sup>(b)</sup>
Capital Projects Fund	484,234

(a) Unaudited as of April 8, 2021.

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

**Investment Authority and Investment Practices of the District**

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository

institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above and clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District; (2) that all investment officers jointly prepared and signed the report; (3) the beginning market value, any additions and changes to market value, and the ending value of each pooled fund group; (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period; (5) the maturity date of each separately invested asset; (6) the account or fund or pooled fund group for which each individual investment was acquired; and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are

not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer, and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

**Current Investments - Table 8**

The District, at April 8, 2021, was invested in TexPool. This investment portfolio is generally representative of the District's investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

	<b>Investment Value as of April 8, 2021</b>
Cash	\$ 69,165
TexPool	<u>2,482,887</u>
<b>Total Investments</b>	<b>\$ 2,552,053</b>

**Estimated Overlapping Debt Statement**

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

*(Chart appears on following page)*

Taxing Body	Total Tax Supported Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Williamson County	\$ 963,095,000	4/30/2021	0.140%	\$ 1,348,333
Hutto Independent School District	355,232,959	4/30/2021	2.970%	10,550,419
EWC Higher Education Center	(a)	4/30/2021	0.000%	-
Williamson Co. FM/RD	(a)	4/30/2021	0.000%	-
Williamson Co. ESD No. 3	(a)	4/30/2021	0.000%	-
Upper Brushy Creek WC&ID 1A	(a)	4/30/2021	0.000%	-
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 11,898,752</b>
The District <sup>(b)</sup>	\$ 13,555,000	6/8/2021	100.00%	\$ 13,555,000
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b>\$ 25,453,752</b>
<b>Ratio of Estimated and Overlapping Debt to 2020 Certified Assessed Valuation</b>				<b>21.14%</b>
<b>Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of April 1, 2021</b>				<b>14.86%</b>

(a) Taxing jurisdiction with no outstanding debt.

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

#### Overlapping Taxes for 2020

Overlapping Entity	2020 Tax Rate Per	
	\$100 Assessed Valuation Williamson County	Average Tax Bill <sup>(a)</sup> Williamson County
Williamson County	\$ 0.418719	\$ 1,161
Hutto Independent School District	1.466500	4,067
EWC Higher Education Center	0.048440	134
Williamson Co. FM/RD	0.040000	111
Williamson Co. ESD No. 3	0.100000	277
Upper Brushy Creek WC&ID 1A	0.020000	55
The District	0.950000	2,634
<b>Total</b>	<b>\$ 3.043659</b>	<b>\$ 8,440</b>

(a) Based upon 2020 average single-family home value of \$277,295, as provided by WCAD.

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**TAX DATA**

**Classification of Assessed Valuation - Table 9**

Type Property	2020 <sup>(a)</sup>		2019 <sup>(a)</sup>		2018 <sup>(a)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 116,368,401	96.61%	\$ 94,656,049	91.96%	\$ 71,556,487	89.94%
Multi-Family	558	0.00%	589	0.00%	589	0.00%
Vacant Platted Lots/Tracts	2,280	0.00%	362,100	0.35%	1,500	0.00%
Acreage, Land Only	6,060,487	5.03%	9,499,998	9.23%	9,556,998	12.01%
Farm & Ranch Improvements	1,704,934	1.42%	263,057	0.26%	6,399,380	8.04%
Tangible Personal, Business	213,233	0.18%	598,904	0.58%	723,288	0.91%
Real Inventory	13,583,622	11.28%	18,043,339	17.53%	8,131,320	10.22%
Exempt Property	558,271	0.46%	1,952	0.00%	2,476	0.00%
Less: Adjustments & Exemptions	<u>(18,034,292)</u>	<u>-14.97%</u>	<u>(20,497,036)</u>	<u>-19.91%</u>	<u>(16,814,526)</u>	<u>-21.14%</u>
<b>Total</b>	<b>\$120,457,494</b>	<b>100.00%</b>	<b>\$102,928,952</b>	<b>100.00%</b>	<b>\$ 79,557,512</b>	<b>100.00%</b>

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

**Tax Collections - Table 10**

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the respective Tax Assessor/Collector of WCAD. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

Year	Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2012	\$ 465,240	\$ 0.9500	\$ 4,420	\$ 4,420	100.00%	\$ 4,420	100.00%	9/30/2013 <sup>(b)</sup>
2013	2,341,462	0.9500	22,368	22,368	100.00%	22,368	100.00%	9/30/2014 <sup>(b)</sup>
2014	9,279,653	0.9500	87,652	87,652	100.00%	87,652	100.00%	9/30/2015 <sup>(b)</sup>
2015	21,209,919	0.9500	201,494	201,298	99.90%	201,298	99.90%	9/30/2016 <sup>(b)</sup>
2016	38,778,100	0.9500	368,285	368,285	100.00%	368,285	100.00%	9/30/2017 <sup>(b)</sup>
2017	53,451,066	0.9500	507,785	507,277	99.90%	507,277	99.90%	9/30/2018 <sup>(b)</sup>
2018	79,557,857	0.9500	755,800	755,044	99.90%	755,044	99.90%	9/30/2019 <sup>(b)</sup>
2019	102,928,952	0.9500	977,825	974,982	99.71%	974,892	99.70%	9/30/2020 <sup>(b)</sup>
2020	120,457,494	0.9500	1,144,261	1,128,932	98.66%	1,128,932	98.66%	9/30/2021 <sup>(c)</sup>

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

(b) Audited.

(c) Unaudited as of March 31, 2021. Taxes were due with no penalty by January 31, 2021.

**District Tax Rates - Table 11**

	Tax Rates per \$100 Assessed Valuation				
	2020	2019	2018	2017	2016
<b>Debt Service</b>	\$ 0.5384	\$ 0.4585	\$ 0.4748	\$ 0.4646	\$ 0.3260
<b>Maintenance</b>	<u>0.4116</u>	<u>0.4915</u>	<u>0.4752</u>	<u>0.4854</u>	<u>0.6240</u>
<b>Total</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>	<b>\$ 0.9500</b>

**Tax Rate Limitation**

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



**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing, or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Remaining Outstanding Bonds, the Bonds, and any tax bonds which may be issued in the future. At an election held on May 12, 2007, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2020 maintenance and operations tax of \$0.4116/\$100 assessed valuation.

**Principal Taxpayers - Table 12**

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

Name	Type of Property	2020 <sup>(a)</sup>	2019 <sup>(a)</sup>	2018 <sup>(a)</sup>
KB Home Lone Star Inc. <sup>(b)</sup>	Real Land and Improvements	\$ 4,579,745	\$ 6,899,930	4,651,017
Pacesetter Homes LLC <sup>(b)</sup>	Real Land and Improvements	952,527	3,460,341	1,032,465
Star Golf Development Inc. <sup>(c)</sup>	Real Land and Improvements	861,522	(d)	1,690,400
Individual Homeowner	Real Land and Improvements	615,067	407,616	378,911
Tack Development Ltd.	Real Land and Improvements	558,536	(d)	(d)
Clark Wilson Builder Inc. <sup>(b)</sup>	Real Land and Improvements	392,986	2,245,249	410,058
Individual Homeowner	Real Land and Improvements	404,837	404,837	377,944
Individual Homeowner	Real Land and Improvements	403,250	403,250	375,757
Individual Homeowner	Real Land and Improvements	399,489	399,489	371,092
Individual Homeowner	Real Land and Improvements	399,238	399,238	370,828
Individual Homeowner	Real Land and Improvements	(d)	(d)	370,203
<b>Total</b>		<u>\$ 9,567,197</u>	<u>\$ 14,619,950</u>	<u>\$ 10,028,675</u>
Percent of Assessed Valuation		7.94%	12.14%	12.61%

(a) Audited.

(b) The designated taxpayer is concentrated in the homebuilding industry. See "THE DEVELOPER - Homebuilders within the District" and "INVESTMENT CONSIDERATIONS - Factors Affecting Taxable Values and Tax Payments - Dependence Upon the Developer, Lot Owners, and Homebuilders."

(c) The Developer.

(d) Not a principal taxpayer in the respective year.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2020 Certified Assessed Valuation, 2021 Preliminary Assessed Valuation, and Estimated Assessed Valuation as of April 1, 2021, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Annual Debt Service Requirement on the Remaining Outstanding Bonds (2021 through 2044) .....	\$809,814
\$0.71 Tax Rate on 2020 Certified Assessed Valuation of \$120,432,726 @ 95% collections produces.....	\$812,319
\$0.51 Tax Rate on 2021 Preliminary Assessed Valuation of \$169,932,728 @ 95% collections produces.....	\$823,324
\$0.50 Tax Rate on Estimated Assessed Valuation as of April 1, 2021 of \$171,290,000 @ 95% collections produces.....	\$813,628

Maximum Annual Debt Service Requirement on the Remaining Outstanding Bonds (2042).....	\$876,950
\$0.77 Tax Rate on 2020 Certified Assessed Valuation of \$120,432,726 @ 95% collections produces.....	\$880,965
\$0.55 Tax Rate on 2021 Preliminary Assessed Valuation of \$169,932,728 @ 95% collections produces.....	\$887,899
\$0.54 Tax Rate on Estimated Assessed Valuation as of April 1, 2021 of \$171,290,000 @ 95% collections produces.....	\$878,718

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/21 .....	\$774,787 <sup>(a)</sup>
Audited Debt Service Fund Balance as of 9/30/2020.....	\$ 354,488 <sup>(b)</sup>
2020 Tax Levy @ 95% collections produces .....	\$ 615,989 <sup>(c)</sup>
Total Available for Debt Service.....	<u>\$970,477</u>
Projected Debt Service Fund Balance 9/30/21 .....	\$195,690

- (a) Interest payments on the Bonds begin September 1, 2021.
- (b) Audited debt service fund balance as of September 30, 2020; represents debt service fund balance after all 2020 debt service requirements have been paid.
- (c) The District levied a 2020 debt service tax rate of \$0.5384 at its September 2020 meeting, collection of which was due with no penalty by January 31, 2021.

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

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

The Texas Tax Code (the "Property Tax Code") provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and appraisal review board responsible for appraising property for all taxing units within the county. The Williamson Central Appraisal District ("WCAD") has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson Central Appraisal District Appraisal Review Board (the "Appraisal Review Board").

Except as described below, WCAD is required to appraise all property within their respective appraisal districts on the basis of 100% of its market value and are prohibited from applying any assessment ratios. In determining market value of property, WCAD is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method of the chief appraiser of WCAD considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

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

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. 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 owned by qualified charitable, religious, veterans, youth development, or fraternal organizations; designated historical sites; travel trailers; and most individually owned automobiles. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran’s exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse’s residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Furthermore, qualifying spouses of persons 65 years of age and older are entitled to receive a residence homestead exemption equal to the exemption received by the deceased spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of least 20% of the qualified voters who voted in the District’s preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District’s voters may approve. Furthermore, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified, subject to certain conditions. The District’s tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District.

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

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

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

**Temporary Exemption for Qualified Property Damaged by a Disaster:** The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its

discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

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

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

### **District and Taxpayer Remedies**

Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Boards by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against WCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before March 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it became delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, sixty (60) days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding twenty-four (24) months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least twelve (12) months and no more than thirty-

six (36) months. Additionally, the owner of a residence homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residence homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continues to accrue during the period of deferral.

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

Chapter 49 of the Texas Water Code, as amended, 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 "Developing Districts." The impact each classification has on the ability of a district to increase its operation and maintenance tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by rollback election held within any of the districts described below.

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

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

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

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

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount

of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records), or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS - General - Tax Collections and Foreclosure Remedies."

### **Effect of FIRREA on Tax Collections**

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

Under FIRREA, real property held by the FDIC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC shall be subject to foreclosure or sale without the consent of the FDIC and no involuntary lien shall attach to such property, (ii) the FDIC shall not be liable for any penalties or fines, including those arising from the failure to pay any real property taxes when due, and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

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

### **LEGAL MATTERS**

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B – FORM OF BOND COUNSEL OPINION." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws," "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "DTC Redemption Provisions," "Payment Record," "Remedies in Event of Default," "Annexation," and "Alteration of Boundaries"), "LEGAL MATTERS" (except for the last sentence of the first paragraph hereof and the subcaption "No-Litigation Certificate"), "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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

### **No-Litigation Certificate**

The District will furnish to the Underwriter a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

## VERIFICATION OF ESCROW SUFFICIENCY

Public Finance Partners LLC will deliver to the District, on or before the date of delivery of the Bonds, its Verification Report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness, and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants, or legal counsel.

## TAX MATTERS

### Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds. See "APPENDIX B – FORM OF BOND COUNSEL OPINION."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (b) the verification report, and (c) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included to gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

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

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

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by

the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

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

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

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

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

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

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

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

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

### **Information Reporting and Backup Withholding**

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



## Future and Proposed Legislation

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

## Qualified Tax-Exempt Obligations for Financial Institutions

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

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

## CONTINUING DISCLOSURE OF INFORMATION

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

### Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in APPENDIX A. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within such twelve-month period and file audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

### Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners

of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserve or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer of the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers of the District in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the events described in clauses (15) and (16) above, the term “financial obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

#### **Availability of Information from MSRB**

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

#### **Limitations and Amendments**

The District has agreed to update information and to provide notices of certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the Remaining Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

#### **Compliance with Prior Undertakings**

During the past five years, the District has been in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

## **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

## **UNDERWRITING**

The Underwriter of the Bonds has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$23,606.90 from the initial public offering prices therefore set forth on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public offering prices may be charged from time to time by the Underwriter.

## **OFFICIAL STATEMENT**

### **Preparation**

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT". The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in the preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DISTRICT" and "THE SYSTEM" – Randall Jones & Associates Engineering, Inc. ("District Engineer"); "THE DEVELOPERS" – Tack Development, SRI, SGD, KB Home; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Williamson Central Appraisal District; "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM - Water and Wastewater Operations" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3" - Financial Advisor; "THE BONDS" (except "Payment Record"), "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except any representation or lack thereof relating to Compliance with Prior Undertakings) - McCall, Parkhurst & Horton L.L.P.

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

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

### **Certification as to Official Statement**

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

## Consultants

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

**The District Engineer:** The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by the District Engineer, and has been included in reliance upon the authority of said firm in the field of civil engineering. Additionally, certain information under the heading "INVESTMENT CONSIDERATIONS – Future Debt" has been provided by Jones-Heroy & Associates, Inc., which firm serves as special engineer for purposes of District bond applications to TCEQ.

**The Auditor:** The District's financial statements for the fiscal year ended September 30, 2020 were prepared by Maxwell, Locke & Ritter LLP ("Maxwell, Locke & Ritter"), Certified Public Accountants. Maxwell, Locke & Ritter serves as auditor to 35 other special districts. See "Appendix A" for a copy of the District's Audited Financial Statements as of September 30, 2020.

**Appraisal Districts:** The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Williamson Central Appraisal District, in reliance upon its authority in the field of appraising and tax assessing.

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

## Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$250,000. Prior to selling bonds or having assets over \$250,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Williamson County Municipal Utility District No. 22, as of the date shown on the first page hereof.

/s/ Kyle Spears  
President, Board of Directors  
Williamson County Municipal Utility District No. 22

/s/ Claudia Capers  
Secretary, Board of Directors  
Williamson County Municipal Utility District No. 22

PHOTOGRAPHS







**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS**

The information contained in this appendix has been excerpted from the audited financial statement of Williamson County Municipal Utility District No. 22 for the fiscal year ended September 30, 2020. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.



**Williamson County  
Municipal Utility District  
No. 22**

**Financial Statements and  
Supplemental Information  
as of and for the Year Ended  
September 30, 2020 and  
Independent Auditors' Report**

# WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22

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**ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS  
COUNTY OF WILLIAMSON

I, \_\_\_\_\_ of the  
(Name of Duly Authorized District Representative)

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **14th day of January, 2021**, its annual audit report for the fiscal year ended **September 30, 2020** and that copies of the annual audit report have been filed in the District's office, located at:

**100 Congress Avenue, Suite 1300**  
**Austin, Texas 78701**  
(Address of District's Office)

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_, \_\_\_\_\_ By: \_\_\_\_\_  
(Signature of Representative)

\_\_\_\_\_  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

(SEAL)

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

My Commission Expires On: \_\_\_\_\_, \_\_\_\_\_.  
Notary Public in the State of Texas

**INDEPENDENT AUDITORS' REPORT**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

## **Independent Auditors' Report**

To the Board of Directors of  
Williamson County Municipal Utility District No. 22:

### **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. 22 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **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, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and FS-19, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

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

*Maxwell Locke & Ritter LLP*

Austin, Texas  
January 14, 2021



**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 34, the management of Williamson County Municipal Utility District No. 22 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2020. 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 \$911,271, an increase of \$114,154 from the previous fiscal year. General Fund revenues increased from \$1,013,734 in the previous fiscal year to \$1,309,314 in the current fiscal year primarily due to an increase in service account fees and an increase in the property valuation of the District.
- *Debt Service Fund:* At the end of the current fiscal year, the fund balance for the Debt Service Fund was \$354,488, a decrease of \$148,997 from the prior year balance of \$503,485. During the current fiscal year, the District issued \$2,995,000 of Series 2020 Unlimited Tax Road Bonds, of which \$84,587 was invested in the Debt Service Fund to fund future interest and principal payments on the bonds.
- *Capital Projects Fund:* The fund balance for the Capital Projects Fund increased from \$288,500 at September 30, 2019 to \$484,044 at September 30, 2020. During the current fiscal year, the District issued \$2,995,000 of Series 2020 Unlimited Tax Road Bonds. The proceeds, less amounts invested in the Debt Service Fund, were used to reimburse the developer for road infrastructure, engineering fees, developer interest and to pay for various bond issuance costs.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$2,434,483 during the current fiscal year. Net position decreased from a deficit balance of \$902,489 at September 30, 2019 to a deficit balance of \$3,336,972 at September 30, 2020. The decrease in net position during the year ending September 30, 2020 is primarily due to the use of the proceeds of the \$2,995,000 Series 2020 Unlimited Tax Road Bonds. The District reimbursed their developer \$2,223,580 from these bond proceeds in the current year for road improvements that were subsequently conveyed by the District to Williamson County, thus there were no capital assets reflected in the District’s Statement of Net Position to offset the liabilities incurred for the bond issuance.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**OVERVIEW OF THE DISTRICT**

The District was created by Senate Bill 1887, Acts of the 79th Texas Legislature, Regular Session 2005, now codified as Chapter 8135, Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Sections 52 and 52-a, Article III, Texas Constitution, and Section 59, Article XVI, Texas Constitution. The District consists of approximately 430 acres in Williamson County, Texas and is located primarily within the extraterritorial jurisdiction of the City of Hutto. The District is located on the west and east sides of State Highway 130 Toll Road and is bound on the north by Brushy Creek. The northern part of the District lies approximately one mile south of the intersection of State Highway 130 and US Highway 79. The District was created for, among other purposes, the purpose of providing water, wastewater, and drainage services, park and recreational facilities, and roadways within its boundaries and operates under Chapters 49 and 54 of the Texas Water Code.

**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 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.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued) -**

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.

**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
	2020	2019	(Decrease)
Current and other assets	\$ 2,112,989	\$ 1,736,419	\$ 376,570
Capital assets	8,248,824	8,193,489	55,335
<b>Total Assets</b>	<b>10,361,813</b>	<b>9,929,908</b>	<b>431,905</b>
Current liabilities	598,747	207,805	390,942
Long-term liabilities	13,100,038	10,624,592	2,475,446
<b>Total Liabilities</b>	<b>13,698,785</b>	<b>10,832,397</b>	<b>2,866,388</b>
Net investment in capital assets	(4,571,212)	(2,171,719)	(2,399,493)
Restricted	321,102	471,902	(150,800)
Unrestricted	913,138	797,328	115,810
<b>Total Net Position</b>	<b>\$ (3,336,972)</b>	<b>\$ (902,489)</b>	<b>\$ (2,434,483)</b>

The District’s net position decreased by \$2,434,483 to a deficit balance of \$3,336,972 at September 30, 2020 from the previous year’s deficit balance of \$902,489 at September 30, 2019.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

**Revenues and Expenses:**

Summary Statement of Activities

	Governmental Activities		Change Increase
	2020	2019	(Decrease)
Property taxes, including penalties	\$ 978,645	\$ 755,864	\$ 222,781
Service revenue, including penalties	661,701	495,911	165,790
Connection/inspection fees	135,575	93,950	41,625
Interest and other	17,725	35,500	(17,775)
<b>Total Revenues</b>	<b>1,793,646</b>	<b>1,381,225</b>	<b>412,421</b>
Water/wastewater/garbage	570,726	419,310	151,416
District operations	204,196	134,583	69,613
Professional fees	154,143	125,425	28,718
Other	277,463	109,831	167,632
Debt service	623,943	548,039	75,904
Capital outlay	2,223,580	-	2,223,580
Depreciation/amortization	174,078	138,067	36,011
<b>Total Expenses</b>	<b>4,228,129</b>	<b>1,475,255</b>	<b>2,752,874</b>
Change in Net Position	(2,434,483)	(94,030)	(2,340,453)
Beginning Net Position	(902,489)	(808,459)	(94,030)
Ending Net Position	<u>\$ (3,336,972)</u>	<u>\$ (902,489)</u>	<u>\$ (2,434,483)</u>

Revenues were \$1,793,646 for the fiscal year ended September 30, 2020 while expenses were \$4,228,129. Net position decreased by \$2,434,483 during the current fiscal year.

Property tax revenues in the current fiscal year totaled \$978,645. 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 2019 tax year (September 30, 2020 fiscal year) were based upon a current assessed value of \$102,928,952 and a tax rate of \$0.95 per \$100 of assessed valuation. Property taxes levied for the 2018 tax year (September 30, 2019 fiscal year) were based upon an assessed value of \$79,557,512 and a tax rate of \$0.95 per \$100 of assessed valuation.

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget and the debt service requirements of the District. The District's primary revenue sources are service revenue, property tax revenue and connection and inspection fees.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**ANALYSIS OF GOVERNMENTAL FUNDS**

Governmental Funds by Year

	2020	2019
Cash and cash equivalents	\$ 1,967,368	\$ 1,609,693
Taxes receivable	3,522	321
Intergovernmental receivable	-	30,420
Interfund receivables	6,491	903
Prepaid expenditures	1,141	101
Total Assets	\$ 1,978,522	\$ 1,641,438
Accounts payable	\$ 207,416	\$ 51,112
Intergovernmental payables	11,290	-
Interfund payables	6,491	903
Total Liabilities	225,197	52,015
Deferred Inflows of Resources	3,522	321
Nonspendable	1,141	101
Restricted	838,532	791,985
Unassigned	910,130	797,016
Total Fund Balances	1,749,803	1,589,102
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,978,522	\$ 1,641,438

As of September 30, 2020, the District's governmental funds reflected a fund balance of \$1,749,803. This includes fund balance increases of \$114,154 and \$195,544 in the General Fund and Capital Projects Fund, respectively, and a decrease of \$148,997 in the Debt Service Fund during the current fiscal year.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**CAPITAL ASSETS**

The District's governmental activities have invested \$8,248,824 in land and easements and water, wastewater and drainage facilities. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2020	9/30/2019
Land and easements	\$ 312,817	\$ 87,287
Water/wastewater/drainage facilities	8,460,925	8,460,925
Less: Accumulated depreciation	(524,918)	(354,723)
Total Net Capital Assets	\$ 8,248,824	\$ 8,193,489

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 approved authorization to issue \$164,350,000 of unlimited tax bonds to fund the cost of proposed utility facilities and related non-construction costs based upon the District's engineer reports. Additionally, \$246,000,000 of refunding bonds, \$50,725,000 of road bonds and \$6,300,000 of parks and recreational facilities bonds were approved by voters of the District. As of September 30, 2020, \$11,000,000 of unlimited tax bonds and \$2,995,000 of unlimited tax road bonds have been issued, \$13,410,000 of which remains outstanding at September 30, 2020. The ratio of the District's long-term debt to the 2020 total taxable assessed valuation (\$120,457,494) is 11.1%. The District's estimated population, as provided by the District as of September 30, 2020, is 1,458. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

**BUDGETARY HIGHLIGHTS**

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on September 12, 2019. The budget included revenues of \$1,123,772 as compared to expenses of \$847,394 for the current fiscal year. When comparing actual figures to budgeted amounts, the District had a negative variance of \$162,224 during the current fiscal year. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The property tax assessed value and net taxable value for the 2020 tax year (fiscal year 2021) is approximately \$120 million. The fiscal year 2021 tax rate is \$0.95 on each \$100 of taxable value. Approximately 43% of the property tax will fund general operating expenses and approximately 57% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2021 projects an operating fund balance increase of \$132,684. Compared to the fiscal year 2020 budget, revenues are expected to increase by approximately \$134,000 and expenditures are expected to increase by approximately \$278,000.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Ave., Suite 1300, Austin, TX 78701.



**BASIC  
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2020**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Governmental Funds Total</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Net Position</u>
<b><u>ASSETS</u></b>						
Cash and cash equivalents:						
Cash	\$ 150,408	\$ -	\$ -	\$ 150,408	\$ -	\$ 150,408
Cash equivalents	971,937	360,979	484,044	1,816,960	-	1,816,960
Receivables:						
Property taxes	1,867	1,655	-	3,522	-	3,522
Interfund	6,491	-	-	6,491	(6,491)	-
Prepaid expenditures	1,141	-	-	1,141	140,958	142,099
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	312,817	312,817
Water/wastewater/drainage facilities	-	-	-	-	7,936,007	7,936,007
<b>TOTAL ASSETS</b>	<u>\$ 1,131,844</u>	<u>\$ 362,634</u>	<u>\$ 484,044</u>	<u>\$ 1,978,522</u>	<u>8,383,291</u>	<u>10,361,813</u>
<b><u>LIABILITIES</u></b>						
Accounts payable	\$ 207,416	\$ -	\$ -	\$ 207,416	-	207,416
Accrued bond interest payable	-	-	-	-	35,041	35,041
Intergovernmental payable	11,290	-	-	11,290	-	11,290
Interfund payables	-	6,491	-	6,491	(6,491)	-
Bonds payable:						
Due within one year	-	-	-	-	345,000	345,000
Due after one year	-	-	-	-	13,100,038	13,100,038
<b>TOTAL LIABILITIES</b>	<u>218,706</u>	<u>6,491</u>	<u>-</u>	<u>225,197</u>	<u>13,473,588</u>	<u>13,698,785</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>						
Deferred revenue - property taxes	1,867	1,655	-	3,522	(3,522)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>1,867</u>	<u>1,655</u>	<u>-</u>	<u>3,522</u>	<u>(3,522)</u>	<u>-</u>
<b><u>FUND BALANCES / NET POSITION</u></b>						
Fund balances:						
Nonspendable	1,141	-	-	1,141	(1,141)	-
Restricted for:						
Debt service	-	354,488	-	354,488	(354,488)	-
Authorized construction	-	-	484,044	484,044	(484,044)	-
Unassigned	910,130	-	-	910,130	(910,130)	-
<b>TOTAL FUND BALANCES</b>	<u>911,271</u>	<u>354,488</u>	<u>484,044</u>	<u>1,749,803</u>	<u>(1,749,803)</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u>\$ 1,131,844</u>	<u>\$ 362,634</u>	<u>\$ 484,044</u>	<u>\$ 1,978,522</u>		
Net position:						
Net investment in capital assets					(4,571,212)	(4,571,212)
Restricted for debt service					321,102	321,102
Unrestricted					913,138	913,138
<b>TOTAL NET POSITION</b>					<u>\$ (3,336,972)</u>	<u>\$ (3,336,972)</u>

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2020**

	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	\$ 504,663	\$ 470,781	\$ -	\$ 975,444	\$ 3,201	\$ 978,645
Service revenue, including penalties	661,701	-	-	661,701	-	661,701
Connection/inspection fees	135,575	-	-	135,575	-	135,575
Interest and other	7,375	7,613	2,737	17,725	-	17,725
<b>TOTAL REVENUES</b>	<b>1,309,314</b>	<b>478,394</b>	<b>2,737</b>	<b>1,790,445</b>	<b>3,201</b>	<b>1,793,646</b>
<b>EXPENDITURES / EXPENSES:</b>						
Current:						
Water/wastewater purchases	484,919	-	-	484,919	-	484,919
Garbage collection	85,807	-	-	85,807	-	85,807
Repairs and maintenance	49,524	-	-	49,524	-	49,524
Tap connection/inspection fees	58,076	-	-	58,076	-	58,076
Operation/management fees	63,955	-	-	63,955	-	63,955
Utilities	13,682	-	-	13,682	-	13,682
Security patrol	18,959	-	-	18,959	-	18,959
Director fees, including payroll taxes	10,496	-	-	10,496	-	10,496
Legal fees	63,538	-	-	63,538	-	63,538
Bookkeeping fees	22,350	-	-	22,350	-	22,350
Engineering fees	56,255	-	-	56,255	-	56,255
Audit fees	12,000	-	-	12,000	-	12,000
Insurance	3,303	-	-	3,303	-	3,303
Financial advisor fees	1,035	965	-	2,000	-	2,000
Tax appraisal/collection fees	3,093	2,886	-	5,979	-	5,979
Bank fees	13,612	-	-	13,612	-	13,612
Developer interest	-	-	231,047	231,047	-	231,047
Other	9,026	2,000	-	11,026	-	11,026
Debt Service:						
Principal	-	325,000	-	325,000	(325,000)	-
Interest	-	379,127	-	379,127	3,348	382,475
Fiscal agent fees	-	2,000	-	2,000	-	2,000
Bond issuance costs	-	-	289,168	289,168	(49,700)	239,468
Capital outlay	225,530	-	2,223,580	2,449,110	(225,530)	2,223,580
Depreciation/amortization	-	-	-	-	174,078	174,078
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>1,195,160</b>	<b>711,978</b>	<b>2,743,795</b>	<b>4,650,933</b>	<b>(422,804)</b>	<b>4,228,129</b>
Excess (deficit) of revenues over (under) expenditures / expenses	114,154	(233,584)	(2,741,058)	(2,860,488)	426,005	(2,434,483)
<b>OTHER FINANCING SOURCES:</b>						
Issuance of bonds	-	84,587	2,910,413	2,995,000	(2,995,000)	-
Bond premium	-	-	26,189	26,189	(26,189)	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>-</b>	<b>84,587</b>	<b>2,936,602</b>	<b>3,021,189</b>	<b>(3,021,189)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>114,154</b>	<b>(148,997)</b>	<b>195,544</b>	<b>160,701</b>	<b>(160,701)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>(2,434,483)</b>	<b>(2,434,483)</b>
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	797,117	503,485	288,500	1,589,102	(2,491,591)	(902,489)
End of the year	\$ 911,271	\$ 354,488	\$ 484,044	\$ 1,749,803	\$ (5,086,775)	\$ (3,336,972)

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

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Williamson County Municipal Utility District No. 22 (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 by Senate Bill 1887, Acts of the 79<sup>th</sup> Texas Legislature, Regular Session 2005, now codified as Chapter 8135, Texas Special District Local Laws Code, as a municipal utility district created under and essential to accomplish the purposes of Sections 52 and 52-a, Article III, Texas Constitution, and Section 59, Article XVI, Texas Constitution. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity.

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

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. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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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. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

- **Governmental Funds (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 balance. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available).

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

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

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period, and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. The District has made no such accrual for the year ended September 30, 2020. 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 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.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

***Budgets and Budgetary Accounting*** - A budget was adopted on September 12, 2019 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.

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

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

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

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

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

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

Asset	Years
Water/wastewater/drainage facilities	50



**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

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

***Long-Term Debt*** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the government-wide Statement of Net Position. Bond premiums and original issue discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in both the government-wide and the fund financial statements.

***Deferred Outflows and Deferred Inflows of Resources*** - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

***Fund Equity*** - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

***Accounting Estimates*** - The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

***Fair Value Measurements*** - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

***Recently Issued Accounting Pronouncements*** - In June 2017, GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. 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, 2022.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**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		\$ 1,749,803
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Land and easements	312,817	
Water/wastewater/drainage facilities	8,460,925	
Less: Accumulated depreciation	<u>(524,918)</u>	8,248,824
Bond insurance premium, net		140,958
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.		3,522
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable, net of premium/discount	(13,445,038)	
Accrued interest	<u>(35,041)</u>	<u>(13,480,079)</u>
Total net position		<u><u>\$ (3,336,972)</u></u>

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		\$ 160,701
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital outlay in year paid	225,530	
Interest expenditures in year paid	(3,348)	
Bond principal in year paid	325,000	
Taxes in year received	3,201	
Bond insurance premium	49,700	
Bond proceeds, net of premium, in year received	<u>(3,021,189)</u>	(2,421,106)
Governmental funds do not report -		
Depreciation/amortization		<u>(174,078)</u>
Change in net position		<u><u>\$ (2,434,483)</u></u>

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**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, 2020, the carrying amount of the District’s deposits was \$150,408 and the bank balance was \$150,547. The bank balance was covered by FDIC insurance and other pledged collateral.

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

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

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

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

At September 30, 2020, the District held the following cash equivalents:

<u>Cash Equivalents</u>	<u>Fair Value at 9/30/2020</u>	<u>Weighted Average Maturity (Days)</u>	<u>Investment Rating</u>	
			<u>Rating</u>	<u>Rating Agency</u>
TexPool	\$ 1,816,960	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, it operates 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.

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, 2020, 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 District’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2020, the District’s bank deposits were fully covered by FDIC insurance and other pledged collateral.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson Central Appraisal District establishes appraised values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector bills and collects the District's property taxes. The Board set current tax rates applicable to fiscal year 2020 on September 12, 2019.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2019 tax roll. The tax rate, based on total taxable assessed valuation of \$102,928,952 was \$0.95 on each \$100 valuation and was allocated \$0.4915 to the General Fund and \$0.4585 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters on May 12, 2007.

Property tax receivables at September 30, 2020 consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 1,656	\$ 1,545	\$ 3,201
Prior years' levies	211	110	321
	\$ 1,867	\$ 1,655	\$ 3,522

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, 2020, is as follows:

	Interfund	
	Receivable	Payable
General Fund - Debt Service Fund	\$ 6,491	\$ -
Debt Service Fund - General Fund	-	6,491
	\$ 6,491	\$ 6,491

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Capital assets not being depreciated-				
Land and easements	\$ 87,287	\$ 225,530	\$ -	\$ 312,817
Capital assets being depreciated-				
Water/wastewater/drainage facilities	8,460,925	-	-	8,460,925
Total capital assets being depreciated	8,460,925	-	-	8,460,925
Less accumulated depreciation for-				
Water/wastewater/drainage facilities	(354,723)	(170,195)	-	(524,918)
Total accumulated depreciation	(354,723)	(170,195)	-	(524,918)
Total capital assets being depreciated, net of accumulated depreciation	8,106,202	(170,195)	-	7,936,007
Total capital assets, net	<u>\$ 8,193,489</u>	<u>\$ 55,335</u>	<u>\$ -</u>	<u>\$ 8,248,824</u>

**7. LONG-TERM DEBT**

The following is a summary of the District's bond transactions for the year ended September 30, 2020:

	Unlimited Tax Bonds
Bonds payable at September 30, 2019	\$ 10,740,000
Bonds issued	2,995,000
Bonds retired	(325,000)
Bond premium/discount, net of accumulated amortization	35,038
Bonds payable at September 30, 2020	<u>\$ 13,445,038</u>

Bonds payable at September 30, 2020 were comprised of the following individual issues:

**Unlimited Tax Bonds -**

\$1,810,000 - 2015 Unlimited Tax Bonds payable serially through the year 2039 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after September 1, 2022 are callable prior to maturity beginning on September 1, 2021. Bonds maturing September 1, 2034, September 1, 2036, and September 1, 2039 are term bonds and are subject to mandatory sinking fund redemptions.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

**Unlimited Tax Bonds (continued) -**

\$2,080,000 - 2016 Unlimited Tax Bonds payable serially through the year 2040 at interest rates which range from 2.00% to 3.50%. Bonds maturing on or after September 1, 2024 are callable prior to maturity beginning on September 1, 2023. Bonds maturing September 1, 2034, September 1, 2036, and September 1, 2040 are term bonds and are subject to mandatory sinking fund redemptions.

\$1,750,000 - 2017 Unlimited Tax Bonds payable serially through the year 2042 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after September 1, 2026 are callable prior to maturity beginning on September 1, 2024. Bonds maturing September 1, 2026, September 1, 2036, September 1, 2039 and September 1, 2042 are term bonds and are subject to mandatory sinking fund redemptions.

\$2,490,000 - 2018 Unlimited Tax Bonds payable serially through the year 2043 at interest rates which range from 3.00% to 5.00%. Bonds maturing on or after September 1, 2024 are callable prior to maturity beginning on September 1, 2023. Bonds maturing September 1, 2035, September 1, 2037, September 1, 2039, September 1, 2041 and September 1, 2043 are term bonds and are subject to mandatory sinking fund redemptions.

\$2,485,000 - 2019 Unlimited Tax Bonds payable serially through the year 2044 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after September 1, 2026 are callable prior to maturity beginning on September 1, 2025. Bonds maturing September 1, 2044 are term bonds and are subject to mandatory sinking fund redemptions.

**Unlimited Tax Road Bonds –**

\$2,795,000 - 2020 Unlimited Tax Road Bonds payable serially through the year 2044 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after September 1, 2026 are callable prior to maturity beginning on September 1, 2025. Bonds maturing September 1, 2035, 2039 and 2044 are term bonds and are subject to mandatory sinking fund redemptions.

On June 11, 2020, the District issued \$2,995,000 of Unlimited Tax Road Bonds, Series 2020, with interest rates ranging from 2.00% to 4.00%. The net proceeds of \$2,938,758 (after payment of \$56,242 in underwriter fees) were deposited with the District's investment accounts to finance construction costs and to pay for accrued bond interest and subsequent bond issuance costs.



**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

The annual requirements to amortize all bonded debt at September 30, 2020, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2021	\$ 345,000	\$ 437,404	\$ 782,404
2022	355,000	424,725	779,725
2023	370,000	412,229	782,229
2024	395,000	399,279	794,279
2025	410,000	385,139	795,139
2026-2030	2,305,000	1,714,301	4,019,301
2031-2035	2,760,000	1,345,903	4,105,903
2036-2040	3,305,000	854,374	4,159,374
2041-2044	3,165,000	251,447	3,416,447
	\$ 13,410,000	\$ 6,224,801	\$ 19,634,801

The total amount of unlimited tax bonds authorized but not issued is \$153,350,000 as of September 30, 2020. The total amount of unlimited tax road bonds authorized but not issued is \$47,730,000 as of September 30, 2020.

At September 30, 2020, \$354,488 is available in the Debt Service Fund to service the bonded debt.

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**8. COMMITMENTS AND CONTINGENCIES**

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality, or from operations. On May 12, 2007, a bond election held within the District approved authorization to issue \$164,350,000 of unlimited tax bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer report. Additionally, \$246,000,000 of refunding bonds, \$50,725,000 of road bonds and \$6,300,000 of parks and recreational facilities bonds were approved by voters of the District. As of September 30, 2020, the District has issued \$11,000,000 in unlimited tax bonds to reimburse the developer for certain creation costs, operational advances, and water, wastewater and drainage improvements and \$2,995,000 in unlimited tax road bonds to reimburse the developer for road improvements.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the District's results of operations and financial position, the related financial impact cannot be reasonably estimated at this time. The District is actively managing its operations to maintain its cash flow and management believes that the District has adequate liquidity.

**9. RISK MANAGEMENT**

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

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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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 governmental funds. Those fund balance classifications are described below:

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

The detail of the fund balances 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. 22**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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**11. INTERLOCAL AGREEMENTS**

On February 22, 2012, the District entered into an “Agreement Concerning Management and Operation of District Facilities” with Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (“Williamson WSIDD No. 3”). Pursuant to this agreement, Williamson WSIDD No. 3 agreed to operate and maintain the water, wastewater, and drainage facilities within both Districts and to provide retail water and wastewater service to customers within the boundaries of both Districts. Williamson WSIDD No. 3 agreed to maintain separate accounting for revenues received from the District’s customers. Such revenues are used to compensate Williamson WSIDD No. 3 for the costs of providing services to the District’s customers. As of September 30, 2020, the District owed Williamson WSIDD No. 3 \$11,290 for operating expenses, net of collected revenues.

In November 2006, the District and the City of Hutto (the “City”) executed a strategic partnership agreement pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District (approximately 70 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the limited purposes annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also agreed to grant 50% of such sales tax funds collected within the District to the developers for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the strategic partnership agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of utility infrastructure by the District.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2020**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 504,663	\$ 502,509	\$ 2,154
Service revenue, including penalties	661,701	549,263	112,438
Connection/inspection fees	135,575	60,000	75,575
Interest and other	7,375	12,000	(4,625)
<b>TOTAL REVENUES</b>	<u>1,309,314</u>	<u>1,123,772</u>	<u>185,542</u>
<b>EXPENDITURES:</b>			
Current:			
Water/wastewater purchases	484,919	381,275	(103,644)
Garbage collection	85,807	78,342	(7,465)
Repairs and maintenance	49,524	71,500	21,976
Tap connection/inspection fees	58,076	22,500	(35,576)
Operation/management fees	63,955	58,798	(5,157)
Utilities	13,682	15,000	1,318
Security patrol	18,959	30,000	11,041
Director fees, including payroll taxes	10,496	9,779	(717)
Legal fees	63,538	60,000	(3,538)
Bookkeeping fees	22,350	22,350	-
Engineering fees	56,255	36,000	(20,255)
Audit fees	12,000	13,000	1,000
Insurance	3,303	2,500	(803)
Financial advisor fees	1,035	1,250	215
Other professional fees	-	5,000	5,000
Tax appraisal/collection fees	3,093	2,600	(493)
Public notice	-	500	500
Bank fees	13,612	12,000	(1,612)
Other	9,026	-	(9,026)
Capital outlay	225,530	25,000	(200,530)
<b>TOTAL EXPENDITURES</b>	<u>1,195,160</u>	<u>847,394</u>	<u>(347,766)</u>
<b>NET CHANGE IN FUND BALANCE</b>	114,154	<u>\$ 276,378</u>	<u>\$ (162,224)</u>
<b>FUND BALANCE:</b>			
Beginning of the year	<u>797,117</u>		
End of the year	<u>\$ 911,271</u>		

**TEXAS**  
**SUPPLEMENTAL INFORMATION**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-1. SERVICES AND RATES**  
**SEPTEMBER 30, 2020**

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

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

**2. Retail Service Providers**

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	\$ 34.70	2,000	N	\$ 4.00	2,001 - 15,000
				\$ 5.25	Over 15,001
WASTEWATER:	\$ 56.74	-	Y	\$ -	
SURCHARGE:	\$ -	-		\$ -	

District employs winter averaging for wastewater usage: Yes  No

Total charges per 10,000 gallons usage: Water \$ 66.70 Wastewater \$ 56.74

**b. Water and Wastewater Retail Connections:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFC's</u>
Unmetered			1.0	
< 3/4"	486.0	486.0	1.0	486.0
1"			2.5	
1 1/2"			5.0	
2"			8.0	
3"			15.0	
4"			25.0	
6"			50.0	
8"			80.0	
10"			115.0	
Total Water	486.0	486.0		486.0
Total Wastewater	484.0	484.0		484.0



**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-1. SERVICES AND RATES (continued)**  
**SEPTEMBER 30, 2020**

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

Gallons pumped into system: 50,280  
Gallons billed to customers: 48,347

<b><u>Water Accountability Ratio</u></b> (Gallons billed / Gallons Pumped) 96.2%
--

**4. Standby Fees** (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes  No

If yes, Date of the most recent Commission Order: \_\_\_\_\_

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

If yes, Date of the most recent Commission Order: \_\_\_\_\_

**5. Location of District**

County(ies) in which district is located: Williamson County, Texas

Is the District located entirely within one county? Yes  No

Is the District located within a city? Entirely  Partly  Not at all

City(ies) in which district is located: City of Hutto, Texas (1)

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

Entirely  Partly  Not at all

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

Are Board members appointed by an office outside the district?

Yes  No

If Yes, by whom? \_\_\_\_\_

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-2. GENERAL FUND EXPENDITURES**  
**SEPTEMBER 30, 2020**

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Professional Fees:	
Auditing	\$ 12,000
Legal	63,538
Engineering	56,255
Financial Advisor	1,035
Purchased Services For Resale:	
Bulk Water and Wastewater Purchases	484,919
Contracted Services:	
Bookkeeping	22,350
General Manager	63,955
Appraisal District/Tax Collector	3,093
Other Contracted Services	162,842
Utilities	13,682
Repairs and Maintenance	49,524
Administrative Expenditures:	
Directors' Fees	10,496
Insurance	3,303
Other Administrative Expenditures	22,638
Capital Outlay:	
Capitalized Assets	225,530
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,195,160</b>

Number of persons employed by the District:

Full-Time

Part-Time

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-3. TEMPORARY INVESTMENTS**  
**SEPTEMBER 30, 2020**

<b>Funds</b>	<b>Identification or Certificate Number</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance at End of Year</b>	<b>Accrued Interest Receivable at End of Year</b>
<b>General Fund-</b>					
TexPool	XXX0002	Varies	N/A	\$ 971,937	\$ -
Total				<u>971,937</u>	<u>-</u>
<b>Debt Service Fund:</b>					
TexPool	XXX0001	Varies	N/A	6,699	-
TexPool	XXX0004	Varies	N/A	255,940	-
TexPool	XXX0011	Varies	N/A	98,340	-
Total				<u>360,979</u>	<u>-</u>
<b>Capital Projects Fund:</b>					
TexPool	XXX0003	Varies	N/A	5,593	-
TexPool	XXX0006	Varies	N/A	94,163	-
TexPool	XXX0008	Varies	N/A	28,863	-
TexPool	XXX0010	Varies	N/A	42,203	-
TexPool	XXX0012	Varies	N/A	120,306	-
TexPool	XXX0014	Varies	N/A	192,916	-
Total				<u>484,044</u>	<u>-</u>
Total - All Funds				<u>\$ 1,816,960</u>	<u>\$ -</u>

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-4. TAXES LEVIED AND RECEIVABLE**  
**SEPTEMBER 30, 2020**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>	
<b>Taxes Receivable, Beginning of Year</b>	\$ 211	\$ 110	
2019 Original Tax Levy, less abatements	507,288	473,228	
Adjustments	<u>(1,001)</u>	<u>(934)</u>	
Total to be accounted for	<u>506,498</u>	<u>472,404</u>	
Tax collections:			
Current year	504,631	470,749	
Prior years	<u>-</u>	<u>-</u>	
Total collections	<u>504,631</u>	<u>470,749</u>	
<b>Taxes Receivable, End of Year</b>	<u>\$ 1,867</u>	<u>\$ 1,655</u>	
<b>Taxes Receivable, By Years</b>			
2018 and before	\$ 211	\$ 110	
2019	<u>1,656</u>	<u>1,545</u>	
<b>Taxes Receivable, End of Year</b>	<u>\$ 1,867</u>	<u>\$ 1,655</u>	
<b>Property Valuations:</b>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Land and improvements	<u>\$ 102,928,952</u> (a)	<u>\$ 79,557,512</u> (a)	<u>\$ 53,451,066</u> (a)
<b>Total Property Valuations</b>	<u>\$ 102,928,952</u>	<u>\$ 79,557,512</u>	<u>\$ 53,451,066</u>
<b>Tax Rates per \$100 Valuation:</b>			
Debt Service tax rates	\$ 0.4585	\$ 0.4748	\$ 0.4646
Maintenance tax rates	<u>0.4915</u>	<u>0.4752</u>	<u>0.4854</u>
<b>Total Tax Rates per \$100 Valuation:</b>	<u>\$ 0.9500</u>	<u>\$ 0.9500</u>	<u>\$ 0.9500</u>
<b>Original Tax Levy</b>	<u>\$ 977,825</u>	<u>\$ 755,800</u>	<u>\$ 507,785</u>
<b>Percent of Taxes Collected to Taxes Levied **</b>	<u>99.7%</u>	<u>99.9%</u>	<u>99.9%</u>
<b>Maximum Tax Rate Approved by Voters:</b>	<u>\$ 1.00 on 5/12/2007</u>		

\*\*Calculated as taxes collected in current and previous years divided by the tax levy, plus adjustments.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**SEPTEMBER 30, 2020**

Fiscal Year Ending	Unlimited Tax Bonds Series 2015			Unlimited Tax Bonds Series 2016			Unlimited Tax Bonds Series 2017			Unlimited Tax Bonds Series 2018		
	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total	Principal Due	Interest Due	Total
	9/1	3/1, 9/1		9/1	3/1, 9/1		9/1	3/1, 9/1		9/1	3/1, 9/1	
2021	\$ 55,000	\$ 66,685	\$ 121,685	\$ 5,000	\$ 65,769	\$ 70,769	\$ 50,000	\$ 63,025	\$ 113,025	\$ 70,000	\$ 94,769	\$ 164,769
2022	55,000	65,310	120,310	50,000	65,656	115,656	50,000	61,925	111,925	70,000	91,269	161,269
2023	60,000	63,798	123,798	75,000	64,556	139,556	50,000	60,750	110,750	75,000	87,769	162,769
2024	65,000	61,998	126,998	75,000	62,831	137,831	50,000	59,475	109,475	75,000	84,019	159,019
2025	70,000	59,983	129,983	75,000	61,031	136,031	50,000	58,100	108,100	80,000	80,269	160,269
2026	70,000	57,813	127,813	75,000	59,156	134,156	50,000	56,600	106,600	85,000	76,269	161,269
2027	75,000	55,503	130,503	75,000	56,906	131,906	50,000	55,100	105,100	85,000	72,019	157,019
2028	80,000	52,953	132,953	75,000	54,656	129,656	50,000	53,500	103,500	90,000	68,619	158,619
2029	85,000	50,153	135,153	100,000	52,406	152,406	50,000	51,875	101,875	95,000	65,919	160,919
2030	90,000	47,093	137,093	100,000	49,406	149,406	50,000	50,188	100,188	95,000	63,069	158,069
2031	95,000	43,763	138,763	100,000	46,406	146,406	50,000	48,500	98,500	100,000	60,100	160,100
2032	100,000	40,200	140,200	100,000	43,406	143,406	50,000	46,813	96,813	105,000	56,850	161,850
2033	110,000	36,400	146,400	125,000	40,156	165,156	50,000	45,063	95,063	110,000	53,438	163,438
2034	115,000	32,000	147,000	125,000	36,094	161,094	50,000	43,250	93,250	115,000	49,588	164,588
2035	120,000	27,400	147,400	125,000	32,031	157,031	50,000	41,438	91,438	120,000	45,563	165,563
2036	130,000	22,600	152,600	150,000	27,813	177,813	50,000	39,625	89,625	120,000	41,363	161,363
2037	135,000	17,400	152,400	150,000	22,750	172,750	50,000	37,813	87,813	125,000	37,013	162,013
2038	145,000	12,000	157,000	150,000	17,500	167,500	50,000	35,875	85,875	130,000	32,481	162,481
2039	155,000	6,200	161,200	175,000	12,250	187,250	50,000	33,938	83,938	135,000	27,769	162,769
2040	-	-	-	175,000	6,126	181,126	50,000	32,000	82,000	145,000	22,875	167,875
2041	-	-	-	-	-	-	370,000	30,000	400,000	150,000	17,438	167,438
2042	-	-	-	-	-	-	380,000	15,196	395,196	155,000	11,813	166,813
2043	-	-	-	-	-	-	-	-	-	160,000	6,000	166,000
2044	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 1,810,000</u>	<u>\$ 819,252</u>	<u>\$ 2,629,252</u>	<u>\$ 2,080,000</u>	<u>\$ 876,905</u>	<u>\$ 2,956,905</u>	<u>\$ 1,750,000</u>	<u>\$ 1,020,049</u>	<u>\$ 2,770,049</u>	<u>\$ 2,490,000</u>	<u>\$ 1,246,281</u>	<u>\$ 3,736,281</u>

(continued)

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (CONTINUED)**  
**SEPTEMBER 30, 2020**

Fiscal Year Ending	Unlimited Tax Bonds Series 2019			Unlimited Tax Road Bonds Series 2020			Total - All Requirements		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
	2021	\$ 30,000	\$ 68,712	\$ 98,712	\$ 135,000	\$ 78,444	\$ 213,444	\$ 345,000	\$ 437,404
2022	35,000	67,521	102,521	95,000	73,044	168,044	355,000	424,725	779,725
2023	40,000	66,112	106,112	70,000	69,244	139,244	370,000	412,229	782,229
2024	60,000	64,512	124,512	70,000	66,444	136,444	395,000	399,279	794,279
2025	65,000	62,112	127,112	70,000	63,644	133,644	410,000	385,139	795,139
2026	70,000	59,512	129,512	75,000	60,844	135,844	425,000	370,194	795,194
2027	75,000	56,712	131,712	90,000	59,344	149,344	450,000	355,584	805,584
2028	75,000	55,212	130,212	90,000	57,544	147,544	460,000	342,484	802,484
2029	80,000	53,712	133,712	65,000	55,744	120,744	475,000	329,809	804,809
2030	85,000	52,112	137,112	75,000	54,362	129,362	495,000	316,230	811,230
2031	90,000	50,412	140,412	75,000	52,675	127,675	510,000	301,856	811,856
2032	95,000	48,612	143,612	80,000	50,800	130,800	530,000	286,681	816,681
2033	100,000	46,594	146,594	55,000	48,800	103,800	550,000	270,451	820,451
2034	105,000	44,344	149,344	65,000	47,425	112,425	575,000	252,701	827,701
2035	105,000	41,982	146,982	75,000	45,800	120,800	595,000	234,214	829,214
2036	105,000	39,356	144,356	60,000	43,925	103,925	615,000	214,682	829,682
2037	110,000	36,600	146,600	75,000	42,350	117,350	645,000	193,926	838,926
2038	110,000	33,575	143,575	80,000	40,382	120,382	665,000	171,813	836,813
2039	115,000	30,550	145,550	65,000	38,282	103,282	695,000	148,989	843,989
2040	115,000	27,388	142,388	200,000	36,575	236,575	685,000	124,964	809,964
2041	150,000	24,225	174,225	45,000	31,075	76,075	715,000	102,738	817,738
2042	220,000	20,100	240,100	45,000	29,838	74,838	800,000	76,947	876,947
2043	225,000	13,500	238,500	425,000	28,600	453,600	810,000	48,100	858,100
2044	225,000	6,750	231,750	615,000	16,912	631,912	840,000	23,662	863,662
	<u>\$ 2,485,000</u>	<u>\$ 1,070,217</u>	<u>\$ 3,555,217</u>	<u>\$ 2,795,000</u>	<u>\$ 1,192,097</u>	<u>\$ 3,987,097</u>	<u>\$ 13,410,000</u>	<u>\$ 6,224,801</u>	<u>\$ 19,634,801</u>

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-6. CHANGES IN LONG-TERM BONDED DEBT**  
**SEPTEMBER 30, 2020**

	<b>Bond Issue</b>						<b>Total</b>
	<b>Series 2015</b>	<b>Series 2016</b>	<b>Series 2017</b>	<b>Series 2018</b>	<b>Series 2019</b>	<b>Series 2020</b>	
Interest Rate	2.00% - 4.00%	2.00% - 3.50%	2.00% - 4.00%	3.00% - 5.00%	2.00% - 4.00%	2.00% - 4.00%	
Dates Interest Payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1	
Maturity Dates	9/1/2039	9/1/2040	9/1/2042	9/1/2043	9/1/2044	9/1/2044	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 1,860,000	\$ 2,085,000	\$ 1,800,000	\$ 2,495,000	\$ 2,500,000	\$ -	\$ 10,740,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	2,995,000	2,995,000
Retirements During the Current Fiscal Year:							
Principal	(50,000)	(5,000)	(50,000)	(5,000)	(15,000)	(200,000)	(325,000)
Refunded	-	-	-	-	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 1,810,000</u>	<u>\$ 2,080,000</u>	<u>\$ 1,750,000</u>	<u>\$ 2,490,000</u>	<u>\$ 2,485,000</u>	<u>\$ 2,795,000</u>	<u>\$ 13,410,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 68,810</u>	<u>\$ 65,868</u>	<u>\$ 63,026</u>	<u>\$ 95,018</u>	<u>\$ 67,195</u>	<u>\$ 19,210</u>	<u>\$ 379,127</u>
Paying Agent's Name & Address:		Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	
Bond Authority:	Unlimited Tax Bonds*	Refunding Bonds*	Road Bonds*	Recreational Facilities*			
Amount Authorized by Voters	\$ 164,350,000	\$ 246,000,000	\$ 50,725,000	\$ 6,300,000			
Amount Issued	(11,000,000)	-	(2,995,000)	-			
Remaining To Be Issued	<u>\$ 153,350,000</u>	<u>\$ 246,000,000</u>	<u>\$ 47,730,000</u>	<u>\$ 6,300,000</u>			
Debt Service Fund Cash and Temporary Investments balances as of September 30, 2020:				<u>\$ 360,979</u>			
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:				<u>\$ 818,117</u>			

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**  
**SEPTEMBER 30, 2020**

	Amounts					Percent of Fund Total Revenues				
	2020	2019	2018	2017	2016	2020	2019	2018	2017	2016
	<b>GENERAL FUND REVENUES:</b>									
Property taxes, including penalties	\$ 504,663	\$ 407,019	\$ 269,602	\$ 241,971	\$ 152,663	38.5%	40.2%	35.3%	39.0%	32.1%
Connection/inspection fees	135,575	93,950	71,275	74,900	65,775	10.4%	9.3%	9.3%	12.0%	18.0%
Service revenue, including penalties	661,701	495,911	416,942	305,667	198,615	50.5%	48.9%	54.7%	49.0%	49.9%
Interest and other	7,375	16,854	5,440	1,268	88	0.6%	1.6%	0.7%	-	-
<b>TOTAL GENERAL FUND REVENUES</b>	<b>1,309,314</b>	<b>1,013,734</b>	<b>763,259</b>	<b>623,806</b>	<b>417,141</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES:</b>										
Water/wastewater purchases	484,919	354,423	289,082	217,990	137,408	37.0%	35.0%	37.9%	34.9%	32.9%
Garbage collection	85,807	64,887	51,377	34,746	22,224	6.6%	6.4%	6.7%	5.6%	5.3%
Operation/management fees	63,955	40,705	34,225	27,160	20,086	4.9%	4.0%	4.5%	4.4%	4.8%
Tap connection/inspection fees	58,076	35,035	26,150	37,612	22,226	4.4%	3.5%	3.4%	6.0%	5.3%
Repairs and maintenance	49,524	44,323	30,222	20,703	21,933	3.8%	4.4%	4.0%	3.3%	5.3%
Utilities	13,682	14,520	9,392	6,281	5,001	1.0%	1.4%	1.2%	1.0%	1.2%
Security patrol	18,959	-	-	-	-	1.4%	-	-	-	-
Director fees, including payroll taxes	10,496	6,620	5,006	6,620	4,844	0.8%	0.7%	0.7%	1.1%	1.2%
Legal fees	63,538	65,278	41,889	35,061	32,487	4.9%	6.4%	5.5%	5.6%	7.8%
Engineering fees	56,255	26,997	38,109	7,095	4,420	4.3%	2.7%	5.0%	1.1%	1.1%
Bookkeeping fees	22,350	21,650	20,600	21,300	20,600	1.7%	2.1%	2.7%	3.4%	4.9%
Audit fees	12,000	11,500	11,000	10,500	10,000	0.9%	1.1%	1.4%	1.7%	2.4%
Financial advisor fees	1,035	915	935	1,189	1,148	0.1%	0.1%	0.1%	0.2%	0.3%
Other professional fees	-	1,750	3,150	-	-	-	0.2%	0.4%	-	-
Tax appraisal/collection fees	3,093	2,295	1,667	1,746	1,121	0.2%	0.2%	0.2%	0.3%	0.3%
Insurance	3,303	3,071	2,421	1,974	2,077	0.3%	0.3%	0.3%	0.3%	0.5%
Public notice	-	632	625	-	-	-	0.1%	0.1%	-	-
Bank fees	13,612	9,822	8,016	4,982	2,679	1.0%	1.0%	1.1%	0.8%	0.6%
Other	9,026	1,227	-	-	-	0.7%	0.1%	-	-	-
Capital outlay	225,530	-	-	12,216	-	17.2%	-	-	2.0%	-
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>1,195,160</b>	<b>705,650</b>	<b>573,866</b>	<b>447,175</b>	<b>308,254</b>	<b>91.3%</b>	<b>69.7%</b>	<b>75.2%</b>	<b>71.7%</b>	<b>73.9%</b>
<b>EXCESS OF GENERAL FUND REVENUES OVER EXPENDITURES</b>	<b>\$ 114,154</b>	<b>\$ 308,084</b>	<b>\$ 189,393</b>	<b>\$ 176,631</b>	<b>\$ 108,887</b>	<b>8.7%</b>	<b>30.3%</b>	<b>24.8%</b>	<b>28.3%</b>	<b>26.1%</b>
<b>DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES:</b>										
Interest	\$ 7,613	\$ 14,641	\$ 7,520	\$ 2,647	\$ 514	1.4%	2.8%	2.2%	1.0%	0.3%
Property taxes, including penalties	470,781	387,179	249,368	126,414	49,296	83.6%	70.6%	70.5%	45.6%	25.4%
Bond proceeds	84,587	146,502	96,648	148,178	144,122	15.0%	26.6%	27.3%	53.4%	74.3%
<b>TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES</b>	<b>562,981</b>	<b>548,322</b>	<b>353,536</b>	<b>277,239</b>	<b>193,932</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>DEBT SERVICE FUND EXPENDITURES:</b>										
Bond interest	379,127	291,897	201,804	155,677	70,610	67.4%	53.2%	57.1%	56.2%	36.4%
Bond principal	325,000	110,000	100,000	50,000	-	57.7%	20.1%	28.3%	18.0%	-
Fiscal agent fees and other	7,851	4,807	4,291	2,134	1,135	1.4%	0.9%	1.2%	0.8%	0.6%
<b>TOTAL DEBT SERVICE FUND EXPENDITURES</b>	<b>711,978</b>	<b>406,704</b>	<b>306,095</b>	<b>207,811</b>	<b>71,745</b>	<b>126.5%</b>	<b>74.2%</b>	<b>86.6%</b>	<b>75.0%</b>	<b>37.0%</b>
<b>EXCESS (DEFICIT) OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>	<b>\$ (148,997)</b>	<b>\$ 141,618</b>	<b>\$ 47,441</b>	<b>\$ 69,428</b>	<b>\$ 122,187</b>	<b>-26.5%</b>	<b>25.8%</b>	<b>13.4%</b>	<b>25.0%</b>	<b>63.0%</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>486</b>	<b>341</b>	<b>325</b>	<b>248</b>	<b>188</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>484</b>	<b>339</b>	<b>325</b>	<b>247</b>	<b>186</b>					



**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2020**

<b>Complete District Mailing Address:</b>	100 Congress Ave., Suite 1300 Austin, TX 78701
<b>District Business Telephone Number:</b>	(512) 435-2300
<b>Submission Date of the most recent District Registration Form TWC Sections 36.054 &amp; 49.054):</b>	November 12, 2020
<b>Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)</b>	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2020	Expense Reimbursements 9/30/2020	Title at Year End
<i>Board Members:</i>				
<b>KYLE SPEARS</b>	(Elected) 11/3/2020 - 11/5/2024	\$ 1,950	\$ -	President
<b>GARY FISCHER</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 1,950	\$ -	Vice-President
<b>CLAUDIA CAPERS</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 2,250	\$ -	Secretary
<b>DOUG SNYDER</b>	(Appointed) 11/12/2020 - 11/5/2024	\$ 1,950	\$ -	Treasurer
<b>KENNY MIRE</b>	(Elected) 11/3/2020 - 11/5/2024	\$ 1,650	\$ -	Assistant Secretary/ Treasurer
<i>Consultants:</i>				
<b>Armbrust &amp; Brown, PLLC</b>	11/30/2005	\$ 66,923	\$ -	Attorney
		\$ 45,725	\$ -	Bond Related Services
<b>Bott &amp; Douthitt, PLLC</b>	5/1/2012	\$ 17,550	\$ -	District Accountant
<b>Maxwell Locke &amp; Ritter LLP</b>	9/11/2014	\$ 12,000	\$ -	Auditor
		\$ 12,000	\$ -	Bond Related Services
<b>Randall Jones &amp; Assoc. Engineering Inc.</b>	9/10/2007	\$ 8,301	\$ -	District Engineer
<b>McCall, Parkhurst &amp; Horton, LLP</b>	11/30/2005	\$ 56,075	\$ -	Bond Counsel
<b>Public Finance Group LLC</b>	4/17/2014	\$ 2,000	\$ -	Financial Advisor
		\$ 64,452	\$ -	Bond Related Services
<b>Williamson County Tax Assessor/Collector</b>	5/17/2011	\$ 159	\$ -	Tax Collector

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

**OTHER  
SUPPLEMENTAL INFORMATION**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**OSI-1. PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2020**

<u>Taxpayer</u>	<u>Type of Property</u>	<u>Tax Roll Year</u>		
		<u>2020</u>	<u>2019</u>	<u>2018</u>
KB Home Lone Star Inc.	N/A	\$ 4,579,745	\$ 6,899,930	\$ 4,651,017
Star Golf Development Inc.	N/A	861,522	-	1,690,400
Homeowner	N/A	615,067	407,616	378,911
Tack Development Ltd.	N/A	558,536	-	-
Clark Wilson Builder Inc.	N/A	556,985	1,222,387	410,058
Clark Wilson Builder Inc.	N/A	395,542	1,022,862	-
Pacesetter Homes LLC	N/A	392,986	1,984,310	1,032,465
Homeowner	N/A	388,569	404,837	377,944
Homeowner	N/A	386,190	403,250	375,757
Homeowner	N/A	381,321	399,489	371,092
Pacesetter Homes LLC	N/A	-	1,476,031	-
Homeowner	N/A	-	399,238	370,828
Homeowner	N/A	-	-	370,203
<b>Total</b>		<b>\$ 9,116,463</b>	<b>\$ 14,619,950</b>	<b>\$ 10,028,675</b>
Percent of Assessed Valuation		<b>7.6%</b>	<b>14.2%</b>	<b>12.6%</b>

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22**  
**OSI-2. ASSESSED VALUE BY CLASSIFICATION**  
**SEPTEMBER 30, 2020**

	Tax Roll Year					
	2020		2019		2018	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 116,368,401	96.6%	\$ 94,656,049	92.0%	\$ 71,556,487	89.9%
Multi-Family	558	-	589	-	589	-
Vacant Platted Lots/Tracts	2,280	-	362,100	0.4%	1,500	-
Acreage, Land Only	6,060,487	5.0%	9,499,998	9.2%	9,556,998	12.0%
Farm and Ranch Improvements	1,704,934	1.4%	263,057	0.3%	6,399,380	8.0%
Tangible Personal, Business	213,233	0.2%	598,904	0.6%	723,288	0.9%
Real Inventory	13,583,622	11.3%	18,043,339	17.5%	8,131,320	10.2%
Exempt Property	558,271	0.5%	1,952	-	2,476	-
Adjustments & Exemptions	<u>(18,034,292)</u>	<u>-15.0%</u>	<u>(20,497,036)</u>	<u>-47.2%</u>	<u>(16,814,526)</u>	<u>-47.2%</u>
Total	<u><u>\$ 120,457,494</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 102,928,952</u></u>	<u><u>100.0%</u></u>	<u><u>\$ 79,557,512</u></u>	<u><u>100.0%</u></u>

**APPENDIX B**  
**FORM OF BOND COUNSEL OPINION**

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22  
UNLIMITED TAX REFUNDING BONDS, SERIES 2021  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$1,900,000**

**AS BOND COUNSEL FOR WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 22** (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on March 11, 2021 authorizing the issuance of the Bonds and the pricing certificate executed by the pricing officer as designated in the order (collectively, the "Bond Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, including the Bond Order and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the District upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

**THE DISTRICT** reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable



from contracts with other persons, including private corporations, municipalities, and political subdivisions.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Verification Report of Public Finance Partners LLC and certain representations, the accuracy of which we have not independently verified, and assume compliance by the District with certain representations and covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed or refinanced therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the District to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**OUR OPINIONS ARE BASED** on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.



**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,



**APPENDIX C**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

BONDS: \$ \_\_\_\_\_ in aggregate principal  
amount of [NAME OF TRANSACTION]  
[and maturing on]

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the “Trustee”) or paying agent (the “Paying Agent”) for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner’s right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner’s right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. “Notice” means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

SPECIAL MEMBER

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

