

OFFICIAL STATEMENT

Dated April 21, 2022

Ratings:

S&P: "AA" (Stable Outlook)/Insured
Moody's: "A1" (Stable Outlook)/Insured
Moody's: "A1"/Uninsured
Insurance: AGM
See "OTHER INFORMATION –
RATINGS," "BOND INSURANCE" and
"BOND INSURANCE RISKS" herein.

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX EXEMPTION" herein.

\$39,750,000

WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY
REVENUE BONDS, SERIES 2022

Dated Date: May 19, 2022

Due: August 15, as shown on the inside cover

Interest Accrues From the Date of Delivery (defined below)

PAYMENT TERMS . . . Interest on the \$39,750,000 West Travis County Public Utility Agency Revenue Bonds, Series 2022 (the "Bonds") will accrue from the date of their Date of Delivery, will be payable August 15 and February 15 of each year, commencing August 15, 2022, until maturity or earlier redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. West Travis County Public Utility Agency (the "PUA"), a political subdivision of the State of Texas, intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue the use of such system. The Bonds will be initially issuable to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas. See "THE BONDS – PAYING AGENT/REGISTRAR."

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas, including Chapter 572, Texas Local Government Code, as amended; and a bond resolution adopted by the Board of Directors of the PUA on the date of sale of the Bonds (the "Resolution"). THE BONDS, TOGETHER WITH THE PREVIOUSLY ISSUED BONDS (HEREINAFTER DEFINED) AND ANY ADDITIONAL PARITY OBLIGATIONS ISSUED OR INCURRED PURSUANT TO THE RESOLUTION, ARE SPECIAL OBLIGATIONS OF THE PUA PAYABLE, BOTH AS TO PRINCIPAL AND INTEREST, SOLELY FROM AND SECURED BY NET REVENUES OF THE SYSTEM (HEREINAFTER DEFINED), INCLUDING PAYMENTS TO BE RECEIVED BY THE PUA PURSUANT TO AN AGREEMENT (THE "PARTICIPANT AGREEMENT") AMONG THE PUA, THE CITY OF BEE CAVE, TEXAS ("BEE CAVE"), HAYS COUNTY, TEXAS ("HAYS COUNTY"), AND LAKE POINTE MUNICIPAL UTILITY DISTRICT ("LAKE POINTE MUD"), SUCCESSOR IN INTEREST TO THE WEST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5 ("MUD 5"). LAKE POINTE MUD, BEE CAVE AND HAYS COUNTY, TOGETHER, ARE REFERRED TO HEREIN AS THE "PARTICIPANTS." THE BONDS SHALL NEVER BE PAYABLE FROM MONIES RAISED OR TO BE RAISED FROM TAXATION. THE PUA HAS NO TAXING POWER. See "THE BONDS – SECURITY FOR BONDS."

PROCEEDS . . . Proceeds from the sale of the Bonds will be used (i) to make water and wastewater improvements to the System; and (ii) to pay issuance costs related to the Bonds. See "THE BONDS – PURPOSE" herein.



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Bond Insurer"). See "BOND INSURANCE" and "APPENDIX J – Specimen Municipal Bond Insurance Policy."

CUSIP PREFIX: 95632C
MATURITY SCHEDULE
See Inside Cover Page

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Initial Purchaser and subject to the approving opinion of the Attorney General of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. See "APPENDIX I – FORM OF BOND COUNSEL'S OPINION."

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on May 19, 2022 (the "Date of Delivery").

MATURITY SCHEDULE

Principal Amount	Maturity August 15	Interest Rate	Initial Yield	CUSIP Numbers ⁽¹⁾
\$ 595,000	2023	6.500%	2.150%	95632CFH7
630,000	2024	6.500%	2.500%	95632CFJ3
675,000	2025	6.500%	2.600%	95632CFK0
715,000	2026	6.500%	2.700%	95632CFL8
765,000	2027	6.500%	2.800%	95632CFM6

\$1,680,000 6.500% Term Bonds due August 15, 2029 Priced to Yield 2.700%⁽²⁾ – 95632CFP9⁽¹⁾
\$2,905,000 5.000% Term Bonds due August 15, 2032 Priced to Yield 3.000%⁽²⁾ – 95632CFS3⁽¹⁾
\$2,175,000 4.000% Term Bonds due August 15, 2034 Priced to Yield 3.400%⁽²⁾ – 95632CFU8⁽¹⁾
\$2,355,000 4.000% Term Bonds due August 15, 2036 Priced to Yield 3.500%⁽²⁾ – 95632CFW4⁽¹⁾
\$2,550,000 4.000% Term Bonds due August 15, 2038 Priced to Yield 3.600%⁽²⁾ – 95632CFY0⁽¹⁾
\$5,735,000 4.000% Term Bonds due August 15, 2042 Priced to Yield 3.750%⁽²⁾ – 95632CGC7⁽¹⁾
\$3,225,000 4.000% Term Bonds due August 15, 2044 Priced to Yield 3.830%⁽²⁾ – 95632CGE3⁽¹⁾
\$15,745,000 4.000% Term Bonds due August 15, 2052 Priced to Yield 4.000% – 95632CGN3⁽¹⁾

(Interest accrues from date of initial delivery)

- (1) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the PUA, the Financial Advisor, the Initial Purchaser or their agents or counsel assume responsibility for the accuracy of such numbers.
- (2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2027, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION . . . The PUA reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2027 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – OPTIONAL REDEMPTION.” Additionally, Term Bonds maturing on August 15 in the years 2029, 2032, 2034, 2036, 2038, 2042, 2044, and 2052 are subject to mandatory sinking fund redemption. See “THE BONDS – MANDATORY SINKING FUND REDEMPTION.”

Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “APPENDIX J – Specimen Municipal Bond Insurance Policy.”

No dealer, broker, salesman or other person has been authorized by the PUA or the Initial Purchaser 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 PUA or the Financial Advisor. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Bonds in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the PUA or obtained from other sources believed by the PUA to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the PUA described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinion or that they will be realized.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY5

WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY ADMINISTRATION7

INTRODUCTION8

THE BONDS8

BOND INSURANCE15

BOND INSURANCE RISKS.....16

INVESTMENT CONSIDERATIONS.....17

THE PUA.....18

RAW WATER COMMITMENT18

THE SYSTEM.....19

TABLE 1 - MAJOR PUA WATER CUSTOMERS19

TABLE 2 - MAJOR PUA WASTEWATER CUSTOMERS.....20

TABLE 3 - HISTORICAL CONDENSED STATEMENT OF OPERATIONS.....20

TABLE 4 - MONTHLY WATER RATES AND IMPACT FEES19

TABLE 5 -MONTHLY WASTEWATER RATES (FOR BEE CAVE RATE DISTRICT).....21

DEBT INFORMATION23

TABLE 6 –DEBT SERVICE REQUIREMENTS.....23

SUMMARY OF THE PARTICIPANT AGREEMENT24

SUMMARY OF CERTAIN PROVISIONS OF THE PURCHASE CONTRACT24

EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION25

TAX EXEMPTION28

CONTINUING DISCLOSURE OF INFORMATION29

OTHER INFORMATION.....30

APPENDICES:

EXCERPTS FROM THE WTC-PUA ANNUAL FINANCIAL REPORT.....A

SUMMARY DESCRIPTIONS OF THE PARTICIPANTS:

DESCRIPTION OF THE CITY OF BEE CAVE B

EXCERPTS FROM THE CITY OF BEE CAVE’S AUDITED ANNUAL FINANCIAL REPORTB-2

DESCRIPTION OF HAYS COUNTY C

EXCERPTS FROM THE HAYS COUNTY AUDITED ANNUAL FINANCIAL REPORTC-2

DESCRIPTION OF LAKE POINTE MUD D

EXCERPTS FROM THE LAKE POINTE MUD AUDITED ANNUAL FINANCIAL REPORTD-2

MAP OF THE PUA WATER AND WASTEWATER SERVICE AREA E

UTILITIES INSTALLMENT PURCHASE AGREEMENT F

ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT....G

BOND RESOLUTION.....H

FORM OF BOND COUNSEL’S OPINION.....I

SPECIMEN MUNICIPAL BOND INSURANCE POLICYJ

The cover page hereof, this page and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

- THE ISSUER**..... The West Travis County Public Utility Agency (the “PUA”) was created on December 21, 2011 by concurrent ordinance or order adopted by each of the City of Bee Cave, Texas (“Bee Cave”) on December 13, 2011, Hays County, Texas (“Hays County”) on December 21, 2011, and West Travis County Municipal Utility District No. 5 (“MUD 5”) on December 13, 2011, and reaffirmed by concurrent ordinance adopted by Bee Cave on March 27, 2012, and concurrent order adopted by MUD 5 on March 28, 2012, pursuant to Chapter 572, Texas Local Government Code, as amended. Lake Pointe Municipal Utility District (“Lake Pointe MUD”) is the successor in interest to MUD 5. Lake Pointe MUD, Bee Cave, and Hays County, together, are referred to herein as the “Participants.” The PUA is authorized to plan, finance, acquire, construct, own, operate and maintain facilities for the conservation, storage, transportation, treatment and distribution of water and the collection, transportation, treatment and disposal of sewage.
- THE BONDS**..... The Bonds are being issued as \$39,750,000 West Travis County Public Utility Agency Revenue Bonds, Series 2022 (the “Bonds”). The Bonds are issued as serial bonds maturing on August 15 in the years 2023 through and including 2027 and as Term Bonds maturing on August 15 in the years 2029, 2032, 2034, 2036, 2038, 2042, 2044, and 2052.
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas, including Chapter 572, Texas Local Government Code, as amended; and a bond resolution adopted by the Board of Directors of the PUA on the date of sale of the Bonds (the “Resolution”).
- SECURITY FOR THE BONDS** The Bonds, together with the Previously Issued Bonds (hereinafter defined) and any additional parity obligations issued or incurred pursuant to the Resolution (collectively, “Senior Lien Obligations”), constitute, and are, special obligations of the PUA payable, both as to principal and interest, solely from and secured by Net Revenues of the System (both defined herein), including payments to be received by the PUA from the Participants pursuant to that certain Acquisition, Water Supply, Wastewater Treatment and Conditional Purchase Agreement among the PUA and the Participants dated as of March 19, 2012 (the “Participant Agreement”) and amounts deposited into certain funds described in the Resolution, including the Bond Fund, the Debt Service Reserve Fund and the Rate Stabilization Fund. See “EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION” and “SUMMARY OF THE PARTICIPANT AGREEMENT.” The Bonds shall never be payable from monies raised or to be raised from taxation. The PUA has no taxing power. See “THE BONDS – SECURITY FOR BONDS.”
- REDEMPTION** The PUA reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2027 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – OPTIONAL REDEMPTION.” Additionally, Term Bonds maturing on August 15 in the years 2029, 2032, 2034, 2036, 2038, 2042, 2044, and 2052 are subject to mandatory sinking fund redemption. See “THE BONDS – MANDATORY SINKING FUND REDEMPTION.”
- TAX EXEMPTION** In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See “TAX EXEMPTION” herein.
- USE OF BOND PROCEEDS** Proceeds from the sale of the Bonds will be used (i) to make water and wastewater improvements to the System; and (ii) to pay issuance costs related to the Bonds. See “THE BONDS – PURPOSE” herein.
- RATINGS AND INSURANCE** The Bonds are expected to receive an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS.” The Bonds have been rated “A1” by Moody’s without regard to credit enhancement. The PUA is not seeking an underlying rating on the Bonds

from S&P. Certain outstanding debt of the PUA is also rated “A” by S&P. See “OTHER INFORMATION – RATINGS.” The Initial Purchaser has elected, at its option and expense, to obtain a municipal bond insurance policy for the Bonds.

BOOK-ENTRY-ONLY SYSTEM..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – BOOK-ENTRY-ONLY SYSTEM.”

PAYMENT RECORD..... The PUA has not defaulted on any previously issued bonded indebtedness.

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

**WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY
ADMINISTRATION**

BOARD OF DIRECTORS

<u>Director</u>	<u>Representing</u>	<u>Term Expires</u>
Scott Roberts President	Hays County	2022
Jack Creveling Vice President	The City of Bee Cave	2024
Walt Smith Secretary/Treasurer	Hays County	2024
Clint Garza Director	The City of Bee Cave	2022
Jason Bethke Director	Lake Pointe MUD	2024

EMPLOYEE

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Jennifer Riechers	General Manager	8 Years
Jennifer Smith	Controller	6 Years

CONSULTANTS AND ADVISORS

General Counsel	Lloyd Gosselink Rochelle & Townsend, P.C. Austin, Texas
Bond Counsel	Orrick, Herrington & Sutcliffe LLP Austin, Texas
Financial Advisor	Specialized Public Finance Inc. Austin, Texas
Rate Consultant.....	Nelisa Heddin Consulting, LLC Austin, Texas
Engineers	Murfee Engineering Company, Inc., Austin, Texas CP&Y, Waco, Texas

For additional information regarding the PUA, please contact:

Jennifer Riechers General Manager West Travis County PUA 13215 Bee Cave Parkway Building B, Suite 110 Bee Cave, Texas 78738 512/263-0100 512/263-2289 Fax	or	Garry Kimball Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 512/275-7300 512/275-7305 Fax
--	----	---

OFFICIAL STATEMENT

\$39,750,000

WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY REVENUE BONDS, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$39,750,000 West Travis County Public Utility Agency Revenue Bonds, Series 2022 (the “Bonds”). The offering of the Bonds is being made hereby. Potential investors in the Bonds are urged to carefully read this Official Statement for the purpose of assessing an investment in the Bonds. Capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the resolution adopted by the Board of Directors of the PUA (the “Board”) on the date of sale of the Bonds (the “Resolution”). See “APPENDIX H – BOND RESOLUTION.”

There follows in this Official Statement descriptions of the Bonds and certain information regarding the West Travis County Public Utility Agency (the “PUA”) and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the PUA’s Financial Advisor, Specialized Public Finance Inc., Austin, Texas.

The City of Bee Cave, Texas (“Bee Cave”), Hays County, Texas (“Hays County”) and West Travis County Municipal Utility District No. 5 (“MUD 5”) created the PUA in December 2011 pursuant to Chapter 572, Texas Local Government Code, as amended (the “PUA Act”), as their constituted authority, instrumentality and agent to plan, finance, acquire, construct, own, operate, or maintain facilities necessary for the collection, transportation, treatment, and disposal of sewage and the conservation, storage, transportation, treatment, and distribution of water for Bee Cave, Hays County and MUD 5. Lake Pointe Municipal Utility District (“Lake Pointe MUD”) is the successor in interest to MUD 5. Lake Pointe MUD, Bee Cave, and Hays County, together, are referred to herein as the “Participants.” In January 2012, the PUA executed a Utilities Installment Purchase Agreement, as amended (as amended, the “Purchase Contract”) pursuant to which the PUA agreed to purchase from the Lower Colorado River Authority (“LCRA”) certain water supply and distribution and sanitary sewer collection and wastewater treatment facilities (the “System”). The PUA and the Participants have entered into that certain Acquisition, Water Supply, Wastewater Treatment and Conditional Purchase Agreement dated as of March 19, 2012 (the “Participant Agreement”) pursuant to which the PUA agreed, among other things, to purchase the System and the Participants agreed, among other things, to pay to the PUA all payments due by the PUA to LCRA pursuant to the Purchase Contract, all Operation and Maintenance Expenses of the System, and all debt service payment obligations and funding requirements in respect of the Bonds and any other indebtedness issued or incurred by the PUA in accordance with the Participant Agreement. See “THE PUA,” “THE SYSTEM” and “SUMMARY OF THE PARTICIPANT AGREEMENT.”

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated as of May 19, 2022, and interest will accrue from their date of initial delivery to the Initial Purchaser. The Bonds are stated to mature on August 15 in the years and in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds shall be computed on the basis of a 360-day year of twelve 30-day months and will be payable on August 15 and February 15 of each year, commencing August 15, 2022, until maturity or earlier redemption. Principal and interest will be paid by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Subject to the requirements associated with the use of the Book-Entry-Only System (see “THE BONDS – BOOK-ENTRY-ONLY SYSTEM” herein), interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense, of a registered owner. Principal will be paid to the registered owners at maturity or redemption upon presentation and surrender of the Bonds to the Paying Agent/Registrar. If the date for the payment of the principal or of interest on the Bonds is a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The PUA will initially use the Book-Entry-Only System of The Depository Trust Company (“DTC”), New York, New York, in regard to the issuance, payment and transfer of the Bonds. Such system will affect the timing and method of payment of the Bonds. See “THE BONDS – BOOK-ENTRY-ONLY SYSTEM” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and the general laws of the State of Texas, including Chapter 572, Texas Local Government Code, as amended; and the Resolution.

SECURITY FOR BONDS . . . The Bonds, together with the Previously Issued Bonds and any parity obligations issued or incurred pursuant to the Resolution (collectively, the “Senior Lien Obligations”) constitute, and are, special obligations of the PUA payable, both as to principal and interest, solely from and secured by Net Revenues of the System and amounts deposited into certain funds created by the Resolution, including the Bond Fund, the Debt Service Reserve Fund and the Rate Stabilization Fund. See “– ISSUANCE OF ADDITIONAL SENIOR LIEN OBLIGATIONS,” “EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION” and “SUMMARY OF THE PARTICIPANT AGREEMENT.” **THE BONDS SHALL NEVER BE PAYABLE FROM MONIES RAISED OR TO BE RAISED FROM TAXATION. THE PUA HAS NO TAXING POWER.**

NET REVENUES OF THE SYSTEM . . . The Bonds are secured by and payable from Net Revenues of the System. “Net Revenues” consist of Gross Revenues of the System, with respect to any period, after deducting Operation and Maintenance Expenses during such period. “Gross Revenues” include all revenues, income, impact, capital recovery or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Participant Agreement, but shall not mean any revenues derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) may be pledged for the requirements of Special Project Bonds (as defined in the Resolution) issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; provided, however, that the Board may utilize any revenues, including those generated by the Participant Agreement, in excess of the debt service and other funding requirements with respect to the Senior Lien Obligations (including the Bonds) for any lawful purpose in accordance with the Resolution and the Participant Agreement.

“Operation and Maintenance Expenses” include (i) all costs and expenses of operation and maintenance of the System, including amounts payable under any contract with any person, including, but not limited to any federal, state, or local agency for the right to any source of water; any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the PUA’s production of water or sale of treated water hereunder; fees and charges to be paid to the Texas Commission on Environmental Quality (“TCEQ”) or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the System; overhead expenses; costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the System; and payments made in satisfaction of judgments resulting from claims not covered by insurance arising in connection with the acquisition, operation and maintenance of the System and (ii) all amounts payable by the PUA to LCRA pursuant to the Purchase Contract. The term “Operation and Maintenance Expenses” does not include depreciation charges.

Gross Revenues of the System currently consist solely of payments received by the PUA from the Participants pursuant to the Participant Agreement; however, the Participant Agreement has not been pledged as security for the Bonds and the Holders have not been granted any rights thereunder in the Resolution. In the Participant Agreement, the Participants have agreed and are obligated to make payments to the PUA in amounts sufficient to pay all amounts due by the PUA to LCRA pursuant to the Purchase Contract, principal of and interest on the Bonds, required reserves and other amounts due in connection with the Bonds, and all Operation and Maintenance Expenses. The payments due by the Participants to the PUA pursuant to the Participant Agreement constitute operating and maintenance expenses of each Participant’s utility system and are payable solely from revenues of such systems. Each Participant’s system consists of the distribution and collection components of the System located within such Participant’s service area, each of which the Participants have agreed to conditionally purchase from the PUA pursuant to the Participant Agreement. The payment obligations of the Participants do not constitute general obligations of the Participants and are not payable from any source other than revenues of each Participant’s system. See “SUMMARY OF THE PARTICIPANT AGREEMENT.”

THE RESERVE FUND . . . In the Resolution, the PUA has covenanted and agreed to establish and maintain a debt service reserve fund (the “Reserve Fund”) in an amount (the “Required Reserve Amount”) equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of any Senior Lien Obligations) for the Senior Lien Obligations; provided, however, that the Required Reserve Amount shall not exceed 10 percent of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Internal Revenue Code) of the Senior Lien Obligations. Amounts on deposit in the Reserve Fund may be used to pay the principal of and interest on the Senior Lien Obligations at any time when there is not sufficient money available therefor in the PUA’s Bond Fund. So long as the money and investments in the Reserve Fund total not less than the Required Reserve Amount, no deposits of the Net Revenues shall be required to be made to said Reserve Fund, but should the Reserve Fund ever contain less than the Required Reserve Amount (other than as the result of the issuance of Additional Senior Lien Obligations, as hereinafter defined), the PUA has covenanted to restore the Required Reserve Amount by making monthly deposits to the Reserve Fund from available Net Revenues on or before the tenth day of each month and in amounts equal to not less than 1/60th of the Required Reserve Amount to cure the deficiency in the Required Reserve Amount within sixty (60) months from the date the deficiency occurred. As and when Additional Senior Lien Obligations are issued or incurred, the PUA must deposit any additional amount required to be maintained in the Reserve Fund from the proceeds of such Additional Senior Lien Obligations or other lawfully available funds, or, at the option of the PUA, by deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of such Additional Senior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of such Additional Senior Lien Obligations (or 1/60th of the balance of the additional amount not deposited immediately in cash). On the date of the issuance of the Bonds, the Required Reserve Amount will be equal to \$11,443,494.71, and will be satisfied in full. See “THE BONDS – SOURCES AND USES OF PROCEEDS” and “APPENDIX H – BOND RESOLUTION.”

ISSUANCE OF ADDITIONAL SENIOR LIEN OBLIGATIONS . . . In addition to the right to issue bonds of junior and inferior lien as authorized by the laws of the State, in the Resolution the PUA has reserved the right hereafter to issue or incur additional Senior Lien Obligations (“Additional Senior Lien Obligations”) secured by a pledge of Net Revenues on a parity basis with the pledge of Net Revenues securing the Bonds. The Additional Senior Lien Obligations, when issued, shall be payable from and secured by a first lien on and pledge of the Net Revenues in the same manner and to the same extent as the Bonds. Senior Lien Obligations shall in all respects be of equal dignity. The Additional Senior Lien Obligations may be issued in one or more installments provided, however, that no Additional Senior Lien Obligations shall be issued unless and until the following conditions have been met:

- (i) Except for a refunding to cure a default, the PUA is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of the Senior Lien Obligations.

- (ii) Each of the funds created solely for the payment of principal of and interest on the Senior Lien Obligations contains the amounts of money then required to be on deposit therein.
- (iii) The PUA shall have secured a certificate of a professional utility rate consultant to the effect that, according to the books and records of the PUA, either (1) Net Revenues for the Coverage Period equal or exceed 100% of the Average Annual Debt Service Requirements for any future Fiscal Year, assuming issuance of such Senior Lien Obligations, or (2) had rates and charges for services and facilities afforded by the System, that have been effective for at least 30 days prior to such date, been in effect at all times during such 12 month period, estimated Net Revenues for such period would have equaled or exceeded 100% of Average Annual Debt Service Requirements. With respect to such certification, the books and records of the PUA shall include financial information and operating results provided by the LCRA for periods during which the LCRA owned or operated the System. "Coverage Period" shall mean (i) the Fiscal Year preceding the date of adoption of a resolution authorizing the issuance of Senior Lien Obligations, or (ii) any consecutive 12 month period ending not more than 6 months before the date of adoption of a resolution authorizing the issuance of Senior Lien Obligations.
- (iv) The resolution authorizing the issuance of the Additional Senior Lien Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Senior Lien Obligations as the same become due.
- (v) The resolution authorizing the issuance of the Additional Senior Lien Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Average Annual Debt Service Requirements for the payment of the Senior Lien Obligations then Outstanding after giving effect to the issuance of the proposed Additional Senior Lien Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Senior Lien Obligations are delivered.
- (vi) So long as the Previously Issued Bonds dated on or prior to April 15, 2015, remain Outstanding, the condition precedent set forth in subsection (iii) above must be satisfied for Additional Senior Lien Obligations issued to refund Senior Lien Obligations. Once the Previously Issued Bonds dated on or prior to April 15, 2015, are no longer Outstanding, the condition precedent in subsection (vii) below must be satisfied for Additional Senior Lien Obligations issued to refund Senior Lien Obligations.
- (vii) If Additional Senior Lien Obligations are being issued for the purpose of refunding less than all Outstanding Senior Lien Obligations, the certificate described in subsection (iii) above is not required so long as the Authorized Official provides a certificate showing that the aggregate debt service requirements of such refunding Additional Senior Lien Obligations will not exceed the aggregate debt service requirements of the Senior Lien Obligations being refunded.

RATE COVENANT . . . For the benefit of the Holders of the Senior Lien Obligations, the PUA has agreed in the Resolution, while any of the Senior Lien Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- A. To pay all Operation and Maintenance Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;
- B. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Senior Lien Obligations issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Senior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues;
- C. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues; and
- D. To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues.

The Participant Agreement provides that the PUA will establish and set customer service rules and policies for customers served by the System, wholesale and retail rates for service, and other related fees and charges necessary for the proper management and operation of the System and as necessary to satisfy the payment requirements of each Participant under the Participant Agreement and allow for the repayment of the Bonds and other Senior Lien Obligations issued in accordance with the Participant Agreement. In setting wholesale and retail rates for service, and other related fees and charges as necessary to comply with the terms of the Participant Agreement, the PUA is acting as agent of each of the Participants. Each Participant has agreed that, if the PUA shall fail, for any reason, to set rates and charges necessary to comply

with the terms of the Participant Agreement, it will take immediate action to set such rates and charges in its service area as necessary to comply with the terms thereof. See “SUMMARY OF THE PARTICIPANT AGREEMENT.” Similarly, the PUA has covenanted in the Purchase Contract that it will maintain rates sufficient to satisfy all payments due to the LCRA for the term of the Purchase Contract.

OPTIONAL REDEMPTION . . . The PUA reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2027 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first-class postage prepaid, in the name of the PUA and at the PUA’s expense, by the Paying Agent/Registrar to each Holder of a Bond to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

The PUA reserves the right to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the PUA retains the right to rescind such notice at any time prior to the scheduled redemption date if the PUA delivers a certificate of the PUA to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Holders. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the PUA to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

The Paying Agent/Registrar and the PUA, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the PUA 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 DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Resolution and will not be conducted by the PUA or the Paying Agent/Registrar. Neither the PUA nor the Paying Agent/Registrar will have any responsibility to 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 DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on August 15 in the years 2029, 2032, 2034, 2036, 2038, 2042, 2044 and 2052 (the “Term Bonds”) 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 date of redemption by lot:

<u>Term Bonds Due August 15, 2029</u>		<u>Term Bonds Due August 15, 2032</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2028	\$ 815,000	August 15, 2030	\$ 920,000
August 15, 2029*	865,000	August 15, 2031	970,000
		August 15, 2032*	1,015,000
<u>Term Bonds Due August 15, 2034</u>		<u>Term Bonds Due August 15, 2036</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2033	\$ 1,065,000	August 15, 2035	\$ 1,155,000
August 15, 2034*	1,110,000	August 15, 2036*	1,200,000
<u>Term Bonds Due August 15, 2038</u>		<u>Term Bonds Due August 15, 2042</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2037	\$ 1,250,000	August 15, 2039	\$ 1,350,000
August 15, 2038*	1,300,000	August 15, 2040	1,405,000
		August 15, 2041	1,460,000
		August 15, 2042*	1,520,000

*Stated Maturity.

Term Bonds Due August 15, 2044		Term Bonds Due August 15, 2052	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2043	\$ 1,580,000	August 15, 2045	\$ 1,710,000
August 15, 2044*	1,645,000	August 15, 2046	1,775,000
		August 15, 2047	1,850,000
		August 15, 2048	1,920,000
		August 15, 2049	2,000,000
		August 15, 2050	2,080,000
		August 15, 2051	2,160,000
		August 15, 2052*	2,250,000

*Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the PUA, by the principal amount of any Term Bonds of such stated maturity which, at least 45 days prior to the mandatory redemption date (1) shall have been acquired by the PUA and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the PUA with money in the Bond Fund (and not the Reserve Fund), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption.

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 Depository Trust Company (“DTC”), New York, New York, 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 PUA, the Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, 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 Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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 PUA 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 PUA 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 PUA, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the PUA 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 PUA 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 PUA 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 PUA believes to be reliable, but neither the PUA nor the Initial Purchaser take any responsibility for the accuracy thereof.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Resolution, the PUA retains the right to replace the Paying Agent/Registrar. The PUA covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Upon any change in the Paying Agent/Registrar for the Bonds, the PUA agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the Security Register only upon presentation and surrender thereof to the Paying Agent/Registrar accompanied by a written instrument of transfer or request for exchange, and such transfer or exchange shall 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 registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the first day of the month in which an interest payment date occurs.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the PUA. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond appearing on the Security Register of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

DEFEASANCE OF BONDS . . . In the Resolution, the PUA has reserved the right to defease the Bonds and thereby release the lien established by the Resolution with respect to the Net Revenues. See "EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION."

AMENDMENTS TO THE RESOLUTION . . . In the Resolution, the PUA has reserved the right to amend and supplement the Resolution under certain conditions. See “EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION.”

BONDHOLDERS’ REMEDIES . . . The Resolution recognizes events of default with respect to the Bonds. If the PUA defaults in the payment of the principal of or interest on the Bonds when due, or the PUA defaults in the observance or performance of any of the covenants, conditions or obligations of the PUA, the Resolution provides that the Holders are entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the PUA to make such payment or observe and perform such covenants, obligations or conditions. The Resolution does not provide for the appointment of a trustee to represent the interests of the Holders upon any failure of the PUA to perform in accordance with the terms of the Resolution or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Resolution. Furthermore, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the PUA to observe any covenant under the Resolution. A registered owner of Bonds could seek a judgment against the PUA if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the PUA and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the PUA to levy, assess and collect Net Revenues of the System sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Resolution. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

The enforcement of a claim for payment of principal of or interest on the Bonds and the PUA’s other obligations with respect to the Bonds are subject to the applicable provisions of the federal bankruptcy laws and to any other similar laws affecting the rights of creditors of political subdivisions generally. The PUA may seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Should the PUA become a debtor in a Chapter 9 bankruptcy proceeding, the owners of the Bonds would continue to have a lien on Net Revenues after the commencement of the bankruptcy case so long as the Net Revenues constitute “special revenues” within the meaning of the Bankruptcy Code. “Special revenues” are defined under the Bankruptcy Code to include, among other things, receipts by local governments from the ownership, operation or disposition of projects or systems that are primarily used to provide utility services. While the Net Revenues appear to be “special revenues,” no assurance can be given that a court would not determine otherwise. Bankruptcy courts are courts of equity and as such have broad discretionary powers. If Net Revenues do not constitute “special revenues,” there could be delays or reductions in payments by the PUA with respect to the Bonds.

If the PUA were to become a debtor in a proceeding under Chapter 9, the automatic stay of section 362 of the Bankruptcy Code would be applicable to the PUA’s proceedings, subject to certain possible exceptions. For example, the proceeding should not operate to stay application of pledged “special revenues” to the payment of indebtedness secured by such revenue. However, although the automatic stay has historically been understood not to stay the collection and application of such “special revenues” to payment of bonds secured by such special revenues, the bankruptcy court could possibly decide that (i) post-bankruptcy Bond payments by the PUA are merely optional and not mandatory under the special revenues provisions of the Bankruptcy Code and/or (ii) the automatic stay exception for special revenues in those provisions does not apply (including to possible enforcement actions by the owners of the Bonds) or is limited to amounts then in the possession of the owners of the Bonds. If the bankruptcy court were to interpret the Bankruptcy Code in that (or a similar) fashion, the parties to the proceeding may thus be prohibited from taking any action to collect the Net Revenues, or to enforce any related obligation connected with the Bonds, without the bankruptcy court’s permission.

Regardless of any specific determinations by a bankruptcy court in a PUA bankruptcy proceeding, the mere filing by the PUA for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Bonds. In addition, there may be delays or reductions in payments on the Bonds in a Chapter 9 proceeding, especially if the PUA does not voluntarily pay debt service on the Bonds as and when required by the Resolution.

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to make water and wastewater improvements to the System; and (ii) to pay issuance costs related to the Bonds.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources:	
Par Amount of Bonds	\$ 39,750,000.00
Cash Premium ⁽¹⁾	<u>778,780.19</u>
Total Sources	\$ 40,528,780.19
Uses:	
Deposit to Project Fund	\$ 40,000,000.00
Costs of Issuance/Bond Insurance ⁽²⁾	<u>641,498.00</u>
Total Uses	\$ 40,528,780.19

(1) Reflects initial reoffering premium of \$1,260,649.55, less Initial Purchaser’s discount of \$364,606.36, less bond insurance premium (and associated rating fee) of \$117,263.00.

(2) Includes rounding amount of \$4,545.19.

BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. (“AGM” or the “Bond Insurer”) 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 APPENDIX J to this Official Statement.

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

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings: On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A1” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

On October 20, 2021, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

Capitalization of AGM: At December 31, 2021:

- The policyholders’ surplus of AGM was approximately \$3,053 million.
- The contingency reserve of AGM was approximately \$877 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,127 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiaries Assured Guaranty UK Limited (“AGUK”) and Assured Guaranty (Europe) SA (“AGE”).

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

Incorporation of Certain Documents by Reference: Portions of the following document filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of

materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

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

BOND INSURANCE RISKS

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption 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 PUA which is recovered by the PUA from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absence such prepayment by the PUA unless AGM chooses to pay such amounts at an earlier date.

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

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

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

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

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

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

INVESTMENT CONSIDERATIONS

ENVIRONMENTAL REGULATIONS . . . The PUA is subject to State and federal environmental laws and regulations applicable to the System. These laws and regulations are subject to change, and the PUA may be required to expend substantial funds to meet the requirements of such laws and regulations in the future. Failure to comply with these laws and regulations may result in the imposition of administrative, civil, and criminal penalties, or the imposition of an injunction requiring the PUA to take or refrain from taking certain actions. In addition, the PUA may be required to remediate contamination as a result of the PUA operations on properties owned or operated by the PUA or on properties owned by others.

INFECTIOUS DISEASE OUTBREAK – COVID-19 . . . The World Health Organization declared a pandemic following the outbreak of the 2019 novel coronavirus (“COVID-19”), a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the “President”) declared the outbreak of COVID-19 in the United States a national emergency and the Texas Governor (the “Governor”) declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness, mitigation and phased reopening of the State. On March 2, 2021, the Governor issued Executive Order GA-34, which, among other things, removed any COVID-19-related operating limits for any business or other establishment and ended the State-wide mask mandate. On July 29, 2021, the Governor issued Executive Order GA-38, which, among other things, maintains that there are no COVID-19 related operating limits for any business or establishment and that no person may be required by any jurisdiction to wear or mandate the wearing of a face covering. The Governor’s order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-38 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>.

In addition to the actions by the state and federal officials, certain local officials declared a local state of disaster and issued “shelter-in-place” orders for some period of 2020. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect the level of commercial and economic activity and thereby adversely impact the operations and financial condition of the System and/or the collection of revenues.

DAMAGE TO THE SYSTEM . . . Damage to the System resulting from vandalism, sabotage, or terrorist activities may inadvertently impact the operations and finances of the System. The PUA currently carries insurance and maintains electronic security on the System’s facilities. There can be no assurance that the PUA’s security, emergency preparedness, and response plans will be adequate to prevent such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated.

CYBER SECURITY . . . Computer networks and data transmission and collection are necessary to the operations of the PUA. Information technology and infrastructure of the PUA may be subject to attacks by outside or internal hackers and may be subject to breach by human error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the PUA. No assurances can be made as to whether the PUA will be subject to cyber attacks and, if so, whether such attacks will materially adversely impact the PUA’s finances or operations.

FUTURE LEGISLATION . . . The Texas Legislature convenes in regular session every two years on odd years. In future sessions the Texas Legislature may consider bills that could have a direct impact on the PUA and the System. The PUA can make no representations or predictions concerning the substance or the effect of any legislation that may be passed in the future or how such legislation could affect the System. Changes in the scope and standards for public agencies, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by State regulators. Future compliance with such requirements and order may impose substantial additional costs on the System.

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

THE PUA

The PUA was created on December 21, 2011, by concurrent ordinance or order of the Participants, and reaffirmed by concurrent ordinance of the City of Bee Cave adopted on March 27, 2012, and order of the West Travis County Municipal Utility District No. 5 (now succeeded by Lake Pointe MUD) on March 28, 2012 pursuant to Chapter 572, Texas Local Government Code, as amended, as the Participants' constituted authority, instrumentality and agent to plan, finance, acquire, construct, own, operate, or maintain facilities necessary for the collection, transportation, treatment, and disposal of sewage and the conservation, storage, transportation, treatment, and distribution of water for the Participants. In January 2012, the PUA executed the Purchase Contract pursuant to which it agreed to purchase from the LCRA certain water supply and distribution and sanitary sewer collection and wastewater treatment facilities (the "System"). Pursuant to an election held in 2018, Lake Pointe MUD became the successor in interest to MUD 5. The PUA has agreed to make periodic installment payments to the LCRA to purchase the System, ending in 2019 (unless prepaid at the exclusive option of the PUA), for a total purchase price equal to the LCRA's then outstanding debt service obligations relating to the System, totaling approximately \$137,828,441, subject to certain adjustments described in the Purchase Contract. The PUA made a final installment payment in the amount of \$15.138 million in April, 2019 to complete the purchase. See "APPENDIX F – UTILITIES INSTALLMENT PURCHASE AGREEMENT."

To provide for on-going operation and maintenance of the System, and to secure financing, including financing of the installment payments to the LCRA, the PUA has entered into the Participant Agreement, which obligates the Participants to make contract payments to the PUA in amounts sufficient to: (i) discharge the PUA's installment purchase obligation to the LCRA; (ii) pay debt service and related costs on any bonds issued by the PUA, including the Bonds, and (iii) pay all costs of water treatment and distribution services and wastewater collection, treatment and disposal services related to the operation of the System. The payments due by the Participants to the PUA pursuant to the Participant Agreement constitute operating and maintenance expenses of each Participant's utility system and are payable solely from revenues of such systems, which consist of the distribution and collection components of the System located in each Participant's service area and which the Participants have agreed in the Participant Agreement to conditionally purchase from the PUA. The payment obligations of the Participants do not constitute general obligations of the Participants and are not payable from any source other than revenues of each Participant's system. See "APPENDIX G – ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT."

Based upon the PUA audit for the period ending September 30, 2021, the book value of all System facilities and assets was \$253.6 million (net of depreciation). Currently, the PUA provides service to over 19,742 retail and wholesale water customers (LUEs) and over 4,300 retail and wholesale wastewater customers (LUEs). See "APPENDIX A – EXCERPTS FROM THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY ANNUAL FINANCIAL REPORT FOR YEAR ENDED SEPTEMBER 30, 2021."

The public entities that participate in a public utility agency may by concurrent ordinances add a public entity to, or delete a public entity from, participation in the public utility agency.

RAW WATER COMMITMENT

Pursuant to separate Raw Water Purchase Agreements for municipal uses and recreational/irrigation uses dated as of December 14, 2021 and April 30, 2012, respectively (collectively, the "RWPA's"), the PUA is entitled to receive 9,450 acre feet (AF), equivalent to 8.4 million gallons per day (MGD), of raw water annually from the Lower Colorado River Authority ("LCRA") at the LCRA's uniform raw water system rate for such uses. The RWPA for municipal raw water entitles the PUA to 13,500 acre-feet per year for a period of not less than 40 years and the RWPA for recreational/irrigation raw water entitles the PUA to 450 acre-feet per year for a period of not less than 10 years.

In addition, over 80 percent of the wholesale water customers served by the System have contracted with LCRA for their own contract raw water rights. As such, the PUA is not responsible to purchase or reserve raw water rights for these wholesale water customers. In addition, pursuant to policy of the PUA's Board of Directors, any new-future wholesale water customers must secure their own raw water supply and provide such raw water to the PUA as a condition of wholesale treated water services.

For the 12 months ended September 30, 2021, the System billed for approximately 3.077 billion gallons of potable water to retail and wholesale customers, at a maximum-day peak rate of 14.2 MGD, through the System's water supply facilities (including water supplied under the aforementioned separate wholesale water customer contracts).

Based on current projections of retail water demand, the PUA's management and consultants expect the 9,000 AF per year of raw water reserved for municipal purposes to be sufficient to supply the potable water demand of PUA retail customers during the next thirty to forty years depending on customer growth and the final water service area development density.

The RWPA's are subject to LCRA's water rights, Pro Rata Curtailment rules and regulations during periods of drought. Water supplies managed by LCRA are divided into firm and interruptible water. Firm water is available even during a severe drought. Cities and public entities (including the PUA), industries and electric power plants rely on firm water supplies. During water shortages, interruptible water, which is mostly used for agriculture, can be cut back or cut off. If drought conditions occur and the combined water storage in Lakes Travis and Buchanan falls below 600,000 acre-feet, the LCRA Board of Directors may issue a "Drought Worse than Drought of Record" declaration under their State of Texas approved 2020 Water Management Plan. If the declaration is made, LCRA will cut off Highland Lakes water for all interruptible customers and begin a pro rata curtailment for LCRA's firm water customers. Pro rata, or proportional, curtailment for firm water customers would require those customers to reduce water use by 20 percent from the amount they used during the historically dry September 2010 to August 2011 time period. The LCRA Board has discretion to change the water use reduction if conditions warrant. The

PUA has adopted a provision in its current water rate tariff which imposes a surcharge intended to compensate for any revenue lost due to a reduction in raw water supplied by the LCRA due to curtailment. No curtailment actions are currently in effect.

THE SYSTEM

WATER . . . The water treatment, transmission, storage and distribution facilities of the System have an original construction cost of approximately \$129 million and currently serves an estimated population in excess of 59,226 (calculated based upon 19,742 retail and wholesale water LUEs times 3 persons per LUE). The System includes a raw water intake on Lake Austin that pumps raw water to the water treatment plant located off Bee Cave Road (RM 2244) near the intersection with State Highway 71. The System includes 13 major storage tanks (elevated and ground storage) and 6 main pump stations. Combined ground and elevated storage capacity amounts to approximately 7,400,000 gallons of water. The transmission and distribution facilities include approximately 200 miles of pipe (4, 6, 8, 12, 16, 20 and 24 inch diameter). The raw water intake was recently expanded to a capacity of 22 million gallons per day (MGD) which provides 20 MGD to the water treatment plant and 2 MGD for raw water irrigation. The water treatment plant is rated for 20 MGD and current average production from the water treatment plant is approximately 6.83 MGD. Maximum day production from the water treatment plant has totaled 14.2 MGD.

At the current capacity, the existing water facilities of the System are expected to serve a total population of approximately 65,000 (or 21,645 LUEs).

WASTEWATER . . . The wastewater collection, treatment and disposal facilities of the System have an original cost of over \$40 million and currently serve an estimated population of over 12,900 people (or approximately 4,300 retail and wholesale LUEs). The wastewater plant operates under Permit No. WQ0013594-001 issued by the TCEQ providing for wastewater treatment and land disposal of up to 1.0 MGD of produced effluent (no-discharge) via irrigation in its final phase. The wastewater facilities include a 0.675 MGD treatment plant, a 0.325 MGD wastewater treatment plant, a 77 acre foot effluent storage pond, a 100 acre-foot effluent storage pond, and 350 permitted acres of effluent irrigation area. The wastewater treatment plant is currently rated for 1.0 MGD average daily flow as per the final phase of the permit. Current average flows at the wastewater treatment plant are 0.565 MGD. The wastewater collection facilities include 22 lift stations and approximately 51.2 miles of force mains and collection lines.

The current TCEQ wastewater permit, issued on November 13, 2019, can accommodate approximately 5,555 wastewater LUEs.

At full build-out of the PUA’s wastewater service area, the System (assuming expansion of the System’s facilities, as described above) could have a total population as high as 21,600 or 7,200 LUEs (assuming 3 persons per LUE).

TABLE 1 – MAJOR PUA WATER CUSTOMERS (AS OF SEPTEMBER 30, 2021)

Name of Customer	Gallons Used (000s)	Revenue	% of Total Revenue
Spanish Oaks Owners Association	24,258,000	\$ 392,172	1.70%
Highpointe Home Owners Association	11,736,000	204,784	0.90%
CSHV HCG Retail and Office	14,163,000	123,184	0.60%
WSH 71 TX Partners, LLC	11,248,000	92,609	0.40%
Estates at Bee Cave	7,947,000	80,169	0.40%
H.E. Butt Grocery	5,972,000	78,328	0.30%
NRP Contractors II, LLC	3,657,000	65,525	0.30%
Ladera HOA	3,741,000	58,268	0.30%
Spanish Oaks Owners Association	3,346,000	54,908	0.20%
7 Oaks Neighborhood Association	3,297,000	53,735	0.20%
	<u>89,365,000</u>	<u>\$ 1,203,682</u>	<u>5.30%</u>

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

TABLE 2 – MAJOR PUA WASTEWATER CUSTOMERS (AS OF SEPTEMBER 30, 2021)

Name of Customer	Gallons Used	Revenue	% of Total Revenue
CSHV HCG Retail & Office	14,163,000	\$ 167,446	3.50%
Estates at Bee Cave	7,947,000	123,129	2.60%
WSH 71 TX Partners, LLC	10,225,000	103,637	2.20%
Hill Country Apartments	7,319,000	68,220	1.40%
H.E. Butt Grocery	4,402,000	67,594	1.40%
SWBC Falconhead LP	6,775,000	57,619	1.20%
Inven Trust Property Management	4,758,000	49,804	1.00%
Lake Travis ISD	1,203,000	32,455	0.70%
Jollyville Car Wash	3,855,000	31,110	0.70%
Lake Austin Lake Point HOA	3,825,000	29,269	0.60%
	<u>64,472,000</u>	<u>\$ 730,283</u>	<u>15.30%</u>

TABLE 3 – HISTORICAL CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30				
	2021	2020	2019	2018	2017
Revenue and Expenses					
Gross Water and Wastewater System Revenue	\$ 28,924,410	\$ 27,075,578	\$ 26,576,550	\$ 27,894,945	\$ 25,646,460
Direct O&M Expense ⁽¹⁾	<u>11,159,314</u>	<u>10,410,631</u>	<u>9,883,405</u>	<u>10,048,087</u>	<u>10,464,185</u>
Total Net Revenues	\$ 17,765,096	\$ 16,664,947	\$ 16,693,145	\$ 17,846,858	\$ 15,182,275
Impact Fees Recognized	\$ 10,273,929	\$ 10,353,761	\$ 12,039,356	\$ 13,595,918	\$ 9,358,123
Total Net Water and Wastewater System Income	<u>\$ 28,039,025</u>	<u>\$ 27,018,708</u>	<u>\$ 28,732,501</u>	<u>\$ 31,442,776</u>	<u>\$ 24,540,398</u>
	Retail	Wholesale			
Water Customers	9,258	10,484			
Wastewater Customers	2,522	997			
Population Served ⁽²⁾	59,226				
PUA General Operating Fund Unassigned Balance	\$ 30,183,131				
PUA Rate Stabilization Fund Balance	\$ 5,221,739				
PUA Facilities Fund Balance	\$ 8,427,108				
PUA Debt Service Fund Balance	\$ 24,656,580				
PUA Debt Service Reserve Fund Balance ⁽³⁾	\$ 11,443,495				
PUA Impact Fee Fund Balance	\$ 38,854,339				

(1) Excludes depreciation.

(2) Calculated based upon 3 persons/water connection.

(3) Projected balance after issuance of the Bonds. Amount is included in Debt Service Fund Balance shown above.

TABLE 4 – MONTHLY WATER RATES AND IMPACT FEES:

Water Impact Fees (effective October 1, 2021):
 Highway 71 Water System Service Area: \$4,986
 Highway 290 Water System Service Area: \$8,175

2018 Water Impact Fees:
 Highway 71 Water System Service Area: \$3,776
 Highway 290 Water System Service Area: \$6,139

2015 Water Impact Fees:
 Highway 71 Water System Service Area: \$7,476
 Highway 290 Water System Service Area: \$12,938

2012 Water Impact Fees:
 Highway 71 Water System Service Area: \$5,992
 Highway 290 Water System Service Area: \$8,809

Historical Water Impact Fees:
 Bee Cave Rate District: \$4,120
 Bee Cave South Rate District: \$5,180
 Homestead/Meadow Fox Rate District: \$4,120
 HPR/290 Rate District: \$5,180

Subsequent User/Pro-Rata Fees (in addition to impact fees):
 (1) South Madrone Trail Water: \$15,500 per LUE
 (2) Tanglewood West Water: \$5,250 per LUE
 (3) Homestead/Meadow Fox District: \$6,500 per LUE

MINIMUM MONTHLY CHARGE FOR RETAIL WATER SERVICE (EFFECTIVE OCTOBER 1, 2019):

Meter Size	System-Wide Rate
5/8"	\$ 29.53
3/4"	44.57
1"	81.90
1 1/2"	158.54
2"	184.62
3"	305.26
4"	499.14
6"	1,645.80
8"	1,993.47
12"	3,785.37

**VOLUMETRIC CHARGE FOR RETAIL WATER SERVICE (PER THOUSAND GALLONS USED):
 RESIDENTIAL (EXCLUDING MULTI-UNIT RESIDENTIAL):**

Gallons	System-Wide Rate
0-10,000	\$ 4.70
10,001-20,000	5.87
20,001-35,000	9.13
35,001-50,000	13.70
50,001-80,000	15.75
80,001 +	18.11

COMMERCIAL:

Gallons	System-Wide Rate
1 and above	\$ 5.50

MULTI-UNIT RESIDENTIAL AND MULTI-USE FACILITIES:

Gallons	System-Wide Rate
1 and above	\$ 5.50

**Irrigation and Fire Hydrant Meters:
System-Wide**

Gallons	Rate
0-10,000	\$ 4.70
10,001-20,000	5.87
20,001-35,000	9.13
35,001-50,000	13.70
50,001-80,000	15.75
80,001 and above	18.11

TABLE 5 – MONTHLY WASTEWATER RATES (FOR BEE CAVE RATE DISTRICT):

Wastewater Impact Fee per LUE (effective October 1, 2021):	\$11,568.00
2018 Wastewater Impact Fee per LUE:	\$7,868.00
2015 Wastewater Impact Fee per LUE:	\$11,643.75
2012 Wastewater Impact Fee per LUE:	\$11,500.00
Historical Wastewater Impact Fee per LUE:	\$5,250.00

Base Charge:	
Residential	\$ 45.38
Non-Residential:	
5/8"	\$ 45.38
3/4"	90.76
1"	136.14
1 1/2"	226.89
2"	363.03
3"	726.06
4"	1,134.46
6"	1,645.80
8"	2,633.28

Volumetric Rate	Approved Rate 10/1/2019
Residential:	\$ 6.38 /1,000 Gallons
Non-Residential:	6.94 /1,000 Gallons
Industrial Surcharge-BOD	\$ 0.36

The PUA will calculate residential wastewater flow for each customer based on the calculated average of monthly potable water metered and billed to the customer during the previous December, January and February. If a residential customer does not have an acceptable history of water usage during the preceding December, January and February, the customer’s monthly wastewater bill shall be calculated upon: (1) the customer’s current monthly water usage; or (2) on the basis of 10,000 gallons water usage per month, whichever is less.

The PUA will calculate commercial wastewater flow for each non-residential, multi-unit residential and multi-use facility based on actual potable water consumption.

Additional rate/tariff information is available on the PUA’s website at: <https://www.wtcpua.org/rates-and-policies>.

DEBT INFORMATION

TABLE 6 – DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Outstanding Debt			The Bonds ⁽¹⁾			Total Obligations
	Principal	Interest	Total	Principal	Interest	Total	
2022	\$ 4,410,000	\$ 7,609,162	\$ 12,019,162	\$ -	\$ 416,993	\$ 416,993	\$ 12,436,155
2023	4,695,000	7,400,812	12,095,812	595,000	1,745,550	2,340,550	14,436,362
2024	5,015,000	7,169,212	12,184,212	630,000	1,706,875	2,336,875	14,521,087
2025	5,310,000	6,925,062	12,235,062	675,000	1,665,925	2,340,925	14,575,987
2026	5,610,000	6,675,462	12,285,462	715,000	1,622,050	2,337,050	14,622,512
2027	5,935,000	6,411,912	12,346,912	765,000	1,575,575	2,340,575	14,687,487
2028	6,215,000	6,140,762	12,355,762	815,000	1,525,850	2,340,850	14,696,612
2029	6,505,000	5,853,712	12,358,712	865,000	1,472,875	2,337,875	14,696,587
2030	6,830,000	5,534,362	12,364,362	920,000	1,416,650	2,336,650	14,701,012
2031	7,160,000	5,212,931	12,372,931	970,000	1,370,650	2,340,650	14,713,581
2032	7,500,000	4,874,281	12,374,281	1,015,000	1,322,150	2,337,150	14,711,431
2033	7,810,000	4,576,481	12,386,481	1,065,000	1,271,400	2,336,400	14,722,881
2034	8,120,000	4,274,106	12,394,106	1,110,000	1,228,800	2,338,800	14,732,906
2035	8,430,000	3,953,594	12,383,594	1,155,000	1,184,400	2,339,400	14,722,994
2036	7,200,000	3,625,788	10,825,788	1,200,000	1,138,200	2,338,200	13,163,988
2037	7,480,000	3,341,650	10,821,650	1,250,000	1,090,200	2,340,200	13,161,850
2038	7,785,000	3,042,450	10,827,450	1,300,000	1,040,200	2,340,200	13,167,650
2039	8,095,000	2,731,050	10,826,050	1,350,000	988,200	2,338,200	13,164,250
2040	8,420,000	2,407,250	10,827,250	1,405,000	934,200	2,339,200	13,166,450
2041	8,755,000	2,070,450	10,825,450	1,460,000	878,000	2,338,000	13,163,450
2042	9,110,000	1,720,250	10,830,250	1,520,000	819,600	2,339,600	13,169,850
2043	9,470,000	1,355,850	10,825,850	1,580,000	758,800	2,338,800	13,164,650
2044	9,855,000	977,050	10,832,050	1,645,000	695,600	2,340,600	13,172,650
2045	10,245,000	582,850	10,827,850	1,710,000	629,800	2,339,800	13,167,650
2046	770,000	165,750	935,750	1,775,000	561,400	2,336,400	3,272,150
2047	805,000	127,250	932,250	1,850,000	490,400	2,340,400	3,272,650
2048	850,000	87,000	937,000	1,920,000	416,400	2,336,400	3,273,400
2049	890,000	44,500	934,500	2,000,000	339,600	2,339,600	3,274,100
2050	-	-	-	2,080,000	259,600	2,339,600	2,339,600
2051	-	-	-	2,160,000	176,400	2,336,400	2,336,400
2052	-	-	-	2,250,000	90,000	2,340,000	2,340,000
	<u>\$ 179,275,000</u>	<u>\$ 104,890,994</u>	<u>\$ 284,165,994</u>	<u>\$ 39,750,000</u>	<u>\$ 30,832,343</u>	<u>\$ 70,582,343</u>	<u>\$ 354,748,336</u>

(1) Interest on the Bonds is calculated at the rates shown on the inside cover page hereof.

PREVIOUSLY ISSUED BONDS . . . As of April 1, 2022, the following obligations were outstanding and unpaid (the “Previously Issued Bonds”):

Purpose	Dated Date	Series	Original Principal Amount	Outstanding Balance
Revenue Bonds	4/15/2015	2015	\$ 37,035,000	\$ 15,645,000
Refunding Bonds	12/28/2017	2017	151,730,000	148,620,000
Revenue Bonds	4/24/2019	2019	15,595,000	15,010,000
Total			<u>\$ 204,360,000</u>	<u>\$ 179,275,000</u>

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

SUMMARY OF THE PARTICIPANT AGREEMENT

The following summary is qualified in its entirety by the discussion immediately below and by reference to the full text of the Participant Agreement, a copy of which is attached hereto as “APPENDIX G – ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT.”

Pursuant to the Participant Agreement, each of the Participants have agreed, on a several and not joint basis, to make Annual Payments to the PUA sufficient to satisfy all installment payments due by the PUA to the LCRA pursuant to the Purchase Contract, to pay all debt service on and fund all required reserves and payment obligations in connection with the Bonds and other Senior Lien Obligations issued in accordance with the Participant Agreement, and to pay all Operation and Maintenance Expenses of the System. Each Participant’s obligation to make its Proportionate Share of the Annual Payment constitutes an operating and maintenance expense of such Participant’s utility system and is payable solely from revenues of such Participant’s system. Each Participant’s system consists of the distribution and collection components of the System located within such Participant’s service area, each of which the Participants have agreed to conditionally purchase from the PUA pursuant to the Participant Agreement. The payment obligations of the Participants do not constitute general obligations of the Participants and are not payable from any source other than revenues of each Participant’s system.

The Participants’ Proportionate Shares of the Annual Payment are allocated in the Participant Agreement as follows:

City of Bee Cave	27.3%
Hays County	35.1%
West Travis County MUD 5 (now succeeded by Lake Pointe MUD)	37.6%

The term of the Participant Agreement runs while the Bonds and all other Senior Lien Obligations issued in accordance with the Participant Agreement are outstanding; however, the Participant Agreement has not been pledged as security for the Bonds, and the Holders have not been granted any rights thereunder in the Resolution. The Participant Agreement is binding on and inures to the benefit of the parties thereto and their respective successors, representatives, and assigns.

SUMMARY OF CERTAIN PROVISIONS OF THE PURCHASE CONTRACT

Following is a composite summary of certain material provisions of the Purchase Contract. Reference is hereby made to the full and complete Purchase Contract, for further information, a copy of which is attached hereto as “APPENDIX F – UTILITIES INSTALLMENT PURCHASE AGREEMENT.”

Pursuant to the Purchase Contract, the PUA purchased the System in installment payments for a total purchase price equal to the LCRA’s outstanding debt service obligations related to the System, subject to certain adjustments described in the Purchase Contract (inclusive of accrued interest on the LCRA outstanding debt service obligations). Generally, and subject to certain specific conditions relating to the bond rating(s) assigned to bonds issued by the PUA, the installment payments have been paid as follows:

- \$23,588,485 paid in July, 2012;
- \$99,046,451 paid in August, 2013;
- \$19,918,792 paid in April, 2015; and
- \$11,425,944 paid in April 2019.

In connection with the execution of the Purchase Contract, the LCRA received approval from the TCEQ transferring LCRA’s Certificate of Convenience and Necessity for the System to the PUA.

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

EXCERPTS OF CERTAIN PROVISIONS OF THE RESOLUTION

The following summary is qualified in its entirety by reference to the full text of the Resolution, a copy of which is attached hereto as APPENDIX H.

Security. The PUA has irrevocably pledged to the payment and security of the Senior Lien Obligations, including the Bonds, the Net Revenues of the System. All Senior Lien Obligations, including the Bonds, and the interest thereon, shall constitute a lien on and pledge of Net Revenues and be valid and binding without any physical delivery thereof or further act by the PUA, and the lien created hereby on Net Revenues for the payment and security of the Senior Lien Obligations shall be prior in right and claim as to any other indebtedness, liability, or obligation of the PUA or the System.

Net Revenues means Gross Revenues of the System, with respect to any period, after deducting the Operation and Maintenance Expenses during such period.

Gross Revenues means all revenues, income, impact, capital recovery or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Participant Agreement, but shall not mean any revenues derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; *provided, however*, that the Board may utilize any revenues, including those generated by the Participant Agreement, in excess of the debt service and other funding requirements with respect to the Senior Lien Obligations for any lawful purpose in accordance with the Resolution and the Participant Agreement.

Operation and Maintenance Expenses means (i) all costs and expenses of operation and maintenance of the System, including amounts payable under any contract with any person, including, but not limited to, any federal, state or local agency for the right to any source of water; any contribution or payment in lieu of taxes or any fee or charge by a government authority relating to PUA's production of water or sale of treated water; fees and charges to be paid to the Texas Commission on Environmental Quality or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services and administration of the System; overhead expenses; costs of operating, repairing maintaining, and replacing equipment for proper operation and maintenance of the System; and payments made in satisfaction of judgments resulting from claims not covered by insurance arising in connection with the acquisition, operation and maintenance of the System, and (ii) all amounts payable by the PUA to LCRA pursuant to the Purchase Contract. The term "Operation and Maintenance Expenses" does not include depreciation charges. See "APPENDIX G – ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT" and "APPENDIX F – UTILITIES INSTALLMENT PURCHASE AGREEMENT."

Rates and Charges. For the benefit of the Holders of the Senior Lien Obligations, including the Bonds, and in addition to all provisions and covenants in the laws of the State of Texas and in the Resolution, the PUA has expressly stipulated and agreed, while any of the Senior Lien Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

- (a) To pay all Operation and Maintenance Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;
- (b) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Senior Lien Obligations issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Senior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues;
- (c) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues; and
- (d) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior Lien Obligations hereafter issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues.

Revenue Fund. The PUA has covenanted and agreed that the Gross Revenues of the System shall be deposited, as collected and received, into the Revenue Fund and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the PUA. All Gross Revenues deposited into the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

- (a) FIRST: to the payment of all Operation and Maintenance Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

- (b) SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund and the Reserve Fund, created and established for the payment and security of the Senior Lien Obligations as the same become due and payable.
- (c) THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the PUA as the same become due and payable.
- (d) FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the PUA as the same become due and payable.

Any Net Revenue remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be transferred to the Rate Stabilization Fund and appropriated and used for any other PUA purpose now or hereafter permitted by law.

Rate Stabilization Fund. The PUA has agreed to maintain a separate and special fund or account known as the Rate Stabilization Fund. All funds deposited into the Rate Stabilization Fund may be used at the discretion of the PUA for any lawful purpose, including capital additions and improvements to the System and to enable the PUA to manage rates and charges recommended to the Participants pursuant to the Participant Agreement; provided, however, that such funds shall be used in the following order of priority:

- (a) First, for funding of operating and maintenance reserves, in accordance with Prudent Utility Practice, and payment of principal of and interest on the Senior Lien Obligations;
- (b) Second, for redemption or defeasance of outstanding Senior Lien Obligations, if economically advantageous in the discretion of the Board of the PUA; and
- (c) Third, for transfer to the Facilities Fund for payment of costs of any capital additions and improvements to the System.

Notwithstanding anything in this Section to the contrary, except as provided in the following sentence, proceeds of the Bonds deposited to the Rate Stabilization Fund shall be used solely to pay for capital improvements and additions to the System. Any proceeds of the Bonds deposited to the Rate Stabilization Fund and not used for capital improvements and additions to the System shall be transferred to the Bond Fund and used to pay debt service on the Bonds.

Facilities Fund. The PUA has created and agreed to maintain a separate and special fund or account known as the Facilities Fund. At the discretion of the Board of the PUA, amounts may be transferred from the Rate Stabilization Fund to the Facilities Fund from time to time for payment of capital additions and improvements to the System, including reimbursement of any Participant for payment of such costs, upon request of such Participant and at the discretion of the Board of the PUA. At the discretion of the Board of the PUA, amounts on deposit in the Facilities Fund may be transferred to the Rate Stabilization Fund from time to time and used for any lawful purpose; provided, however, that, except as provided in the following sentence, any amounts constituting proceeds of the Bonds shall be used solely to pay for capital improvements and additions to the System. Any proceeds of the Bonds deposited to the Facilities Fund and not used for capital improvements and additions to the System shall be transferred to the Bond Fund and used to pay debt service on the Bonds.

Deficiencies – Excess Net Revenues. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by the Resolution or any resolution authorizing the issuance of Additional Senior Lien Obligations, the excess Net Revenues may be used by the PUA for any lawful purpose including, but not limited to, the redemption of any Senior Lien Obligations.

Limited Obligations of the PUA. The Bonds are limited, special obligations of the PUA payable from and equally and ratably secured solely by a lien on and pledge of Net Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the PUA. The PUA has no taxing power.

Remedies in Event of Default. In addition to all the rights and remedies provided by the laws of the State of Texas, the PUA has covenanted and agreed particularly that in the event the PUA (a) defaults in the payments to be made to the Bond Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in the Resolution, the Holders of any of the Senior Lien Obligations shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the PUA and other officers of the PUA to observe and perform any covenant, condition, or obligation prescribed in the Resolution.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

Defeasance. If the PUA shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in the Resolution, then the lien on and pledge of Net Revenues under the Resolution and all covenants, agreements, and other obligations of the PUA to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together

with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The PUA has covenanted that no deposit of money or Government Securities (as defined below) will be made and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code.

Government Securities mean any securities now or hereafter permitted by law for defeasance of public securities, including (i) direct noncallable obligations of, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the PUA or deposited as directed by the PUA. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the PUA be remitted to the PUA against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

Resolution an Agreement; Amendments – Outstanding Bonds. The PUA acknowledges that the covenants and obligations of the PUA contained in the Resolution are a material inducement to the purchase of the Bonds. The Resolution shall constitute a contract with the Holders from time to time, be binding on the PUA and its successors and assigns, and it shall not be amended or repealed by the PUA so long as any Bond remains Outstanding except as permitted in this paragraph. The PUA may, without the consent of any Holders, from time to time and at any time, amend the Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the PUA may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Resolution; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

[THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK]

TAX EXEMPTION

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the “Code”). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX I hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The PUA has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the PUA or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The PUA has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the PUA or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the PUA and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the PUA legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such

audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the PUA or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the PUA has made, and in the Participant Agreement, the Participants have made, the following agreement for the benefit of the holders and beneficial owners of the Bonds. The PUA and the Participants are required to observe the agreement for so long as they remain obligated to advance funds to pay the Bonds. The PUA and the Participants will be obligated to provide certain annual financial information and operating data annually to the Municipal Securities Rulemaking Board (the “MSRB”) in an electronic format prescribed by the MSRB, as further described below under “AVAILABILITY OF INFORMATION.”

ANNUAL REPORTS . . . The PUA and the Participants will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the PUA and the Participants of the general type included in this Official Statement in Tables 1 through 6 and APPENDICES A, B-2, C-2 and D-2, respectively. The PUA and the Participants will provide this information within 6 months after the end of each fiscal year; however, if audited financial statements are not available when the information is provided, the PUA and the Participants will provide audited financial statements when and if they become available and unaudited financial statements within the required period unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in each respective appendix, or such other accounting principles as the PUA or the Participants may be required to employ from time to time pursuant to state law or regulation. The PUA and the Participants may provide updated information in full text or may incorporate by reference documents available on EMMA (as defined below) or filed with the U.S. Securities and Exchange Commission (the “SEC”). The PUA and the Participants’ current fiscal year end is September 30. Accordingly, annual financial information must be provided by March 31 in each year, unless their fiscal year changes. If any of the PUA or a Participant change their fiscal year, it will notify the MSRB of the change.

CERTAIN EVENT NOTICES . . . The PUA will provide notices of certain events to the MSRB within ten business days after such event(s). The PUA 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 holders 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 PUA or a Participant; (13) the consummation of a merger, consolidation, or acquisition involving the PUA or a Participant or the sale of all or substantially all of the assets of the PUA or a Participant, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of the trustee, if material; (15) incurrence of a debt obligation of the PUA or a Participant or a derivative instrument entered into by the PUA or a Participant in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee by the PUA or a Participant of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such debt obligation, derivative instrument, or guarantee of the PUA or a Participant, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such debt obligation, derivative instrument, or guarantee of the PUA or a Participant, any of which reflect financial difficulties. Neither the Bonds nor the Resolution makes any provision for liquidity enhancement. In addition, the PUA and the Participants will provide timely notice of any failure to provide information, data, or financial statements in accordance with the agreement described above under “Annual Reports.” The Participants have agreed to provide information to the PUA to support the PUA’s ability to comply with its obligation to provide notice of the foregoing events.

AVAILABILITY OF INFORMATION . . . The PUA and the Participants have agreed to provide the foregoing information only to the MSRB. The information will be available free of charge via the MSRB’s Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The PUA and the Participants have agreed to update information and to provide notices of certain events only as described above. The PUA and the Participants have 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 PUA and the Participants make 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 PUA and the Participants disclaim any contractual or tort liability for damages resulting in whole or in part from any breach of their continuing disclosure agreement or from any statement made pursuant to their agreement, although holders of Bonds may seek a writ of mandamus to compel the PUA or the Participants to comply with their agreement. The PUA or the Participants may amend their continuing disclosure agreement 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 Participants, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the PUA or the Participants (such as nationally recognized bond counsel) determine that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the PUA or the Participants so amend the agreement, the PUA and the Participants have agreed to include with the next annual financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of annual financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . For the past five years, the PUA has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule.

For the past five years, the Participants have complied in all material respects with their respective continuing disclosure agreements entered into pursuant to the Rule.

OTHER INFORMATION

RATINGS . . . The Bonds are expected to receive an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See “BOND INSURANCE.” The Bonds have been rated “A1” by Moody’s without regard to credit enhancement. The PUA is not seeking an underlying rating on the Bonds from S&P. Certain outstanding debt of the PUA is also rated “A” by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective view of such organizations and the PUA makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION . . . The PUA is currently involved in the following litigation:

- Petition of Weekley Homes LLP v. West Travis County Public Utility Agency; in the 200th Judicial District Court, Travis County, Texas; Cause No. D-1-GN-20-002291.

The Plaintiff, a developer within the PUA’s service area sued the PUA challenging the PUA’s policies regarding the assessment of impact fees. The PUA submitted a plea to the jurisdiction claiming governmental immunity and the district court dismissed two of the Plaintiff’s four claims. Both parties appealed the district court’s decision. The PUA and the Plaintiff have since executed and funded a settlement agreement. The parties filed a Joint Motion to Remand with the Seventh Court of Appeals on March 30, 2022, and are awaiting a final decision. The PUA and Plaintiff anticipate that the court will take action necessary to effectuate the dismissal of the lawsuit as required by the settlement agreement within the next month.

The PUA does not believe the aforementioned litigation (if any) or other proceeding pending (if any) or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal), if decided adversely to the PUA, would have a material adverse effect on the financial condition of the PUA.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The PUA assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER

INFORMATION – RATINGS” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the PUA has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS . . . The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the PUA payable from Net Revenues of the System and the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel, to like effect and to the effect that 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 EXEMPTION” herein, including the alternative minimum tax on corporations. The proposed form of Bond Counsel’s opinion is attached hereto as APPENDIX I. Though it represents the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Bonds, in connection with the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the PUA. In its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP, has not independently verified any of the factual information contained in this Official Statement nor has such firm conducted an investigation into the affairs of the PUA, and Bond Counsel has expressed no opinion as to the accuracy or completeness of this Official Statement. Bond Counsel’s role in connection with this Official Statement was limited to reviewing the information describing the Bonds in the Official Statement to verify that such descriptions conform to the provisions of the Resolution. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

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 that 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.

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the PUA in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the PUA has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the PUA and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

INITIAL PURCHASER . . . After requesting competitive bids for the Bonds, the PUA accepted the bid of SAMCO Capital Markets, Inc. (the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover of the Official Statement at a price of approximately 101.959% of par. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the PUA to the Initial Purchaser. The PUA has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the PUA, that are not purely historical, are forward-looking statements, including statements regarding the PUA’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 PUA on the date hereof, and the PUA assumes no obligation to update any such forward-looking statements. The PUA’s actual results could differ materially from those discussed in such forward-looking statements.

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

CERTIFICATION REGARDING THE OFFICIAL STATEMENT AND NO LITIGATION . . . At the time of payment for and delivery of the Bonds, the Initial Purchaser will be furnished (i) a certificate of the PUA, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the description and statements of or pertaining to the PUA contained in its Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the PUA and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they are made, not misleading; (c)

insofar as the description and statements, including financial data, of or pertaining to entities, other than the PUA, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the PUA believes to be reliable and that the PUA has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the PUA since the date of the last audited financial statements of the PUA set forth in the Official Statement; and (e) except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

MISCELLANEOUS . . . The financial data and other information contained herein have been obtained from the PUA's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, resolutions and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, resolutions and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Resolution authorizing the issuance of the Bonds approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Initial Purchaser.

Scott Roberts
President, Board of Directors
West Travis County Public Utility Agency

APPENDICES

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX A

EXCERPTS FROM THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY
ANNUAL FINANCIAL REPORT FOR YEAR ENDED SEPTEMBER 30, 2021

The information contained in this Appendix consists of excerpts from the West Travis County Public Utility Agency's Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the PUA's financial condition. Reference is made to the complete report for further information.

THIS PAGE LEFT INTENTIONALLY BLANK



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants
An Affiliate of CPAmerica International
tel (512) 370 3200 fax (512) 370 3450
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
West Travis County Public Utility Agency:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of West Travis County Public Utility Agency (the "PUA"), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the PUA'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 PUA as of September 30, 2021, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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, the schedule of changes in net pension liability (asset) and related ratios, the schedule of agency contributions, and the notes to required supplementary information on pages 5 through 10, 34, 35, and 36 through 37, 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 PUA's basic financial statements. The 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 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 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
March 15, 2022

West Travis County Public Utility Agency

Management's Discussion and Analysis For the Year Ended September 30, 2021

As management of the West Travis County Public Utility Agency (the "PUA"), we provide readers of the PUA's financial statements this narrative overview and analysis of the financial activities of the PUA for the year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with the PUA's financial statements that follow.

For purposes of Governmental Accounting Standards Board ("GASB") Statement No. 34, the PUA is considered a special purpose government. This allows the PUA 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 "Total Governmental Funds" 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.

Financial Highlights

- The assets and deferred outflows of resources of the PUA at September 30, 2021 were approximately \$279.7 million while its liabilities and deferred inflows of resources were approximately \$201.1 million. Assets and deferred outflows of resources of the PUA exceeded its liabilities and deferred inflows of resources at September 30, 2021 by approximately \$78.6 million.
- Revenues for the year ended September 30, 2021 totaled approximately \$43.7 million while expenses totaled approximately \$26.6 million, resulting in an increase in net position of approximately \$17.2 million for the year ended September 30, 2021.

Overview of the Basic Financial Statements

The PUA's reporting is comprised of two parts:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Basic Financial Statements* are designed to provide readers with an overview of the PUA's finances, in a manner similar to the private sector business.

The *Statement of Net Position and Governmental Funds Balance Sheet* presents information on all the PUA's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The statement of net position and governmental funds balance sheet can be found on page 11 of the report which includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the PUA's net position will indicate financial health.

The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* represents information showing how the PUA's net position changed during the most recent fiscal year which includes a column (titled "Total Governmental Funds") 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 *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the PUA's adopted budget to its actual results.

The *Notes to 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*.

Required supplementary information related to the PUA's participation in the Texas County and District Retirement System pension plan, schedules required by the Water Agency Accounting Manual, and other schedules are presented immediately following the *Notes to Basic Financial Statements*.

Financial Analysis

The *Statement of Net Position and Governmental Funds Balance Sheet* as noted earlier shows net position which may serve over time as a useful indicator of the PUA's financial position. In the case of the PUA, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by approximately \$78.6 million at the close of the most recent year ending on September 30, 2021.

The PUA had total cash, cash equivalents, and temporary investments of approximately \$112.2 million as of September 30, 2021. Of this, approximately \$20.7 million is specifically set aside for paying debt. Long-term debt, including bond premiums, related to the outstanding Series 2015 Revenue Bonds, Series 2017 Revenue Refunding Bonds, and Series 2019 Revenue Bonds totaled approximately \$193.0 million as of September 30, 2021; future water and wastewater revenues collected by the PUA will be used to pay this outstanding long-term debt.

Approximately \$25.9 million and approximately \$38.7 million of cash, cash equivalents, and temporary investments as of September 30, 2021 are in the Capital Projects and Impact Fee Funds, respectively. This money is segregated for the construction of new capital projects.

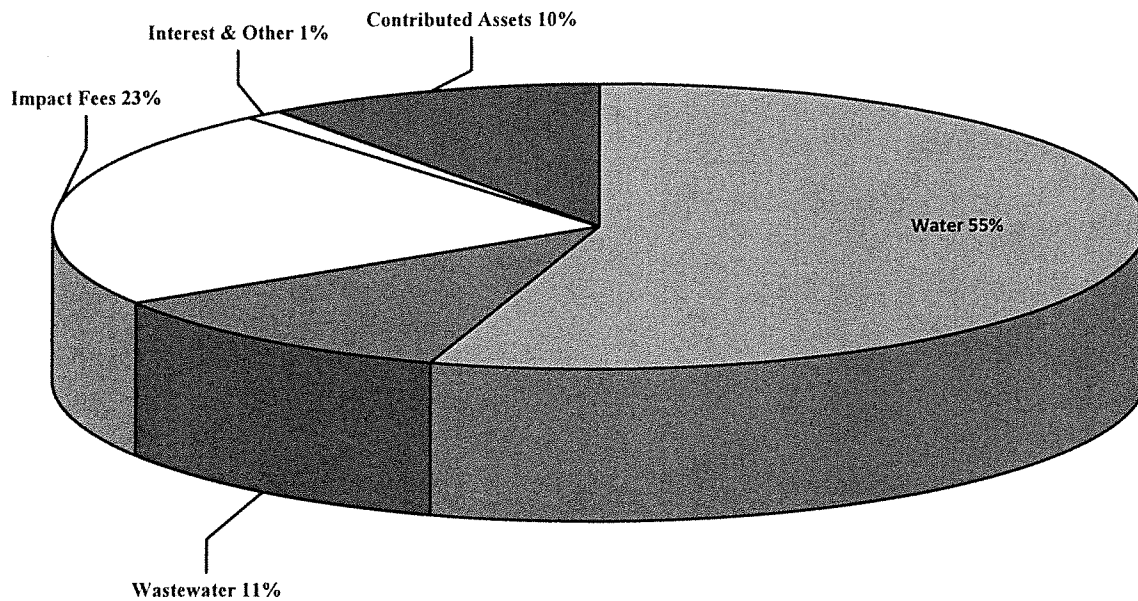
As part of the bond agreement for the previously issued Series 2013 issuance, the PUA agreed to maintain separate and special accounts known as the Rate Stabilization Fund and the Facilities Fund. The Rate Stabilization Fund is an account which holds funds that may be used at the discretion of the PUA for any lawful purpose, including capital additions and improvements to the PUA’s water and wastewater system and to enable the PUA to manage rates and charges, provided, however, that such funds shall be used in the following order of priority: 1) first for funding of operating and maintenance reserves and payment of principal and interest on debt obligations, 2) redemption or defeasance of outstanding obligations, if economically advantageous, and 3) transfer to the Facilities Fund for payment of costs of any capital additions and improvements. The Facilities Fund is an account which holds transfers from the General Fund for times coverage for payment of capital additions and improvements, including reimbursement of such costs. As funds transferred to either of these accounts are for specific purposes pursuant to approval by formal action by the Board of Directors, they are considered committed fund balance in the General Fund and are shown as such on the Governmental Funds Balance Sheet.

Statement of Net Position

	Governmental Activities	
	2021	2020
Current and other assets	\$ 117,771,071	\$ 111,028,549
Capital and non-current assets	135,827,849	129,218,406
Total assets	\$ 253,598,920	\$ 240,246,955
Deferred outflows of resources	\$ 26,090,258	\$ 26,839,800
Current liabilities	\$ 9,450,877	\$ 8,722,083
Long-term liabilities	191,519,130	196,804,854
Total liabilities	\$ 200,970,007	\$ 205,526,937
Deferred inflows of resources	\$ 129,610	\$ 127,812
Net investment in capital assets	\$ (35,142,842)	\$ (37,867,058)
Restricted	19,784,802	13,910,684
Unrestricted	93,947,601	85,388,380
Total net position	\$ 78,589,561	\$ 61,432,006

The PUA’s total assets were approximately \$253.6 million and \$240.2 million as of September 30, 2021 and 2020, respectively. As of September 30, 2021, the PUA had deferred outflows of resources totaling approximately \$26.1 million mainly related to deferred charges on bond refundings and liabilities exceeding assets at the time of purchase of the LCRA West Travis County water and wastewater system (formerly known as “goodwill”). Like goodwill, these deferred outflows of resources are amortized systematically over a period of forty years; amortization expense for the year ending September 30, 2021 was \$360,098. The PUA had outstanding liabilities of approximately \$201.0 million and \$205.5 million as of September 30, 2021 and 2020, respectively, of which approximately \$193.0 million and \$197.7 million represents bonds payable as of September 30, 2021 and 2020, respectively.

Sources of Revenue



Statement of Activities

	Governmental Activities	
	2021	2020
Water and wastewater	\$ 28,924,410	\$ 27,075,578
Impact fees	10,273,929	10,353,761
Contributions	4,198,008	1,509,051
Interest and other	324,101	3,464,316
Total revenues	43,720,448	42,402,706
Water and wastewater	5,639,285	5,684,121
Professional services	1,004,599	908,156
Personnel expenses	3,516,943	3,108,000
Other	1,109,947	794,196
Debt service	7,917,917	8,768,152
Depreciation and amortization	7,374,202	7,551,532
Total expenses	26,562,893	26,814,157
Change in net position	17,157,555	15,588,549
Beginning net position	61,432,006	45,843,457
Ending net position	\$ 78,589,561	\$ 61,432,006

Operating revenues were approximately \$43.7 million and \$42.4 million for the years ended September 30, 2021 and 2020, respectively. Water and wastewater service provided approximately \$28.9 million and \$27.1 million in revenues for the years ended September 30, 2021 and 2020, respectively. Impact fees generated approximately \$10.3 million and \$10.4 million in revenues for the years ended September 30, 2021 and 2020, respectively. Total expenses were approximately \$26.6 million and \$26.8 million for the years ended September 30, 2021 and 2020, respectively. Net position was approximately \$78.6 million and approximately \$61.4 million at September 30, 2021 and 2020, respectively.

Analysis of Governmental Funds

	2021	2020
Cash and cash equivalents	\$ 29,867,357	\$ 23,694,119
Temporary investments	82,359,316	81,941,674
Receivables	4,984,871	4,903,079
Interfund receivable	15,056,466	6,765,125
Deposits	192,105	16,087
Total assets	\$ 132,460,115	\$ 117,320,084
Accounts payable	\$ 1,562,858	\$ 1,693,078
Refundable deposits	1,498,512	1,081,324
Other liabilities	1,028,362	841,961
Interfund payable	15,056,466	6,765,125
Total liabilities	19,146,198	10,381,488
Restricted fund balance	30,627,600	33,142,417
Committed fund balance	13,648,847	12,490,698
Assigned fund balance	38,854,339	35,276,209
Unassigned fund balance	30,183,131	26,029,272
Total fund balances	113,313,917	106,938,596
Total liabilities and fund balances	\$ 132,460,115	\$ 117,320,084

The *General Fund* pays for daily operating expenditures. For the year ended September 30, 2021, the PUA's budget projected an ending operating fund balance of approximately \$36.8 million. The General Fund reflected positive change in fund balance of approximately \$5.3 million, a positive difference of approximately \$7.0 million compared to the budget. This positive difference is primarily due to less capital outlay expenditures than budgeted and more water revenue than budgeted.

The *Debt Service Fund* had an ending restricted fund balance of approximately \$20.7 million as of September 30, 2021. During the year, the PUA paid approximately \$11.9 million in principal and interest due on the outstanding Series 2013, Series 2015, Series 2017, and Series 2019 bonds from the Debt Service Fund. More detailed information about the PUA's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* purchases primarily the PUA's infrastructure.

The *Impact Fee Fund* accounts for charges on new development within the PUA to help fund and pay for the construction or needed expansion of capital improvements.

Capital Assets

	2021	2020
Land	\$ 6,097,409	\$ 6,097,409
Construction in progress	6,765,265	8,193,509
Water and wastewater facilities	185,890,003	170,860,202
Vehicles	1,238,081	1,028,385
Leasehold improvements	187,052	187,052
Subtotal	200,177,810	186,366,557
Accumulated depreciation and amortization	(64,411,714)	(57,398,410)
Total	<u>\$ 135,766,096</u>	<u>\$ 128,968,147</u>

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

Long-Term Debt Activity

	2021	2020
Bonds payable	\$ 179,275,000	\$ 183,405,000
Premiums on bonds	13,694,722	14,304,292
Discount on bonds	-	(29,802)
Total	<u>\$ 192,969,722</u>	<u>\$ 197,679,490</u>

The PUA owes approximately \$179.3 million to bond holders from the Series 2015, Series 2017, and Series 2019 bonds issued in previous years.

More detailed information about the PUA's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The currently adopted fiscal year 2022 budget projects a General Fund balance decrease of approximately \$2.6 million due to the expected expenditures in the Facilities Fund. Budgeted revenues and other financing sources total approximately \$30.3 million, while expenditures and other financing uses are expected to be approximately \$32.9 million, which includes approximately \$12.0 million reserved to fund future debt service obligations.

Requests for Information

This financial report is designed to provide a general overview of the PUA's finances and to demonstrate the PUA'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 PUA at 13215 Bee Cave Pkwy, Building B, Suite 110, Bee Cave, Texas 78738.

West Travis County Public Utility Agency

Statement of Net Position and Governmental Funds Balance Sheet September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Impact Fee Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets							
Cash and cash equivalents	\$ 14,269,145	7,380,728	-	8,217,484	29,867,357	-	\$ 29,867,357
Temporary investments	12,592,932	13,302,245	25,944,283	30,519,856	82,359,316	-	82,359,316
Receivables:							
Service accounts	4,589,030	-	-	5,180	4,594,210	-	4,594,210
Accrued interest	46,811	52,974	97,953	115,178	312,916	-	312,916
Other	77,745	-	-	-	77,745	-	77,745
Due from other funds	15,056,466	-	-	-	15,056,466	(15,056,466)	-
Deposits	16,087	-	176,018	-	192,105	-	192,105
Bond insurance costs	-	-	-	-	-	367,422	367,422
Capital assets (net of accumulated depreciation):							
Land	-	-	-	-	-	6,097,409	6,097,409
Construction in progress	-	-	-	-	-	6,765,265	6,765,265
Vehicles	-	-	-	-	-	514,132	514,132
Leasehold improvements	-	-	-	-	-	108,731	108,731
Water production, transmission, and distribution facilities and wastewater collection and treatment facilities	-	-	-	-	-	122,280,559	122,280,559
Net pension asset	-	-	-	-	-	61,753	61,753
Total assets	\$ 46,648,216	20,735,947	26,218,254	38,857,698	132,460,115	121,138,805	\$ 253,598,920
Deferred Outflows of Resources							
Consideration in excess of value of assets acquired (net of accumulated amortization)	\$ -	-	-	-	-	10,802,931	\$ 10,802,931
Deferred charges on bond refundings	-	-	-	-	-	14,761,117	14,761,117
Pension contributions after measurement date	-	-	-	-	-	219,086	219,086
Deferred outflows related to pension asset	-	-	-	-	-	307,124	307,124
Total deferred outflows of resources	-	-	-	-	-	26,090,258	26,090,258
Liabilities							
Accounts payable	\$ 968,212	-	591,287	3,359	1,562,858	-	\$ 1,562,858
Refundable deposits	1,498,512	-	-	-	1,498,512	-	1,498,512
Other liabilities	349,514	-	678,848	-	1,028,362	-	1,028,362
Due to other funds	-	-	15,056,466	-	15,056,466	(15,056,466)	-
Bond interest payable	-	-	-	-	-	951,145	951,145
Long-term liabilities:							
Due within one year	-	-	-	-	-	4,410,000	4,410,000
Due after one year	-	-	-	-	-	188,559,722	188,559,722
Due to developers for utility facility acquisition	-	-	-	-	-	2,959,408	2,959,408
Total liabilities	2,816,238	-	16,326,601	3,359	19,146,198	181,823,809	200,970,007
Deferred Inflows of Resources							
Deferred inflows related to pension asset	-	-	-	-	-	129,610	129,610
Fund Balances / Net Position							
Fund balances:							
Restricted for:							
Debt service	-	20,735,947	-	-	20,735,947	(20,735,947)	-
Capital projects	-	-	9,891,653	-	9,891,653	(9,891,653)	-
Committed for:							
Rate Stabilization Fund	5,221,739	-	-	-	5,221,739	(5,221,739)	-
Facilities Fund	8,427,108	-	-	-	8,427,108	(8,427,108)	-
Assigned for-							
Projects funded by impact fees	-	-	-	38,854,339	38,854,339	(38,854,339)	-
Unassigned	30,183,131	-	-	-	30,183,131	(30,183,131)	-
Total fund balances	43,831,978	20,735,947	9,891,653	38,854,339	113,313,917	(113,313,917)	-
Total liabilities and fund balances	\$ 46,648,216	20,735,947	26,218,254	38,857,698	132,460,115		
Net position:							
Net investment in capital assets							(35,142,842)
Restricted for debt service							19,784,802
Unrestricted							93,947,601
Total net position							\$ 78,589,561

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

West Travis County Public Utility Agency

Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Impact Fee Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Expenditures/Expenses:							
Service operations:							
Water expense:							
Raw water	\$ 1,221,589	-	-	-	1,221,589	-	\$ 1,221,589
Utilities	1,341,700	-	-	-	1,341,700	-	1,341,700
Maintenance and repairs	496,956	-	-	-	496,956	-	496,956
Chemicals	261,874	-	-	-	261,874	-	261,874
Other	276,681	-	26,366	-	303,047	-	303,047
Wastewater expense:							
Sludge disposal	744,096	-	-	-	744,096	-	744,096
Utilities	271,779	-	-	-	271,779	-	271,779
Maintenance and repairs	279,755	-	-	-	279,755	-	279,755
Shared operations expense	302,332	-	-	-	302,332	-	302,332
Other	270,605	-	-	-	270,605	-	270,605
Professional services	1,004,599	-	-	-	1,004,599	-	1,004,599
Personnel expenses	3,546,124	-	-	-	3,546,124	(29,181)	3,516,943
SER project expenses	145,552	-	-	-	145,552	-	145,552
Other	995,672	-	-	114,275	1,109,947	-	1,109,947
Capital outlay	1,492,458	-	8,417,543	-	9,910,001	(9,910,001)	-
Debt service:							
Principal payments	-	4,130,000	-	-	4,130,000	(4,130,000)	-
Interest payments and fiscal agent fees	-	7,807,163	-	-	7,807,163	110,754	7,917,917
Depreciation and amortization	-	-	-	-	-	7,374,202	7,374,202
Total expenditures/expenses	12,651,772	11,937,163	8,443,909	114,275	33,147,119	(6,584,226)	26,562,893
Revenues:							
Program revenues:							
Water revenue:							
Retail	16,450,807	-	-	-	16,450,807	-	16,450,807
Wholesale	5,945,815	-	-	-	5,945,815	-	5,945,815
Other	156,117	-	-	-	156,117	-	156,117
Impact fees	-	-	-	9,669,368	9,669,368	-	9,669,368
Wastewater revenue:							
Retail	3,785,482	-	-	-	3,785,482	-	3,785,482
Wholesale	896,583	-	-	-	896,583	-	896,583
Other	79,878	-	-	-	79,878	-	79,878
Impact fees	-	-	-	604,561	604,561	-	604,561
SER project	1,609,728	-	-	-	1,609,728	-	1,609,728
Total program revenues	28,924,410	-	-	10,273,929	39,198,339	-	39,198,339
Net program revenue							12,635,446
General revenues:							
Contributions	-	-	-	-	-	4,198,008	4,198,008
Other	62,079	-	-	-	62,079	-	62,079
Interest	42,291	45,782	79,549	94,400	262,022	-	262,022
Total general revenues	104,370	45,782	79,549	94,400	324,101	4,198,008	4,522,109
Total revenues	29,028,780	45,782	79,549	10,368,329	39,522,440	4,198,008	43,720,448
Other Financing Sources (Uses):							
Transfers in	-	17,740,924	-	-	17,740,924	(17,740,924)	-
Transfers out	(11,065,000)	-	-	(6,675,924)	(17,740,924)	17,740,924	-
Total other financing sources (uses)	(11,065,000)	17,740,924	-	(6,675,924)	-	-	-
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses							
	5,312,008	5,849,543	(8,364,360)	3,578,130	6,375,321	(6,375,321)	-
Change in net position	-	-	-	-	-	17,157,555	17,157,555
Fund Balances /Net Position:							
Beginning of year	38,519,970	14,886,404	18,256,013	35,276,209	106,938,596	(45,506,590)	61,432,006
End of year	\$ 43,831,978	20,735,947	9,891,653	38,854,339	113,313,917	(34,724,356)	\$ 78,589,561

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

West Travis County Public Utility Agency

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2021

	Original/Final Budget	Actual	Variance
Revenues:			
Water revenue	\$ 20,019,000	22,552,739	2,533,739
Wastewater revenue	4,316,000	4,761,943	445,943
SER project	1,523,000	1,609,728	86,728
Interest and other	485,000	104,370	(380,630)
Total Revenues	26,343,000	29,028,780	2,685,780
Expenditures:			
Service operations:			
Water expense:			
Raw water	1,220,000	1,221,589	(1,589)
Utilities	1,178,900	1,341,700	(162,800)
Maintenance and repairs	612,000	496,956	115,044
Chemicals	281,000	261,874	19,126
Other	463,792	276,681	187,111
Wastewater expense:			
Sludge disposal	690,000	744,096	(54,096)
Utilities	285,200	271,779	13,421
Maintenance and repairs	303,000	279,755	23,245
Shared operations expense	265,091	302,332	(37,241)
Other	318,467	270,605	47,862
Professional services	931,000	1,004,599	(73,599)
Personnel expenses	3,538,850	3,546,124	(7,274)
SER project expenses	160,000	145,552	14,448
Other	964,265	995,672	(31,407)
Capital outlay	5,772,100	1,492,458	4,279,642
Total Expenditures	16,983,665	12,651,772	4,331,893
Excess of Revenues Over Expenditures	9,359,335	16,377,008	7,017,673
Other Financing Uses-			
Transfers out	(11,065,000)	(11,065,000)	-
Change in Fund Balance	(1,705,665)	5,312,008	7,017,673
Fund Balance:			
Beginning of year	38,519,970	38,519,970	-
End of year	\$ 36,814,305	43,831,978	7,017,673

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

West Travis County Public Utility Agency

Notes to Basic Financial Statements Year Ended September 30, 2021

1. Summary of Significant Accounting Policies

West Travis County Public Utility Agency (the “PUA”) was created, organized and established on December 21, 2011, pursuant to the provisions of Chapter 572 of the Texas Local Government Code. The PUA is a publicly owned water and wastewater utility, serving western Travis and northern Hays counties, which were formerly serviced by the Lower Colorado River Authority (the “LCRA”). Pursuant to a purchase agreement dated January 17, 2012 entered into with the LCRA (the “Purchase Agreement”), the PUA purchased the LCRA’s West Travis County water and wastewater system. The purchase became effective and operations began on March 19, 2012.

The reporting entity of the PUA encompasses those activities and functions over which the PUA’s appointed officials exercise significant oversight or control. As of September 30, 2021, the PUA was governed by a five member Board of Directors (the “Board”) which were appointed from each of the three entities that formed the PUA: City of Bee Cave, Hays County, and Lake Pointe Municipal Utility District (the “Public Entities”). The PUA is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members are appointed by the Public Entities 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 PUA’s reporting entity.

Government-Wide and Fund Financial Statements

For purposes of GASB Statement No. 34, the PUA is considered a special purpose government. This allows the PUA 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 “Total Governmental Funds” 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.

The government-wide financial statements report information on all of the activities of the PUA. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the PUA. Other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are 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 related cash flows. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the PUA considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income.

The PUA reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

The Impact Fee Fund includes charges on new development within the PUA to help fund and pay for the construction or needed expansion of capital improvements.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the PUA Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles. Under GASB Statement No. 34, budgetary comparison information is required for the General Fund and each major special revenue fund (the Impact Fee Fund); however, the PUA is not legally required to adopt a budget for the Impact Fee Fund. Therefore, budget comparison information for the Impact Fee Fund is not included in the PUA's financial statements. In addition, formal budgetary integration is not employed for the Debt Service Fund or Capital Projects Fund. For the year ended September 30, 2021, expenditures for the General Fund were below budget by approximately \$4,332,000.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Cash and cash equivalents - Cash and cash equivalents included cash on deposit as well as investments with maturities of three months or less.

Temporary Investments - The PUA is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper, corporate bonds, money market and other mutual funds, and local government investment pools. The PUA's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The PUA's management believes that it complied with the requirements of the Public Funds Investment Act and the PUA's investment policies. The PUA accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Accounts Receivable - The PUA 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. As of September 30, 2021, there was no allowance for uncollectible accounts.

Capital Assets - Capital assets, which include land, construction in progress, vehicles, leasehold improvements, and water production, transmission, and distribution facilities and wastewater collection and treatment facilities (purchased, constructed or donated) are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the PUA as assets with an initial, individual cost of at least \$10,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Water and wastewater facilities are depreciated using the straight-line method over estimated useful lives ranging from one to sixty years. Vehicles are depreciated using the straight-line method over estimated useful lives ranging from five to fifteen years. Leasehold improvements are amortized over the term of the lease agreement.

Consideration in Excess of Value of Assets Acquired - The PUA complies with GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides guidance for accounting and financial reporting of government combinations, including mergers, acquisitions, and transfers of operations, and disposals of government operations, and requires, among other things, disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. In a government acquisition in which the consideration provided exceeds the net position acquired, the statement requires the excess (formerly known as "goodwill") be recognized as a deferred outflow of resources and those deferred outflows should be attributed to future periods in a systematic and rational manner, based on professional judgment, considering the relevant circumstances at the time of acquisition.

Consideration in excess of value of assets acquired, which resulted from total liabilities assumed exceeding total assets acquired at the time of purchase of the LCRA West Travis County water and wastewater system in fiscal year 2012, is stated at cost and is being amortized systematically over a period of forty years. As of September 30, 2021, consideration in excess of value of assets acquired, net totaled \$10,802,931. For the year ending September 30, 2021, amortization expense was \$360,098.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as bond insurance costs, 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, as well as bond issuance costs, 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. Issuance costs, including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions - The fiduciary net position of the Texas County and District Retirement System (“TCDRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCERS’s fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources - The PUA 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 PUA’s net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the PUA’s acquisition of net position applicable to a future reporting period.

The PUA 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. See Note 6 and Note 10 for additional information on deferred outflows and inflows of resources.

Fund Balance - The PUA’s fund balance classifications are presented in accordance 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 9 for additional information on those fund balance classifications.

Fair Value Measurements - The PUA 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.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, 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.

Recently Issued Accounting Pronouncements

In June 2017, the 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.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of a construction period. Under GASB Statement No. 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management is evaluating the effects that the full implementation of GASB Statement No. 89 will have on its financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

Governmental funds total fund balance	\$ 113,313,917
Prepaid bond insurance costs are recorded as expenditures in the funds but are amortized over the life of the related bonds in the statement of net position.	367,422
Capital assets and consideration in excess of value of assets acquired used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	135,766,096
Consideration in excess of value of assets acquired, net of accumulated amortization	10,802,931
Net pension asset is not receivable in the current period and, therefore, is not reported in the funds.	61,753
The following liabilities and deferred outflows and inflows of resources are not due and payable in the current period and, therefore, are not reported in the funds:	
Pension contributions after measurement date	219,086
Deferred outflows related to pension asset	307,124
Deferred inflows related to pension asset	(129,610)
Bonds payable, including premiums	(192,969,722)
Less: Deferred charges on bond refundings	14,761,117
Due to developers for utility facility acquisition	(2,959,408)
Bond interest payable	(951,145)
Total net position	<u>\$ 78,589,561</u>

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

Excess of revenues and other financing sources over expenditures and other financing uses	\$ 6,375,321
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense.	
Capital outlay	6,635,532
Contributed assets	4,198,008
Depreciation expense	(7,014,104)
Amortization expense	(360,098)
Bond proceeds and other debt provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Bond principal payments	4,130,000
Payment to developers for utility facility acquisition	3,274,469
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Pension contributions made before the measurement date	69,638
Pension contributions made after the measurement date	219,086
Adjustments for ending deferred outflows and inflows related to net pension asset	(259,543)
Change in bond interest payable	24,575
Amortization of bond discount	(29,802)
Amortization of deferred charges on bond refunding	(608,929)
Amortization of bond insurance costs	(106,168)
Amortization of bond premium	609,570
Change in net position	<u>\$ 17,157,555</u>

3. Cash, Cash Equivalents and Temporary Investments

The PUA's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2021, such deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the PUA to invest in funds under a written investment policy. The PUA's investment policy is approved annually by the Board. The primary objectives of the PUA's investment strategy, in order of priority, are safety, liquidity, and yield.

Investments held as of September 30, 2021 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
U.S. Government Notes	\$ 17,675,961	772	AA+
Corporate Bonds	3,664,094	617	AA - AAA
Municipal Bonds	52,530,515	558	A - AAA
U.S. Agencies:			
Federal Farm Credit Bank	1,423,400	525	AA+
Federal Home Loan Mortgage	1,735,000	635	AA+
Federal National Mortgage Assn.	3,829,270	1,280	AA+
Federal Home Loan Bank	1,501,076	476	AA+
Total	<u>\$ 82,359,316</u>		

The PUA invests excess funds in U.S. government notes, corporate bonds, municipal bonds, and U.S. agency securities and are valued using Level 1 inputs that are based on market data obtained from independent sources. The investments are reported by the PUA at fair value in accordance with GASB Statement No. 72.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. As of September 30, 2021, investments had ratings from Standard & Poor's in compliance with the PUA's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the PUA's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the PUA, and are held by either the counterparty or the counterparty's trust department or agent but not in the PUA's name. As of September 30, 2021, the PUA was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the PUA’s total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. As of September 30, 2021, the PUA was not exposed to concentration of credit risk.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the PUA’s investment policy requires that individual investments have a maximum allowable maturity of five years, unless otherwise stated in the investment policy. The PUA’s investments had weighted-average maturities at September 30, 2021 in compliance with the PUA’s investment policy. As of September 30, 2021, the PUA was not exposed to significant interest rate risk.

4. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2021 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	<u>\$ 15,056,466</u>

During the year, the General Fund and the Impact Fee Fund transferred \$11,065,000 and \$6,675,924, respectively, to the Debt Service Fund to fund principal and interest payments due on the outstanding bonds.

5. Capital Assets

Capital assets activity for the year ended September 30, 2021 was as follows:

	Balance September 30, 2020	Additions	Retirements and Transfers	Balance September 30, 2021
Capital assets not being depreciated:				
Land	\$ 6,097,409	-	-	6,097,409
Construction in progress	8,193,509	5,913,104	(7,341,348)	6,765,265
Total capital assets not being depreciated	<u>14,290,918</u>	<u>5,913,104</u>	<u>(7,341,348)</u>	<u>12,862,674</u>
Capital assets being depreciated/amortized:				
Water production, transmission, and distribution facilities and wastewater collection and treatment facilities	170,860,202	7,708,953	7,320,848	185,890,003
Vehicles	1,028,385	189,996	19,700	1,238,081
Leasehold improvements	187,052	-	-	187,052
Total capital assets being depreciated/amortized	<u>172,075,639</u>	<u>7,898,949</u>	<u>7,340,548</u>	<u>187,315,136</u>
Less accumulated depreciation and amortization for:				
Water production, transmission, and distribution facilities and wastewater collection and treatment facilities	(56,694,306)	(6,915,138)	-	(63,609,444)
Vehicles	(644,160)	(80,589)	800	(723,949)
Leasehold improvements	(59,944)	(18,377)	-	(78,321)
Total accumulated depreciation and amortization	<u>(57,398,410)</u>	<u>(7,014,104)</u>	<u>800</u>	<u>(64,411,714)</u>
Total capital assets being depreciated/amortized, net	<u>114,677,229</u>	<u>884,845</u>	<u>7,341,348</u>	<u>122,903,422</u>
Capital assets, net	<u>\$ 128,968,147</u>	<u>6,797,949</u>	<u>-</u>	<u>135,766,096</u>

6. Deferred Charges on Bond Refundings

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2021:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Deferred charges on bond refundings	<u>\$ 15,370,046</u>	<u>-</u>	<u>(608,929)</u>	<u>14,761,117</u>

7. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	<u>Balance September 30, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance September 30, 2021</u>
Series 2013 bonds	\$ 3,145,000	-	(3,145,000)	-
Series 2015 bonds	16,135,000	-	(490,000)	15,645,000
Series 2017 bonds	148,820,000	-	(200,000)	148,620,000
Series 2019 bonds	15,305,000	-	(295,000)	15,010,000
Premiums on bonds	14,304,292	-	(609,570)	13,694,722
Discounts on bonds	(29,802)	-	29,802	-
Total	<u>\$ 197,679,490</u>	<u>-</u>	<u>(4,709,768)</u>	<u>192,969,722</u>

As of September 30, 2021, long-term debt was comprised of the following:

Revenue and Refunding Bonds:

\$15,645,000 - Series 2015 Revenue Bonds payable serially through the year 2035 at interest rates which range from 2.00% to 5.00%.

\$148,620,000 - Series 2017 Revenue Refunding Bonds payable serially through the year 2045 at interest rates which range from 2.00% to 5.00%.

\$15,010,000 - Series 2019 Revenue Bonds payable serially through the year 2049 at interest rates which range from 3.00% to 5.00%.

Debt service requirements to maturity for PUA's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2022	\$ 4,410,000	7,609,163	12,019,163
2023	4,695,000	7,400,812	12,095,812
2024	5,015,000	7,169,213	12,184,213
2025	5,310,000	6,925,062	12,235,062
2026	5,610,000	6,675,463	12,285,463
2027-2031	32,645,000	29,153,680	61,798,680
2032-2036	39,060,000	21,304,251	60,364,251
2037-2041	40,535,000	13,592,850	54,127,850
2042-2046	39,450,000	4,801,750	44,251,750
2047-2049	2,545,000	258,750	2,803,750
Total	<u>\$ 179,275,000</u>	<u>104,890,994</u>	<u>284,165,994</u>

The PUA defeased outstanding general obligation bonds through the Series 2017 Revenue Refunding Bonds by placing the proceeds of the new bonds and additional payments from the PUA in an irrevocable trust to provide for the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the PUA's financial statements. All defeased bonds were called during the year ended September 30, 2021.

As of September 30, 2021, revenue bonds of \$218,215,000 and refunding bonds of \$196,890,000 were authorized by the PUA and all were issued.

8. Commitments and Contingencies

The PUA is involved in various legal proceedings which arise from time to time in the normal course of business. While the ultimate results of such matters generally cannot be predicted with certainty, management does not expect any such matters to have a material adverse effect on the financial position of the PUA or its results of operations as of September 30, 2021.

Operating Leases - The PUA leases office space under non-cancellable, operating lease agreements. Total rent expense for all operating leases was \$194,318 for the year ended September 30, 2021. The following is a schedule of future minimum lease payments required under these operating leases as of September 30, 2021:

2022	\$ 204,786
2023	214,718
2024	225,012
2025	235,954
2026	20,262
Total	<u>\$ 900,732</u>

Due to Developers for Utility Facility Acquisition - As part of the Purchase Agreement entered with the LCRA, the PUA inherited and assumed certain obligations due on utility facility development and construction agreements entered into with various developers. As part of the original agreements, costs incurred by the developers in the creation of water and wastewater utilities were to be reimbursed by the LCRA. Pursuant to the Purchase Agreement, the PUA has taken on the liabilities to these developers under the various utility facility development and construction agreements. These liabilities are based on the allowed water and wastewater facility development and construction expenses incurred by the developers and estimates are subject to change. As of September 30, 2021, the outstanding liability owed to the various developers totaled \$2,959,408 and developer commitments under utility facility development and construction agreements totaled \$2,308,815.

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 world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact the PUA's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. Management is actively managing the business to maintain the PUA's cash flow and believes that the PUA has adequate liquidity.

9. Fund Balances

For the year ended September 30, 2021, the PUA has presented fund balance classifications in accordance 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.

Assigned - For the General Fund, the Board may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

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

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 11. Fund balance of the PUA may be committed for a specific purpose by formal action of the Board, the PUA's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has the authority to assign fund balance for a specific purpose. As of September 30, 2021, spending and commitments and assignments of fund balance have been executed in accordance with the PUA's GASB 54 policy. Under the policy, 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.

As part of the bond agreement for the Series 2013 issuance, the PUA agreed to maintain separate and special accounts known as the Rate Stabilization Fund and the Facilities Fund. The Rate Stabilization Fund is an account which holds funds that may be used at the discretion of the PUA for any lawful purpose, including capital additions and improvements to the PUA's water and wastewater system and to enable the PUA to manage rates and charges, provided, however, that such funds shall be used in the following order of priority: 1) first for funding of operating and maintenance reserves and payment of principal and interest on debt obligations, 2) redemption or defeasance of outstanding obligations, if economically advantageous, and 3) transfer to the Facilities Account for payment of costs of any capital additions and improvements. The Facilities Fund is an account which holds transfers from the General Fund for times coverage for payment of capital additions and improvements, including reimbursement of such costs. As funds transferred to either of these accounts are for specific purposes pursuant to approval by formal action by the Board, they are considered committed fund balance in the General Fund and are shown as such on the governmental funds balance sheet on page 11.

10. Defined Benefit Pension Plan

Plan Description

The PUA provides retirement, disability, and death benefits for all of its non-temporary full-time employees through a nontraditional defined benefit pension plan administered by TCDRS. The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 817 active participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive financial report ("ACFR") on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas State statutes governing TCDRS ("TCDRS Act"). Members can retire at age 60 and above with 5 or more years of service, after 30 years of service, or when service time plus age equals 75 but must leave their accumulated contributions in the plan to receive any employer-finance benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefits Provided

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act, so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employee membership data related to the Plan, as of the valuation date of December 31, 2020 was as follows:

Retirees and beneficiaries currently receiving benefits	-
Terminated employees entitled to but not yet receiving benefits	22
Active plan members	39
Total	<u>61</u>

Contributions

The PUA has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The PUA contributed using the actuarially determined rate of 9.24% for 2021 as adopted by the governing body of the PUA. The employee contribution rate was 7.00%. The employee contribution rate and the employer contribution rate may be changed by the governing body of the PUA within the options available in the TCDRS Act. The required contribution and actual contributions for the year ended September 30, 2021 equaled \$288,724.

Net Pension Asset

Actuarial Assumptions

The PUA's net pension asset was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	20.0 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation
Investment Rate of Return	7.50%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the PUA are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The actuarial assumptions that determined the total pension liability as of December 31, 2020 were based on the results of an actuarial experience study for the period January 1, 2013 through December 31, 2016, except where required to be different by GASB 68.

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon; the most recent analysis was performed in March 2021.

<u>Asset Class</u>	<u>Benchmark</u>	<u>Target Allocation (a)</u>	<u>Geometric Real Rate of Return (Expected minus Inflation) (b)</u>
US Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.25%
Global Equities	MSCI World (net) Index	2.50%	4.55%
International Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.25%
International Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	(0.85%)
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	2.11%
Direct Lending	S&P/LSTA Leveraged Loan Index	16.00%	6.70%
Distressed Debt	Cambridge Associates Distressed Securities Index (d)	4.00%	5.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	3.45%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.10%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index (e)	6.00%	4.90%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index (c)	25.00%	7.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	1.85%
Cash Equivalents	90-Day U.S. Treasury	2.00%	(0.70%)

- (a) Target asset allocation adopted at the March 2021 TCDRS Board meeting.
- (b) Geometric real rates of return equal the expected return for the asset class minus the assumed inflation rate of 2.00%, per Cliffwater's 2021 capital market assumptions.
- (c) Includes vintage years 2006-present of Quarter Pooled Horizon internal rates of return.
- (d) Includes vintage years 2005-present of Quarter Pooled Horizon internal rates of return.
- (e) Includes vintage years 2007-present of Quarter Pooled Horizon internal rates of return.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB 68. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, and the municipal bond rate does not apply.

Changes in Net Pension Asset

Changes in the PUA's net pension asset for the valuation year ended December 31, 2020 are as follows:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance as of December 31, 2019	\$ 1,010,821	\$ 1,261,080	\$ (250,259)
Changes for the year:			
Service cost	328,678	-	328,678
Interest on total pension liability (1)	107,980	-	107,980
Effect of plan changes (2)	115,360	-	115,360
Effect of economic/demographic gains or losses	53,994	-	53,994
Effect of assumptions changes or inputs	135,592	-	135,592
Refund of contributions	(13,085)	(13,085)	-
Benefit payments	-	-	-
Administrative expenses	-	(1,318)	1,318
Member contributions	-	177,333	(177,333)
Net investment income	-	131,092	(131,092)
Employer contributions	-	234,080	(234,080)
Other (3)	-	11,911	(11,911)
Balance as of December 31, 2020	<u>\$ 1,739,340</u>	<u>\$ 1,801,093</u>	<u>\$ (61,753)</u>

- (1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
- (2) Reflects plan changes adopted effective in 2021.
- (3) Relates to allocation of system-wide items.

Sensitivity Analysis

The following presents the net pension liability (asset) of the PUA, calculated using the discount rate of 7.60%, as well as what the PUA's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 2,059,838	\$ 1,739,340	\$ 1,478,472
Fiduciary net position	1,801,093	1,801,093	1,801,093
Net pension liability/(asset)	<u>\$ 258,745</u>	<u>\$ (61,753)</u>	<u>\$ (322,621)</u>

Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

For the year ended September 30, 2021, the PUA recognized pension expense of \$259,543. As of September 30, 2021, the deferred outflows and inflows of resources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 181,962	\$ 110,908
Net difference between projected and actual earnings	-	18,195
Changes of assumptions	125,162	507
Contributions made subsequent to measurement date	219,086	-
Total	<u>\$ 526,210</u>	<u>\$ 129,610</u>

The \$219,086 reported as deferred outflows of resources related to pensions resulting from PUA contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended September 30, 2022. The remaining amounts currently reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	Pension Expense Amount
2022	\$ 13,607
2023	12,305
2024	2,310
2025	12,083
2026	14,625
Thereafter	122,584
	<u>\$ 177,514</u>

11. Risk Management

The PUA 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 PUA has obtained coverage from 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.

Required Supplementary Information

West Travis County Public Utility Agency

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios September 30, 2021

	Year Ended December 31, 2020*	Year Ended December 31, 2019*	Year Ended December 31, 2018*	Year Ended December 31, 2017*	Year Ended December 31, 2016*
Total Pension Liability					
Service cost	\$ 328,678	\$ 344,682	\$ 348,223	\$ 119,674	\$ 28,142
Interest on total pension liability	107,980	83,045	54,891	12,066	1,118
Effect of plan changes	115,360	-	-	-	-
Effect of assumption changes or inputs	135,592	-	-	(663)	23
Effect on economic/demographic (gains) or losses	53,994	(91,585)	(42,524)	172,751	-
Benefit payments/refunds of contributions	(13,085)	(11,541)	(7,481)	-	-
Net change in total pension liability	728,519	324,601	353,109	303,828	29,283
Total pension liability, beginning	1,010,821	686,220	333,111	29,283	-
Total pension liability, ending (a)	<u>\$ 1,739,340</u>	<u>\$ 1,010,821</u>	<u>\$ 686,220</u>	<u>\$ 333,111</u>	<u>\$ 29,283</u>
Fiduciary Net Position					
Employer contributions	\$ 234,080	\$ 211,753	\$ 224,461	\$ 210,021	\$ 17,381
Member contributions	177,333	156,523	151,080	138,442	11,456
Investment income net of investment expenses	131,092	125,640	(3,193)	9,878	-
Benefit payments/refunds of contributions	(13,085)	(11,541)	(7,481)	-	-
Administrative expenses	(1,318)	(961)	(616)	(262)	-
Other	11,911	12,389	11,005	4,668	437
Net change in fiduciary net position	540,013	493,803	375,256	362,747	29,274
Fiduciary net position, beginning	1,261,080	767,277	392,021	29,274	-
Fiduciary net position, ending (b)	<u>\$ 1,801,093</u>	<u>\$ 1,261,080</u>	<u>\$ 767,277</u>	<u>\$ 392,021</u>	<u>\$ 29,274</u>
Net pension liability / (asset), ending = (a) - (b)	\$ (61,753)	\$ (250,259)	\$ (81,057)	\$ (58,910)	\$ 9
Fiduciary net position as a % of total pension liability	103.55%	124.76%	111.81%	117.68%	99.97%
Pensionable covered payroll	\$ 2,533,323	\$ 2,236,038	\$ 2,158,282	\$ 1,977,741	\$ 163,664
Net pension liability (asset) as a % of covered payroll	-2.44%	-11.19%	-3.76%	-2.98%	0.01%

* Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

West Travis County Public Utility Agency

Schedule of Agency Contributions September 30, 2021

Year Ending September 30 **	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency (Excess)	Pensionable Covered Payroll *	Actual Contribution as a % of Covered Payroll
2017	\$ 167,287	167,287	-	1,575,205	10.6%
2018	\$ 221,706	221,706	-	2,119,811	10.5%
2019	\$ 219,468	219,468	-	2,258,133	9.7%
2020	\$ 219,597	219,597	-	2,362,092	9.3%
2021	\$ 288,724	288,724	-	2,838,206	10.2%

* Payroll is calculated based on contributions as reported to TCDRS.

** Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

West Travis County Public Utility Agency

Notes to Required Supplementary Information Year Ended September 30, 2021

1. Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The following methods and assumptions were used to determine the contributions rates:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level percentage of payroll, closed
Amortization Period	20.0 years
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation
Investment Rate of Return	7.50%
Cost-of-Living Adjustments	Cost-of-Living Adjustments for the District are not considered to be automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB 68 calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Retirement Age	Between ages 40 and 74 with various rates of service retirement by gender: low of 4.5% for age 40-44 to high of 25.0% for age 65-66 for males and females
Turnover	New employees are assumed to replace any terminated members and have similar entry ages.
Mortality:	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

2. Change in Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

- Amortization period increased from 0.0 years to 20.0 years
- Inflation assumption decreased from 2.75% per year to 2.50% per year, with a corresponding decrease in the general wage growth assumption from 4.9% to 4.6%
- Investment rate of return decreased from 8.10% to 7.50%

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX B

DESCRIPTION OF THE CITY OF BEE CAVE

DESCRIPTION OF THE CITY

The City of Bee Cave, Texas (“Bee Cave”) is located at the intersection of State Highway 71, RR 620 and FM 2244. Bee Cave was originally founded in 1987 and had a 1990 census population of 214. Since 2000, the City has experienced significant residential and commercial growth. The 2020 census population was 9,144 as compared with the 2010 census count of 3,925. The 2021 taxable assessed valuation of Bee Cave was \$2,611,616,199.

ELECTED OFFICIALS

The six members of Bee Cave are elected at-large to their positions by the voters of the entire City. They each serve two-year staggered terms.

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>
Kara King Mayor	9 Years	May 2022
Andrew Clark Mayor Pro Tem	4 Years	May 2023
Andrea Willott Councilmember	3 Years	May 2023
Kevin Hight Councilmember	1 Year	May 2022
Courtney Hohl Councilman	1 Year	May 2022
Vacant Councilman		

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX B-2

EXCERPTS FROM THE
CITY OF BEE CAVE, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2021

The information contained in this APPENDIX consists of excerpts from the City of Bee Cave's Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

THIS PAGE LEFT INTENTIONALLY BLANK



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Member of the City of Council
City of Bee Cave, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Bee Cave, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Bee Cave, Texas, as of September 30, 2021, and the respective changes in financial position, thereof 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, budgetary comparison information, and pension and OPEB information 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [REDACTED], 2022, on our consideration of the City of Bee Cave, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Bee Cave, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Bee Cave, Texas' internal control over financial reporting and compliance.

Waco, Texas
[REDACTED], 2022

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bee Cave, Texas, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Bee Cave, Texas for the fiscal year ended September 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information in the annual financial report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$72,717,846 (net position). Of this amount, \$15,541,626 represents unrestricted net position that may be used to meet the City's ongoing obligations to citizens and creditors. Net position also reflects \$41,885,266 that is invested in capital assets net of related debt.
- The governmental fund statements report a fund balance at year-end of \$31,751,701; of which \$15,669,094, or 49.3% represents unassigned fund balances.
- The General Fund unassigned fund balance of \$15,669,094 equals 169.5% of total General Fund expenditures.
- The City's total long term liabilities decreased by \$741,307 during the current fiscal year, due to payments made during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Bee Cave, Texas' basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, and 4) other required supplementary information in addition to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as a whole. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, deferred inflows and outflows of resources, and liabilities. The difference between these items are reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property and sales tax base and the condition of the City's infrastructure, net to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position, changed during the most recent year. All changes in the net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than the modified accrual method that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities presents the City's governmental activities. The City's basic services are reported in the governmental activities, including public safety (police), community services, culture and recreation, and general government. Sales tax, franchise taxes, and licenses and permit fees finance most of these activities.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The City uses only one category of funds, which is governmental.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects, Road Maintenance and Economic Development 4-B Sales Tax Fund, which are considered to be major funds for reporting purposes.

The City adopts an annual appropriated budget for all funds. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the General Fund and Economic Development 4-B Sales Tax budget.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found after the financial statements within this report.

Other Information

In addition to basic financial statements, this report also presents other certain required supplementary information (RSI). These items include a budgetary comparison schedule for the General Fund and the Economic Development 4-B Sales Tax Fund, as well as a schedule of funding progress for the Texas Municipal Retirement System. RSI can be found after the notes to the financial statements within this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred inflows and outflows of resources exceed liabilities by \$72,717,846 as of year-end.

The largest portion of the City's net position (58%) reflects its investments in capital assets (e.g., land, city hall, streets, and equipment), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt, if applicable, must be provided from other sources since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

**CITY OF BEE CAVE'S
CONDENSED STATEMENT OF NET POSITION**

	Governmental Activities	
	2021	2020
Current and other assets	\$ 34,622,421	\$ 30,067,831
Capital assets, net	<u>47,648,937</u>	<u>46,618,790</u>
Total assets	<u>82,271,358</u>	<u>76,686,621</u>
Deferred outflows of resources	<u>579,416</u>	<u>526,088</u>
Long-term liabilities	7,068,715	7,810,022
Other liabilities	<u>2,823,453</u>	<u>1,893,719</u>
Total liabilities	<u>9,892,168</u>	<u>9,703,741</u>
Deferred inflows of resources	<u>240,760</u>	<u>299,400</u>
Net position:		
Net investment in capital assets	41,885,266	40,053,348
Restricted	15,290,954	14,096,052
Unrestricted	<u>15,541,626</u>	<u>13,060,168</u>
Total net position	<u>\$ 72,717,846</u>	<u>\$ 67,209,568</u>

A portion of the City’s net position (21%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$15,541,626, may be used to meet the City’s ongoing obligation to citizens and creditors. The overall condition of the City improved from the prior year, with an increase in net position of \$5,508,278.

Statement of Activities

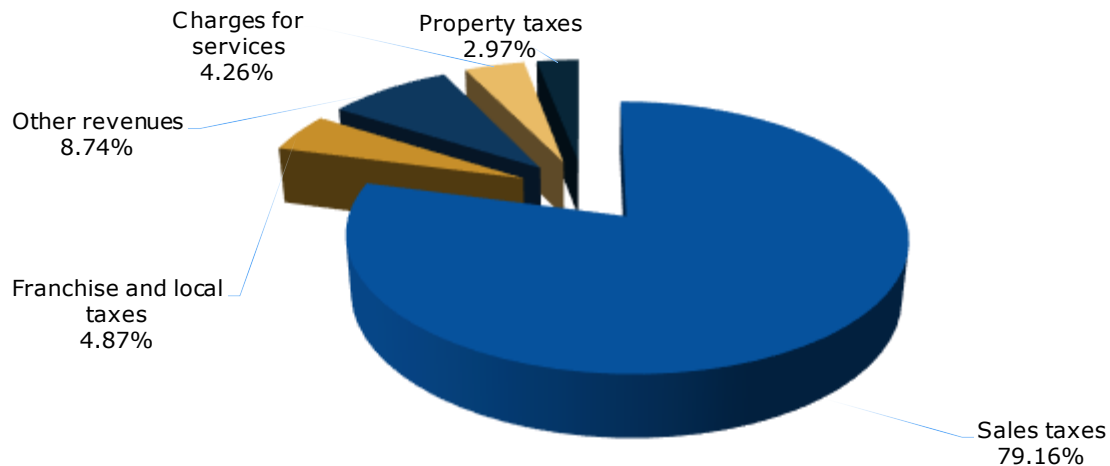
The following table provides a summary of the City’s changes in net position:

**CITY OF BEE CAVE’S
CONDENSED STATEMENT OF ACTIVITIES**

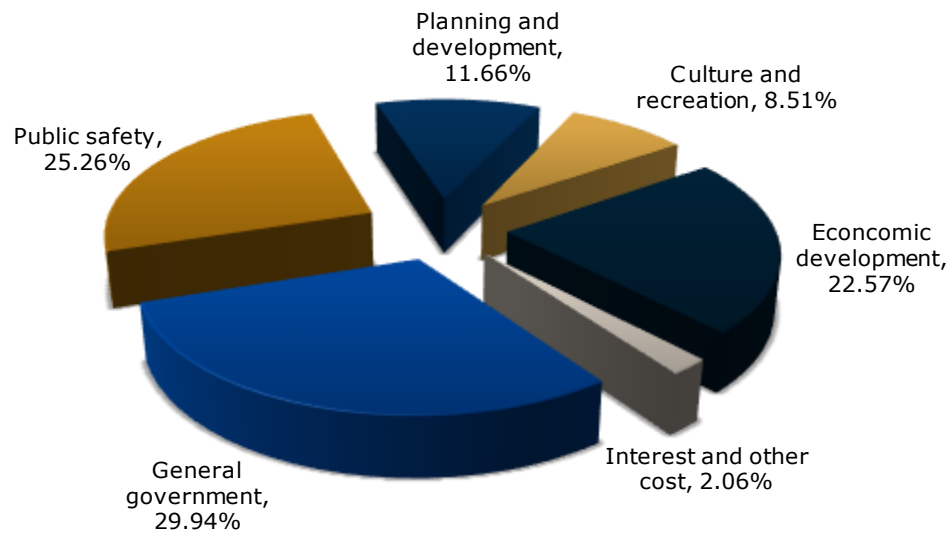
	Governmental Activities	
	2021	2020
Revenues		
Program revenues:		
Charges for services	\$ 704,384	\$ 950,171
Capital grants and and contributions	374,098	22,450
General revenues:		
Property taxes	490,580	460,092
Sales taxes	13,075,985	10,732,329
Franchise and local taxes	804,004	578,282
Investment earnings	35,852	295,675
Other	6,761	9,911
Special item-gain on sale of capital asset	<u>1,401,726</u>	<u>-</u>
Total revenues	<u>16,893,390</u>	<u>13,048,910</u>
Expenses		
General government	3,408,527	2,790,005
Public safety	2,875,671	2,690,802
Planning and development	1,327,519	1,373,298
Culture and recreation	968,522	1,007,090
Economic development	2,569,980	2,270,859
Interest and other cost	<u>234,893</u>	<u>218,187</u>
Total expenses	<u>11,385,112</u>	<u>10,350,241</u>
Change in net position	<u>5,508,278</u>	<u>2,698,669</u>
Net position, beginning	<u>67,209,568</u>	<u>64,510,899</u>
Net position, ending	<u>\$ 72,717,846</u>	<u>\$ 67,209,568</u>

Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



Governmental Expenses



For the year ended September 30, 2021, revenues from governmental activities totaled \$16,893,390, an increase of \$3,844,480 (29%) compared to the prior year. The majority of this change is due to the sale of land during the year.

As of the end of the fiscal year, expenses for governmental activities totaled \$11,385,112, which represents a \$1,034,871 increase from 2020. Much of this increase is due to an increase in general government expenditures.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

The City's governmental funds reflect a combined fund balance of \$31,751,701. Of this, \$15,850,043 is restricted and committed for various purposes, \$209,079 is assigned for beautification, and \$15,669,094 is unassigned in the General Fund. Of the General Fund's unassigned fund balance \$6,931,574 is maintained in accordance with the City's fund balance policy. The City's fund balance policy is to maintain unassigned fund balance of up to nine months of General Fund operating expenditures. Additionally, the City has set aside sales and use tax revenue reserves for use, if and only if there is a shortfall of sales tax revenue in a specific year in the amount of \$1.5 million.

There was an increase in the combined fund balance of \$3,614,847 in comparison to the prior year, which was primarily the result of increased tax revenue across all funds.

The General Fund had revenues which exceeded expenditures by \$2,121,966, and after inter-fund transfers the net change in fund balance was an increase of \$2,402,715. The increase resulted from the sale of land during the year.

The Capital Projects Fund had an increase in fund balance of \$17,892 as a result of the issuance of a tax note.

The Road Maintenance Fund had an increase in fund balance of \$643,013 due to a decrease in road repair expenditures.

The Economic Development 4-B Sales Tax Fund had a positive change in fund balance of \$842,774 as a result of an increase in tax revenue.

The Debt Service Fund had a fund balance of \$41,451 at year-end.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual General Fund revenues were less than budgeted revenues by \$412,650 during the year. This net variance is primarily attributable to sales taxes collected being more than forecasted. General Fund expenditures were less than the amended budget by \$291,445 and after other financing sources and uses, there was a net negative variance of \$120,086 from the amended budget for the year.

Capital Assets

At the end of the year, the City's governmental activities funds had invested, net of depreciation, in a variety of capital assets and infrastructure. Accumulated depreciation is included with the governmental capital assets.

Major capital asset events during the year include the purchase of land, vehicles, body cameras, and audio video equipment.

For more detailed information on changes in capital assets, please refer to the notes to the financial statements.

Long-term Debt

At the end of the current year, the City had total long-term debt of \$7,068,715. The City issued a new tax note this year.

More detailed information about the City's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Given the lasting economic impacts on our primary sales tax revenue stream, the City of Bee Cave continues a tradition of exercising a cautious, conservative approach to budget planning and the appropriation for operational revenue and expense. The Bee Cave City Council, through their comprehensive decisions related to fiscal policy, continues to keep property taxes as low as any in the State of Texas. As in prior fiscal years, all City departments continue to conduct their specific operations in a lean, efficient manner. It is a testament to our commitment that we continue to do so without adversely impacting the outstanding service provided to public customers.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City of Bee Cave, Brenda Galindo, Finance Manager, 4000 Galleria Parkway, Bee Cave, Texas, 78738 or by calling 512.767.6600. You may also visit the City's website at www.beecavetexas.com.

**BASIC
FINANCIAL STATEMENTS**

CITY OF BEE CAVE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 32,064,735
Receivables, net	
Taxes	2,497,989
Accounts	59,697
Capital assets:	
Nondepreciable	25,033,476
Depreciable, net	<u>22,615,461</u>
Total capital assets	<u>47,648,937</u>
Total assets	<u>82,271,358</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charge on refunding	82,240
Deferred outflows related to pensions	464,541
Deferred outflows related to other postemployment benefits	<u>32,635</u>
Total deferred outflows of resources	<u>579,416</u>
LIABILITIES	
Accounts payable	876,762
Accrued liabilities	886,369
Unearned revenue	964,357
Interest payable	8,232
Due to other governments	87,733
Noncurrent liabilities:	
Due within one year:	
Long-term debt	2,870,588
Total OPEB liability	345
Due in more than one year:	
Long-term debt	3,637,356
Net pension liability	458,963
Total OPEB liability	<u>101,463</u>
Total liabilities	<u>9,892,168</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflow related to pensions	224,981
Deferred inflows related to other postemployment benefits	<u>15,779</u>
Total deferred inflows of resources	<u>240,760</u>
NET POSITION	
Net investment in capital assets	41,885,266
Restricted for:	
Court technology	36,707
Court security	57,619
Debt service	41,451
Economic development	8,356,445
Road maintenance	4,619,689
Promotion of tourism and hotel industry	2,158,343
Seized funds	11,567
Public safety	9,133
Unrestricted	<u>15,541,626</u>
Total net position	<u>\$ 72,717,846</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BEE CAVE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Governmental activities:				
General government	\$ 3,408,527	\$ 2,000	\$ 374,073	\$(3,032,454)
Public safety	2,875,671	350,750	-	(2,524,921)
Planning and development	1,327,519	351,211	-	(976,308)
Culture and recreation	968,522	423	25	(968,099)
Economic development	2,569,980	-	-	(2,569,980)
Interest and other	234,893	-	-	(234,893)
<u>Total governmental activities</u>	<u>\$ 11,385,112</u>	<u>\$ 704,384</u>	<u>\$ 374,098</u>	<u>\$(10,306,630)</u>
General revenues:				
Taxes:				
Property				\$ 490,580
Sales				13,075,985
Franchise fees and local taxes				804,004
Investment earnings				35,852
Other				6,761
Special item - gain on sale of land				<u>1,401,726</u>
<u>Total general revenues and special item</u>				<u>15,814,908</u>
Change in net position				<u>5,508,278</u>
Net position, beginning				<u>67,209,568</u>
Net position, ending				<u>\$ 72,717,846</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BEE CAVE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2021

	<u>General</u>	<u>Road Maintenance</u>	<u>Economic Development 4-B Sales Tax</u>
ASSETS			
Cash and investments	\$ 17,021,044	\$ 4,477,594	\$ 7,921,030
Receivables (net of allowance for uncollectibles):			
Taxes	1,798,420	145,852	437,554
Accounts	<u>59,697</u>	<u>-</u>	<u>-</u>
Total assets	<u>18,879,161</u>	<u>4,623,446</u>	<u>8,358,584</u>
LIABILITIES			
Accounts payable	870,866	3,757	2,139
Accrued liabilities	886,369	-	-
Unearned revenues	964,357	-	-
Due to other governments	<u>87,733</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>2,809,325</u>	<u>3,757</u>	<u>2,139</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable - property taxes	-	-	-
Unavailable - court fines	<u>53,152</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>53,152</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Restricted for:			
Court technology	36,707	-	-
Court security	57,619	-	-
Debt service	-	-	-
Economic development	-	-	8,356,445
Promotion of tourism and hotel industry	-	-	-
Capital projects	-	-	-
Road maintenance	-	4,619,689	-
Committed for:			
Seized funds	11,567	-	-
Public safety	9,133	-	-
Assigned for:			
Beautification	209,079	-	-
Subsequent year's budget	23,485	-	-
Unassigned	<u>15,669,094</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>16,016,684</u>	<u>4,619,689</u>	<u>8,356,445</u>
Total liabilities, deferred inflows of of resources, and fund balances	\$ <u>18,879,161</u>	\$ <u>4,623,446</u>	\$ <u>8,358,584</u>

Adjustments for the statement of net position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Uncollected revenues are reported as unavailable deferred inflows available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.

Long-term liabilities, including bonds payable, tax notes, compensated absences, net pension liability, and total OPEB liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.

Interest payable
Deferred charge on refunding
Net pension liability and related deferred resources
Total OPEB liability and related deferred resources
Bonds and tax notes
Compensated absences
Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

Debt Service	Capital Projects	Nonmajor Governmental Hotel Occupancy Tax	Total Governmental Funds
\$ 41,451	\$ 559,089	\$ 2,044,527	\$ 32,064,735
2,347	-	113,816	2,497,989
-	-	-	59,697
<u>43,798</u>	<u>559,089</u>	<u>2,158,343</u>	<u>34,622,421</u>
-	-	-	876,762
-	-	-	886,369
-	-	-	964,357
-	-	-	<u>87,733</u>
-	-	-	<u>2,815,221</u>
2,347	-	-	2,347
-	-	-	53,152
<u>2,347</u>	<u>-</u>	<u>-</u>	<u>55,499</u>
-	-	-	36,707
-	-	-	57,619
41,451	-	-	41,451
-	-	-	8,356,445
-	-	2,158,343	2,158,343
-	559,089	-	559,089
-	-	-	4,619,689
-	-	-	11,567
-	-	-	9,133
-	-	-	209,079
-	-	-	23,485
-	-	-	<u>15,669,094</u>
<u>41,451</u>	<u>559,089</u>	<u>2,158,343</u>	<u>31,751,701</u>
\$ <u>43,798</u>	\$ <u>559,089</u>	\$ <u>2,158,343</u>	\$ <u>34,622,421</u>
			\$ 47,648,937
			55,499
			(8,232)
			82,240
			(219,403)
			(84,952)
			(6,405,000)
			<u>(102,944)</u>
			\$ <u>72,717,846</u>

CITY OF BEE CAVE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2021

	<u>General</u>	<u>Road Maintenance</u>	<u>Economic Development 4-B Sales Tax</u>
REVENUES			
Property taxes	\$ -	\$ -	\$ -
Sales taxes	9,806,989	817,249	2,451,747
Franchise fees and local taxes	450,114	-	-
Licenses and permits	351,762	-	-
Intergovernmental	378,112	-	-
Charges for services	2,423	-	-
Fines and forfeitures	331,273	-	-
Investment earnings	35,852	-	-
Contributions	25	-	-
Miscellaneous	7,514	-	-
Total revenues	<u>11,364,064</u>	<u>817,249</u>	<u>2,451,747</u>
EXPENDITURES			
Current:			
General government	2,972,505	139,325	-
Public safety	2,823,419	-	-
Planning and development	860,216	-	-
Culture and recreation	853,222	-	-
Economic development	1,590,615	-	333,742
Capital outlay	142,121	34,911	651,417
Debt service:			
Principal	-	-	600,000
Interest and other cost	-	-	23,814
Total expenditures	<u>9,242,098</u>	<u>174,236</u>	<u>1,608,973</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,121,966</u>	<u>643,013</u>	<u>842,774</u>
OTHER FINANCING SOURCES (USES)			
Issuance of tax note	-	-	-
Insurance recoveries	6,610	-	-
Transfers in	-	-	-
Transfers out	<u>(1,837,471)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,830,861)</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM			
Proceeds from sale of land	<u>2,111,610</u>	<u>-</u>	<u>-</u>
Total special item	<u>2,111,610</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>2,402,715</u>	<u>643,013</u>	<u>842,774</u>
FUND BALANCES, BEGINNING	<u>13,613,969</u>	<u>3,976,676</u>	<u>7,513,671</u>
FUND BALANCES, ENDING	<u>\$ 16,016,684</u>	<u>\$ 4,619,689</u>	<u>\$ 8,356,445</u>

The accompanying notes are an integral part of these financial statements.

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental Hotel Occupancy Tax</u>	<u>Total Governmental Funds</u>
\$ 490,580	\$ -	\$ -	\$ 490,580
-	-	-	13,075,985
-	-	353,890	804,004
-	-	-	351,762
-	-	-	378,112
-	-	-	2,423
-	-	-	331,273
-	-	-	35,852
-	-	-	25
-	-	-	7,514
<u>490,580</u>	<u>-</u>	<u>353,890</u>	<u>15,477,530</u>
-	-	-	3,111,830
-	-	-	2,823,419
-	-	-	860,216
-	-	-	853,222
-	-	645,623	2,569,980
-	1,912,530	-	2,740,979
2,205,000	-	-	2,805,000
<u>122,865</u>	<u>49,578</u>	<u>-</u>	<u>196,257</u>
<u>2,327,865</u>	<u>1,962,108</u>	<u>645,623</u>	<u>15,960,903</u>
(1,837,285)	(1,962,108)	(291,733)	(483,373)
-	1,980,000	-	1,980,000
-	-	-	6,610
1,837,471	-	-	1,837,471
-	-	-	(1,837,471)
<u>1,837,471</u>	<u>1,980,000</u>	<u>-</u>	<u>1,986,610</u>
-	-	-	2,111,610
-	-	-	2,111,610
<u>186</u>	<u>17,892</u>	<u>(291,733)</u>	<u>3,614,847</u>
<u>41,265</u>	<u>541,197</u>	<u>2,450,076</u>	<u>28,136,854</u>
<u>\$ 41,451</u>	<u>\$ 559,089</u>	<u>\$ 2,158,343</u>	<u>\$ 31,751,701</u>

CITY OF BEE CAVE, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

SEPTEMBER 30, 2021

Net change in fund balances - total governmental funds	\$ 3,614,847
Amounts reported for governmental activities in the Statement of Activities are different	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	2,740,979
Depreciation expense	(1,000,948)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Fines	7,524
Certain pension and OPEB expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and (inflows) related to the net pension liability and total OPEB liability were amortized.	
	60,061
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Compensated absences	9,335
The issuance of long-term debt (e.g., bonds and tax notes) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds do not report the effect of deferred loss on refunding; whereas, this amount was deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Issuance of tax note	(1,980,000)
Principal payments	2,805,000
Interest payable	2,485
Amortization of deferred charge on refunding	(41,121)
Change in net position of governmental activities	\$ <u>5,508,278</u>

CITY OF BEE CAVE, TEXAS

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2021

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Bee Cave, Texas (the "City") currently operates as a Home Rule City. In May, 2014, the citizens of the City adopted a Home Rule Charter changing operations to follow a Council-Manager form of government. The Council-Manager form of government provides for leadership of elected officials in the form of a council and managerial experience of an appointed local government manager. Under its Home Rule Charter, the City operates and provides authorized services to advance the welfare, health, morals, comfort, safety, and convenience of the City and its inhabitants. Prior to May, the City operated as a Type-A general law government under a mayor and City Council form providing services authorized by the Texas Local Government Code.

The City is an independent political subdivision of the State of Texas, governed by an elected Council and a mayor, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Bee Cave Economic Development Corporation, although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with the prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended Component Unit – Bee Cave Economic Development Corporation

The Bee Cave Economic Development Corporation (the "Corporation") has been included in the reporting entity as a blended component unit. The City of Bee Cave formed the Corporation, which was created by voters approving an additional sales tax. State law allows the City to collect sales tax to assist in the promotion and development activities of the City. The Corporation was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City. Separate financial statements of the Corporation may be obtained from the City.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements, if applicable. Governmental activities are supported by taxes, licenses and permits, and fines and forfeitures.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus*, which is the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds are accounted for using a current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if it is collectible within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt services expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Property taxes, sales taxes, franchise taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Entitlements are recorded as revenue when all eligibility requirements are met, including any time requirements, and the amount received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City has the following major governmental funds:

The **General Fund** is used to account for all financial transactions not properly includable in other funds.

The **Road Maintenance Fund** is used to account for sales tax revenue restricted by enabling legislation and expenditures for road maintenance within the City.

The **Economic Development 4-B Sales Tax Fund** is used to account for the activity of the City's blended component unit. The activity includes sales tax revenue restricted by enabling legislation and expenditures for economic development.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest, and related costs.

The **Capital Projects Fund** is used to account for the activity related to the purchases of land, repair and construction projects.

During the course of operations the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. Assets, Deferred Inflows/Outflows, Liabilities and Net Position or Fund Balance

Deposits and Investments

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end.

Investments for the City are reported at fair value, except for the position in investment pools. The City's investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Obligations of the United States or its agencies and instruments;
- Obligations of State of Texas or its agencies and instrumentalities; and
- Other obligations, the principal and interest of which are unconditionally guaranteed or insured by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities.

Receivables

All trade receivables are shown net of an allowance for uncollectibles.

Property taxes are levied October 1 of each year and are due upon receipt of the City's tax bill. Taxes become delinquent, with an enforceable lien on property, on February 1 of the following year. All property values and exempt status, if any, are determined by the Travis County Appraisal District. Delinquent taxes are subject to both penalty and interest charges plus delinquent collection fees for attorney costs.

Capital Assets

Capital assets, which include property, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure acquired subsequent to fiscal year 2003 has been capitalized. Buildings and improvements, infrastructure, furniture and equipment are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of one year or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Property, infrastructure, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Vehicles	3 - 5 years
Computers and equipment	3 - 5 years
Furniture and fixtures	7 - 10 years
Infrastructure	30 - 40 years
Buildings and improvements	10 - 40 years

Unearned Revenues

Unearned revenues are reported when cash is received before the related performance or eligibility requirements are met. These relate primarily to the grant funds received in advance for ARPA grants, which will be recognized in future years to the extent that funds are spent. The City also reports unearned revenues for collection of developer escrow deposits.

Long-term Debt

In the government-wide financial statements, long-term debt are reported as liabilities in the governmental activities statement of net position. The long-term debt consists primarily of bonds payable.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount, and payments of principal and interest are reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as liabilities in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation benefits. Liabilities for compensated absences are normally expected to be liquidated with expendable available financial resources and should be recognized as governmental fund liabilities to the extent that they mature each period. Accrued compensated absences are reported in the government-wide financial statements when earned. Compensated absences are reported in governmental funds only if they have matured.

Pensions

For purposes of measuring the net pension liability, pension deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred losses on bond refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual pension economic experience – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the pension and OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of financial position and/ or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Difference in expected and actual pension and OPEB plan economic experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- The governmental funds report unavailable revenues from two sources: property taxes and municipal court fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond and grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of the governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. City Council has delegated the authority to assign fund balance to the City Manager. The City Council and City Manager may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

Deposits and Investments

As of September 30, 2021, the City had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
External investment pools:			
TexPool	\$ 768,640	31	AAAm
TexStar	1,038,830	39	AAAm
LOGIC	7,198,782	59	AAAm
Texas CLASS	<u>9,799,940</u>	48	AAAm
Total	<u>\$ 18,806,192</u>		
Portfolio weighted average maturity		51	

TexPool, TexStar, LOGIC, and Texas CLASS each have a redemption notice period of one day and may redeem daily. The investment pools' authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum allowable stated maturity of any individual investment not to exceed two years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act, and investing operating funds primarily in short-term securities or similar government investment pools.

Credit Risk. The City's investment policy limits investments in external investment pools rated as to investment quality not less than AAA by a nationally recognized investment rating firm.

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized to 102 percent by collateral securities. At year-end, market values of the City's pledged securities and FDIC insurance exceeded bank balances.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the Office of the Comptroller of Public Accounts for review. TexPool has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The Texas Short-term Reserve Fund ("TexStar") is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexStar was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. J. P. Morgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing, respectively. J. P. Morgan Chase Bank and/or its subsidiary, J. P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexStar has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool's liquidity.

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies, and nonprofit corporations of the State of Texas (each a “Governmental Entity”) to jointly invest their funds in permitted investments. LOGIC’s governing body is a six-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. LOGIC has a redemption notice period of one day and may redeem daily. The investment pool’s authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool’s liquidity.

The Cooperative Liquid Assets Securities System – Texas (“CLASS”) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Chapter 2256, Texas Government Code. CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the “Agreement”) among certain Texas governmental entities investing in the pool (the “Participants”), Municipal Investors Services Corporation (“MBIA-MISC”) as program administrator, and Wells Fargo as custodian. CLASS is not SEC-registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996 or by calling (800) 707-6242. CLASS has a redemption notice period of one day and may redeem daily. The investment pool’s authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national or state emergency that affects the pool’s liquidity.

Receivables

The following comprise receivable balances at year-end:

	General	Road Maintenance	Economic Development 4-B Sales Tax	Debt Service	Hotel Occupancy Tax	Total
Receivables:						
Property taxes	\$ 1,929	\$ -	\$ -	\$ 2,422	\$ -	\$ 4,351
Sales taxes	1,750,217	145,852	437,554	-	-	2,333,623
Mixed beverage taxes	27,108	-	-	-	-	27,108
Franchise fees	19,285	-	-	-	113,816	133,101
Due from developer	6,545	-	-	-	-	6,545
Fines and fees	<u>1,932,791</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,932,791</u>
Gross receivables	3,737,875	145,852	437,554	2,422	113,816	4,437,519
Less: allowance for uncollectibles	<u>(1,879,758)</u>	<u>-</u>	<u>-</u>	<u>(75)</u>	<u>-</u>	<u>(1,879,833)</u>
Net total receivables	<u>\$ 1,858,117</u>	<u>\$ 145,852</u>	<u>\$ 437,554</u>	<u>\$ 2,347</u>	<u>\$ 113,816</u>	<u>\$ 2,557,686</u>

Capital Assets

A summary of changes in capital assets for the year ended September 30, 2021, were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 23,179,413	\$ 1,912,530	\$(709,884)	\$ 24,382,059
Construction in progress	<u>-</u>	<u>651,417</u>	<u>-</u>	<u>651,417</u>
Total assets not being depreciated	<u>23,179,413</u>	<u>2,563,947</u>	<u>(709,884)</u>	<u>25,033,476</u>
Capital assets, being depreciated:				
Infrastructure	18,926,470	-	-	18,926,470
Buildings and improvements	15,379,465	8,112	-	15,387,577
Furniture and equipment	<u>2,306,391</u>	<u>168,920</u>	<u>-</u>	<u>2,475,311</u>
Total capital assets being depreciated	<u>36,612,326</u>	<u>177,032</u>	<u>-</u>	<u>36,789,358</u>
Less accumulated depreciation:				
Infrastructure	(5,280,980)	(474,425)	-	(5,755,405)
Buildings and improvements	(5,908,464)	(371,676)	-	(6,280,140)
Furniture and equipment	<u>(1,983,505)</u>	<u>(154,847)</u>	<u>-</u>	<u>(2,138,352)</u>
Total accumulated depreciation	<u>(13,172,949)</u>	<u>(1,000,948)</u>	<u>-</u>	<u>(14,173,897)</u>
Total capital assets being depreciated, net	<u>23,439,377</u>	<u>(823,916)</u>	<u>-</u>	<u>22,615,461</u>
Governmental activities capital assets, net	<u>\$ 46,618,790</u>	<u>\$ 1,740,031</u>	<u>\$(709,884)</u>	<u>\$ 47,648,937</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 315,496
Public safety	81,282
Planning and development	479,101
Culture and recreation	<u>125,069</u>
	<u>\$ 1,000,948</u>

Long-term Debt

The following is a summary of changes in the City's total governmental long-term debt for the year ended. In general, the City uses the General Fund to liquidate compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds- private placement	\$ 1,055,000	\$ -	\$ 345,000	\$ 710,000	\$ 355,000
Tax revenue refunding bonds- private placement	1,215,000	-	600,000	615,000	615,000
Tax notes- private placement	4,960,000	1,980,000	1,860,000	5,080,000	1,880,000
Compensated absences	<u>112,279</u>	<u>111,354</u>	<u>120,689</u>	<u>102,944</u>	<u>20,588</u>
Total governmental activities	<u>\$ 7,342,279</u>	<u>\$ 2,091,354</u>	<u>\$ 2,925,689</u>	<u>\$ 6,507,944</u>	<u>\$ 2,870,588</u>

General Obligation Bonds

In 2015, the City issued \$3,020,000 of general obligation refunding bonds series 2015 to refund all of the outstanding maturities of the City's General Obligation Bond, Series 2008, restructure and level the combined debt service and pay costs of insurance related to the bonds.

The new debt was deposited into an irrevocable trust with an escrow agent to provide funds for payment on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by \$35,000. This refunding was undertaken to decrease total debt service payments over 8 years by \$269,323 and resulted in an economic gain of \$250,076.

The annual debt service requirements to maturity for these bonds are as follows:

<u>General Obligation Refunding Bonds, Series 2015 - Private Placement</u>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 355,000	\$ 13,444
2023	<u>355,000</u>	<u>6,901</u>
Total	<u>\$ 710,000</u>	<u>\$ 20,345</u>

Tax Revenue Refunding Bonds

In December 2012, the Economic Development Corporation issued \$5,175,000 Series 2013 Sales Tax Refunding bonds to retire a portion of the outstanding debt for the Sales Tax Revenue Bonds, Series 2007. The proceeds were deposited directly into an escrow trust account and invested in obligations of the United States Government with maturities that coincide with principal and interest due dates. The investments will be adequate to retire the full amount of refunded bonds, which had a total face value of \$5,175,000. As a result the refunded portions of the bonds are considered to be defeased and the liabilities have been removed from the long-term liabilities of the City.

The purpose of the refunding was to lower the overall service requirements of the City. The refunding decreased the total debt service required by approximately \$1,095,181 and resulted in a current economic gain of \$602,691.

The Sales Tax Refunding bonds, Series 2014 bear an interest rate of 1.96% and payable from a lien on and pledge of revenues which includes the proceeds of three-eighths of one percent sales tax.

Annual debt service to maturity for these bonds is as follows:

<u>Sales Tax Revenue Refunding Bonds, Series 2013 - Private Placement</u>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ <u>615,000</u>	\$ <u>12,054</u>
Total	<u>\$ 615,000</u>	<u>\$ 12,054</u>

Tax Notes

In December 2015, the City issued \$5,000,000 of tax notes, series 2015.

Annual debt service to maturity for these tax notes is as follows:

<u>Tax Notes, Series 2015 - Private Placement</u>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 740,000	\$ 12,432
Total	\$ 740,000	\$ 12,432

In December 2017, the City issued \$6,000,000 of tax notes, series 2017.

Annual debt service to maturity for these tax notes is as follows:

<u>Tax Notes, Series 2017 - Private Placement</u>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 865,000	\$ 52,234
2023	880,000	36,008
2024	<u>890,000</u>	<u>18,566</u>
Total	\$ <u>2,635,000</u>	\$ <u>106,808</u>

In January 2021, the City issued \$1,980,000 of tax notes, series 2020.

Annual debt service to maturity for these tax notes is as follows:

<u>Tax Notes, Series 2020 - Private Placement</u>		
<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 275,000	\$ 12,600
2023	280,000	11,142
2024	280,000	9,518
2025	285,000	7,698
2026	290,000	5,740
2027	<u>295,000</u>	<u>2,980</u>
Total	\$ <u>1,705,000</u>	\$ <u>49,678</u>

Remedies In Event of Default

In the event of default, any registered owner of the bonds or tax notes is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

Defeased Debt

In prior years and during the current year, the City defeased, certain debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the City's financial statements. As of September 30, 2021, the City does not have defeased bonds still outstanding.

Fund Balance

The City’s fund balance policy is to maintain unassigned fund balance of up to nine months of General Fund operating expenditures. Nine months of General Fund operating expenditures for fiscal year 2021 is \$6,923,473. If it is determined that the City is below this minimum established fund balance level, the City Council will be informed of this condition and take necessary budgetary steps to increase fund balance.

In addition to the City’s fund balance policy above, the City has set aside sales and use tax revenue reserves for use, if and only if there is a shortfall of sales tax revenue in a specific year, in the amount of \$1.5 million. This amount is included in unassigned fund balance.

Interfund Transfers

Interfund transfers for the year were as follows:

<u>Transfers out</u>	<u>Transfers in</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service	\$ <u>1,837,471</u>	To fund debt service payments
		\$ <u>1,837,471</u>	

III. OTHER INFORMATION

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City participates along with other entities in the Texas Municipal League’s Intergovernmental Risk Pools. The Pool purchases commercial insurance at a group rate for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year-end.

The City is a defendant in a lawsuit. Although the outcome of the lawsuit is not presently determinable, in the opinion of the City’s legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Backyard Public Improvement District (PID)

In October 2020, the City accepted a petition to authorize the creation of a Public Improvement District in accordance with Chapter 372 of the Texas Local Government Code. The PID was created for the purpose of making improvements to a designated geographic area by levying a special property assessment on the property within that area. Project costs will initially be paid for using current assessments, but the City may issue debt in the future with the assessment pledged to service that debt. In accordance with the enabling legislation, City Council has the authority to approve and modify the special assessment, appoint administration, and authorize all debt issuances. During the current year there was no activity for the City to include in its financial statements.

West Travis County Public Utility Agency

The West Travis County Public Utility Agency (PUA) was created to provide water supply and wastewater treatment services to participants and their customers. The PUA owns the supply and treatment components, conveys services, and operates the system. The participants include the City of Bee Cave, Hays County and West Travis County MUD 5, each of which the participants obligation is to make its proportionate share of annual payments for operating and maintenance expense related to its service area. The PUA issued revenue bonds to provide for capital funding for the expansion and refurbishment of the PUA. These revenue bonds are to be payable from and secured by annual payments made by participating members.

During the year, the City of Bee Cave paid \$xxx,xxx for operating and maintenance expenses and \$xxx,xxx for the PUA's Revenue Bond debt service payments.

Chapter 380 Economic Development Agreement

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. In August of 2004, the City adopted by ordinance, a comprehensive economic development policy and program for economic development activities.

In July 2005, the City approved a Chapter 380 Economic Development Agreement with the Hill Country Galleria (the "HCG") whereby a 156-acre, mixed use development consisting of approximately one million square feet of retail, office, and restaurant space would be constructed within the City boundaries.

In addition to the economic benefits that the City received from increased economic activity within the City, the HCG developers also provided capital improvements to the City estimated at \$62 million. In exchange for these economic benefits and capital improvements, the City is obligated to pay to the HCG development manager a total of 55% of the sales taxes collected each year in the new development for the first four years and then 50 percent thereafter.

These payments will continue for 15 years, or until total payments have reached \$21 million, whichever occurs first. For purposes of calculating the reduction in the payment cap of \$21 million, payments made to HCG are calculated on the current value basis. For purposes of calculating the current value basis, the amount of a payment applied to the payment cap is to be discounted at a rate of 10 percent per annum from the initial payment date.

HCG subsequently filed for bankruptcy and entered into default status under the 380 agreement with the City. In January of 2010 an agreement was reached between HCG, the City, and REIT Management and Research Trust ("RMR") in which the default status was cured and RMR assumed the 380 agreement with the City. In September of 2015, the Hill County Galleria was assigned, transferred, conveyed and delivered to the CSHV HCG Retail, L.L.C. At this time, the Chapter 380 Agreement was transferred to and assumed by CSHV HCG Retail, L.L.C. For fiscal year 2021, the City expended \$568,757 of sales taxes collected to CSHV HCG Retail, L.L.C.

The City has a similar agreement in regard to another development within the City called the Shops at the Galleria whereby approximately 88 acres of land is developed for retail and related uses. In this agreement, the City pays 45 percent of the sales taxes collected within that development to the development manager, Lincoln Management. These payments are to continue until a payment cap, calculated on the current value basis of \$4,950,000 is reached or a period of 15 years has elapsed, whichever is sooner. However, if the payment cap has not been reached by the end of 15 years, the agreement will automatically extend up to five years. For purposes of calculating the current value basis, the amount of a payment applied to the payment cap is to be discounted at a rate of 10 percent per annum from the initial payment date. In addition to the economic benefits that the City receives from the increased economic activity within this development, the City also received the benefit of highway improvements to portions of State Highway 71 located within the City, which were paid for by the developer. For fiscal year 2021, the City expended \$916,858 of sales taxes collected to the Shops at the Galleria.

The City has a 380 agreement in regard to another development within the City called the Backyard at Bee Cave, whereby approximately 44 acres of land is developed for retail and related uses. In this agreement, the City pays a percentage of the sales taxes collected from the on-line ticket operation for 20 years to Backyard at Bee Cave, the developer. As of year-end on-line ticket operations have not begun.

Texas Municipal Retirement System – Defined Benefit Pension

Plan Descriptions. The City participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that can be obtained at www.tmr.org.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee’s contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member’s deposits and interest.

The City grants monetary credits for service rendered of a theoretical amount equal to two times what would have been contributed by the employee, with interest. Monetary credits, also known as the matching ratio, are 200% of the employee’s accumulated contributions and are only payable in the form of an annuity.

Beginning in 2001, the City granted an annually repeating (automatic) basis monetary credit referred to as an updated service credit (USC) which is a theoretical amount that takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee’s accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	25 years to any age, 5 years at age 60 and above
Updated service credit	100% Repeating

Employees covered by benefit terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees of beneficiaries currently receiving benefits	10
Inactive employees entitles to but not yet receiving benefits	43
Active employees	<u>48</u>
	<u>101</u>

Contributions. The contribution rates for employees in TMRS are either 5%, 6% or 7% of employee gross earnings, and the City matching percentages are with 100%, 150% or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contributions rates for the City were 8.97% and 9.14% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$340,028, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 6,871,841	\$ 6,490,619	\$ 381,222
Changes for the year:			
Service cost	517,158	-	517,158
Interest	477,041	-	477,041
Difference between expected and actual experience	123,796	-	123,796
Change in assumptions	-	-	-
Contributions - employer	-	309,466	(309,466)
Contributions - employee	-	241,502	(241,502)
Net investment income	-	492,598	(492,598)
Benefit payments, including refunds of employee contributions	(126,299)	(126,299)	-
Administrative expense	-	(3,188)	3,188
Other changes	-	(124)	124
Net changes	991,696	913,955	77,741
Balance at 12/31/2020	\$ 7,863,537	\$ 7,404,574	\$ 458,963

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) of 1-percentage-point-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 1,777,413	\$ 458,963	\$(603,825)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Interest at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2021, the City recognized pension expense of \$268,188. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 198,510	\$ 39,451
Changes in actuarial assumptions	15,522	-
Difference between projected and actual investment earnings	-	185,530
Contributions subsequent to the measurement date	<u>250,509</u>	<u>-</u>
Total	<u>\$ 464,541</u>	<u>\$ 224,981</u>

\$250,509 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

For the Year Ended September 30,	
2022	\$(27,880)
2023	60,857
2024	(44,540)
2025	614

Defined Other Post-Employment Benefit Plans

TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	9
Active employees	<u>48</u>
Total	<u>63</u>

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.14% for 2021 and 0.15% for 2020, of which 0.04% and 0.01%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered-employee payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2021 and 2020 were \$1,196 and \$335, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Actuarial Assumptions. The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	2%
Projected salary increases	3.50% to 11.5% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.75% was used to measure the total OPEB liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2020.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (1%)	Discount Rate (2%)	1% Increase in Discount Rate (3%)
Total OPEB Liability	\$ 130,981	\$ 101,808	\$ 80,543

OPEB Liability, Expense, and Deferred Outflows and Inflows of Resources Related to OPEB.

The City's total OPEB liability of \$101,808 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date. For the year ended September 30, 2021, the City recognized OPEB expense of \$12,975. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2019	\$ 86,521
Changes for the year:	
Service cost	7,590
Interest	2,479
Difference between expected and actual experience	(10,983)
Changes of assumptions and other inputs	16,546
Benefit payments	(345)
Net changes	<u>15,287</u>
Balance at 12/31/2020	<u>\$ 101,808</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 2.75% to 2%

At September 30, 2021, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 12,410
Changes in actuarial assumptions	31,539	3,369
Contributions subsequent to the measurement date	<u>1,096</u>	<u>-</u>
Totals	<u>\$ 32,635</u>	<u>\$ 15,779</u>

\$1,096 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts of the reported as deferred outflows and deferred inflows related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2022	\$ 2,907
2023	2,907
2024	2,907
2025	2,603
2026	2,540
Thereafter	1,896

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX C

DESCRIPTION OF HAYS COUNTY

DESCRIPTION OF THE COUNTY

Hays County was organized in 1843 and operates as specified under the Constitution of the State of Texas and statutes which provide for a Commissioners Court consisting of the County Judge and four Commissioners, one from each of four geographical Commissioners Precincts. The Hays County Judge is elected for a term of four years and the Commissioners for four year staggered terms. The 2020 census population was 241,067. Hays County covers approximately 678 square miles. The 2021 taxable assessed valuation of Hays County was \$29,379,331,587.

ELECTED OFFICIALS

Commissioners Court	Length of Service	Term Expires
Ruben Becerra County Judge	3½ Years	December 2022
Debbie Gonzales Ingalsbe County Commissioner, Precinct 1	25½ Years	December 2024
Mark Jones County Commissioner, Precinct 2	11 Years	December 2022
Lon Shell County Commissioner, Precinct 3	3½ Years	December 2024
Walt Smith County Commissioner, Precinct 4	3½ Years	December 2022

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX C-2

EXCERPTS FROM THE
HAYS COUNTY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2021

The information contained in this APPENDIX consists of excerpts from the Hays County, Texas Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the County's financial condition. Reference is made to the complete Report for further information.

THIS PAGE LEFT INTENTIONALLY BLANK

INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge and
Commissioners of Hays County, Texas
San Marcos, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hays County, Texas, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, each major fund, and the aggregate remaining fund information of Hays County, Texas, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof 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 on pages 4 -12, budgetary comparison information on pages 62 - 63, schedule of changes in the net pension liability and related ratios on page 64, schedule of employer contributions - retirement system on page 65, schedule of changes in total other postemployment benefit liability and related ratios on page 66, and the related notes to required supplementary information on page 67, 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 Hays County's basic financial statements. The introductory section, the nonmajor funds budget to actual schedules, combining and individual nonmajor fund financial statements, other supplementary information, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The nonmajor funds budget to actual schedules, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in 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 nonmajor funds budget to actual schedules, combining and individual nonmajor fund financial statements, other supplementary information, and the schedule of expenditures of federal and state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2022, on our consideration of the Hays County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hays County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hays County's internal control over financial reporting and compliance.

ABIP, PC

San Antonio, Texas
March 29, 2022

HAYS COUNTY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Hays County, Texas' (the "County") Annual Comprehensive Financial Report presents an overview of the County's financial activities for the fiscal year ended September 30, 2021. The Management's Discussion and Analysis should be considered in conjunction with the accompanying basic financial statements, accompanying notes to those financial statements, and other portions of the Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- The County's total combined net position increased from prior year to \$67.7 million at September 30, 2021. Of this amount, (\$118.7) million is unrestricted. Negative unrestricted net position is the result of expenses financed by long-term debt proceeds for infrastructure improvements not owned by the County. Expenses from debt proceeds generally also increase county assets; however, Hays County voters approved lending County support to improving state and city-owned roads, highways, and parks.
- At the close of the fiscal year 2021, Hays County's governmental funds reported combined ending fund balances of \$272.1 million.
- The general fund reported a fund balance this year of \$66.5 million, of which \$56.7 million is unassigned, \$1.2 million is restricted, and \$8.3 million is committed. The fund balance represents 66.0% of General Fund expenditures and transfers out.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements, which consist of three components:

- government-wide financial statements
- fund financial statements and
- notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

The **Government-Wide Financial Statements** are designed to provide readers with a broad overview of the County's finances, in a manner similar to private sector business. The government-wide financial statements consist of two financial statements, the *Statement of Net Position* and *Statement of Activities*.

- The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as *net position*. Eventually, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the county is improving or deteriorating.
- The *Statement of Activities* presents information showing how net position changed during the most recent fiscal year using full accrual basis of accounting. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover a portion of their costs through user fees and charges. The governmental activities of the County include general administration, judicial, law enforcement and corrections, community and public service, health and human services, general maintenance, and streets and highways.

FUND FINANCIAL STATEMENTS

The fund financial statements are designed to report information by grouping related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into the following three categories: governmental, proprietary, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the County's basic services are included in governmental funds, which focus on (1) cash and other financial assets that can readily be converted to cash and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's functions.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to report activities that provide supplies and services for other programs and activities-such as the County's Medical and Dental Insurance fund. Because this service predominantly benefits government rather than business-type functions, the Internal Service Fund is reported with *governmental activities* in the government-wide financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like those used for proprietary funds.

Notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required and other supplementary information is presented concerning the County's major funds. The General Fund, Road and Bridge Fund, Debt Service Fund, American Rescue Plan Act Fund, and Major Capital Projects Funds are the County's major funds. A budgetary comparison statement for the General Fund and Road and Bridge Fund, and American Rescue Plan Act Fund which includes the original and final amended budget and actual figures, has been provided to demonstrate compliance with the budget. Required Supplementary Information also includes the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions for the County's pension plan, and a Schedule of Changes of Other Postemployment Benefits Liability.

The combining and individual fund statements and schedules provide information for non-major governmental funds, internal service funds, and fiduciary funds and are presented immediately following the required supplementary information. Additionally, the County legally adopts budgets for a number of other governmental funds. Schedules that include original and final amended budget compared to actual figures are presented for these governmental funds with a legally adopted budget.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

Net Position:

The County's combined net position was \$67,699,829 at September 30, 2021 as detailed below:

	2020 Governmental Activities	2021 Governmental Activities	Total Percent Change 2021-2020
Current and other assets	\$ 353,294,184	\$ 401,243,602	13.57%
Capital assets, net	<u>342,539,209</u>	<u>363,427,665</u>	<u>6.10%</u>
Total Assets	<u>695,833,393</u>	<u>764,671,267</u>	<u>9.89%</u>
Deferred outflows of resources	<u>23,338,238</u>	<u>38,754,864</u>	<u>66.06%</u>
Other liabilities	27,060,238	74,788,265	176.38%
Long-term liabilities	<u>615,635,256</u>	<u>645,976,902</u>	<u>4.93%</u>
Total Liabilities	<u>642,695,494</u>	<u>720,765,167</u>	<u>12.15%</u>
Deferred inflows of resources	<u>11,754,896</u>	<u>14,961,135</u>	<u>27.28%</u>
Net Position:			
Net investment in capital assets	116,395,317	143,858,031	23.59%
Restricted	37,015,245	42,578,891	15.03%
Unrestricted	<u>(88,689,321)</u>	<u>(118,737,093)</u>	<u>33.88%</u>
Total Net Position	<u>\$ 64,721,241</u>	<u>\$ 67,699,829</u>	<u>4.60%</u>

Total net position increased by \$3.0 million compared to 2020. There are significant changes in the statement of net position at September 30, 2021 from September 30, 2020. Capital assets increased by \$20.9 million as a result of the acceptance of several new roads in subdivisions. The continued growth of the County has caused an increase of new homes. The roads in these subdivisions such as La Cima, Sunfield Estates, Shadow Creek, 6 Creeks, Caliterra, and Parten Ranch will be maintained by the County. The County also continues to improve County roads and construct new County buildings such as the voter approved public safety building and jail expansion and remodel projects. Long term debt increased by \$30.3 million resulting from the issuance of voter approved Park Bonds. This is discussed in detail on pages 44-50 of this report.

A portion of the County's net position reflects investment in capital assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that the resources needed to repay the debt associated with these capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. If there are unspent related debt proceeds at year-end, the portion of debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

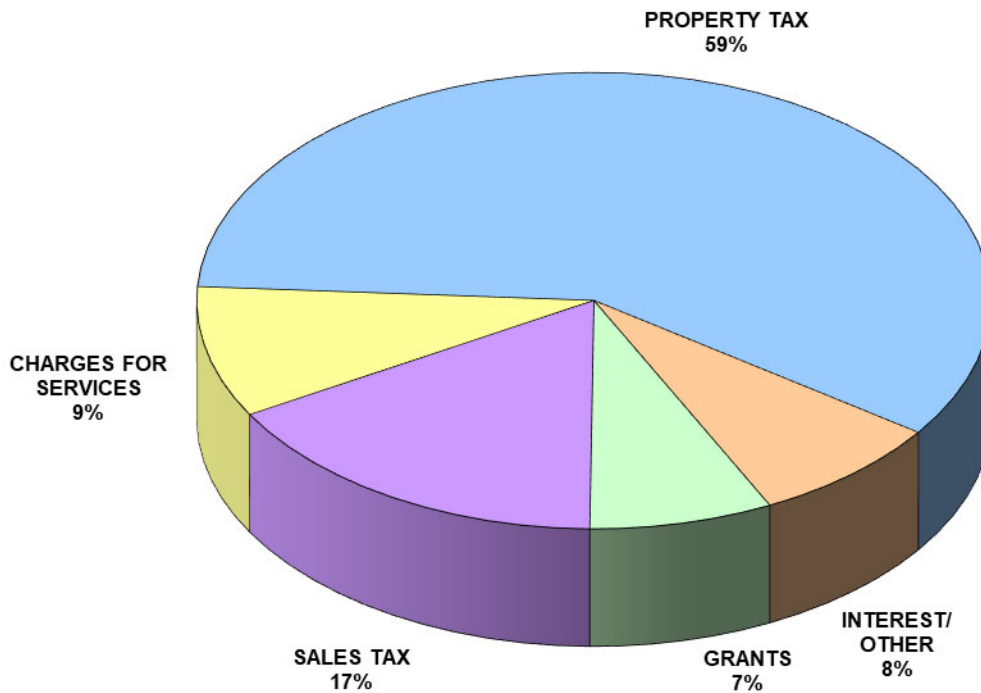
The investment in capital assets does not necessarily correlate directly with changes in capital assets as a whole. Many road projects, once completed, are contributed to the State of Texas or local entity involved thus removing the asset from the County's books. Since 2008, in order to facilitate both population and economic growth in the County and with voter approval to issue \$206 million in road bonds, the County started responsibly issuing road bonds to address road improvements countywide. As road projects are completed, ownership of many of the new roads is transferred to the State of Texas or local entity. This plan has benefited the County over the years making travel faster and safer throughout the County. In connection with the 2008 road bond program, the County entered into an agreement regarding the road construction projects relating to State roads in which the State of Texas will reimburse Hays County over an approximate 20-year period the sum of \$133,000,000. Revenues for those road projects that TxDot has agreed to reimburse the County for are deemed earned and recognized when TxDot approves the road. The County defers the expense until the State road projects are approved.

Changes in Net Position:

The County's total revenues were \$188,101,032. A significant portion, 76% of the County's revenue comes from taxes. Of this total, \$31.0 million was from sales taxes and the remaining \$110.7 million is ad valorem taxes. Charges for services include court fines and fees (\$6.3 million), law enforcement and correction facilities (\$4.3 million), health and human service fees (\$2.2 million), road and bridges (\$2.4 million), administration fees (\$1.2 million), and community and public service fees (\$1.1 million).

- The County's total cost of governance was \$185.1 million.
- The amount our taxpayers paid for these activities through taxes was \$141.7 million.
- Those who directly benefited from the programs paid \$17.5 million.
- Interest, grants, contributions, and miscellaneous revenues share of the cost was \$28.9 million.

REVENUES FY 2021



Changes in net position from year to year are a result of the net impact of the change in revenues and expenses from one year to the next. The change in net position for the year is summarized as follows:

	2020	2021	Total Percent Change 2021-2020
Taxes	\$ 126,743,702	\$ 141,705,315	11.80%
Program revenues:			
Charges for Services	15,270,372	17,499,315	14.60%
Operating grants and contributions	8,344,067	10,310,879	23.57%
Capital grants and contributions	856,448	3,726,273	335.08%
Investment earnings	3,121,252	201,783	-93.54%
Miscellaneous and other	48,216,415	14,657,467	-69.60%
Total revenues	<u>202,552,256</u>	<u>188,101,032</u>	<u>-7.13%</u>
Expenses			
General administration	17,513,963	16,229,101	-7.34%
Judicial	17,652,450	18,827,666	6.66%
Law enforcement/corrections	50,180,373	59,751,373	19.07%
Community/public service	2,437,991	2,690,110	10.34%
Health and human services	20,979,312	31,149,114	48.48%
General maintenance	2,193,751	2,430,293	10.78%
Streets and highways	63,398,870	32,732,053	-48.37%
Debt service/Bond interest	20,163,525	21,312,734	5.70%
Total expenses	<u>194,520,235</u>	<u>185,122,444</u>	<u>-4.83%</u>
Change in net position	<u>8,032,021</u>	<u>2,978,588</u>	<u>-62.92%</u>
Net position, beginning	53,395,332	64,721,241	21.21%
Restatement of net position	3,293,888	-	100.00%
Net position, ending	<u>\$ 64,721,241</u>	<u>\$ 67,699,829</u>	<u>4.60%</u>

Amounts received for property tax revenues of \$110,670,610 increased from last year by 10.5% due primarily to the addition of new property to the tax base as well as an increase in value of existing property. Property tax revenue makes up 59% of total revenues. Sales tax collections of \$31,034,705 increased by 16.6% compared to prior year primarily due to the population growth of the county as well as the popularity of a large shopping mall and fulfillment center located in the county.

Investment earnings decreased by 93.5% as a result of decreased investment rates on cash and investments on hand and capital project bond monies expended during FY2021.

Operating grants and contributions increased by 23.6% from prior year and Capital grants and contributions increased by 335.1% as a result of current year grant funding for the COVID-19 Pandemic and interlocal contributions for road projects.

The decrease in “miscellaneous and other” revenues from FY2021 to FY2020 represents prior year revenues earned in FY2020 by the County from the Texas Department of Transportation (TxDot) for road construction projects that were completed by the County and accepted by TxDot during FY2020. Revenues for those road projects that TxDot had agreed to reimburse the County for are deemed earned and recognized when TxDot approves the road. The County defers the expense until the State road projects are approved. The 1626 South road project was completed in FY2020 and the revenue and expenses were recognized.

Total expenses decreased by 4.83% during the year. The decrease was a result of substantial expenses incurred in FY2020 related to one-time facility improvements and the 1626 South road project that was completed in FY2020 where the deferred road expense was recognized in FY2020. Streets and highways decreased by 48.37% as a result of this state road completion and recognition of deferred expenses in FY2020. Judicial expenses

increased by 6.66% as a result of an increase in indigent defense and grant criminal justice program expenses. Law enforcement and corrections increased by 19.07% as a result of the expenses related to the jail remodel and new public safety building. Health and human service expenses increased by 48.48% as a result of additional commitments related to indigent health care, response to COVID-19 Pandemic, and improvements to low water crossing early warning systems. General Administrative expenses decreased by 7.34% as a result of vacant positions. General Maintenance expenses increased by 10.78% and Community and Public Service expenses increased by 10.34% as a result of the completion of building projects in FY2021 and the impact of the COVID-19 Pandemic.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The County reports the following types of governmental funds: the General Fund; Special Revenue; Debt Service; and Capital Project Funds. The focus of the County's *governmental funds* is to provide information on near-term inflows, outflows, and balances that are available for spending. Such information is useful in assessing the County's annual financing and budgeting requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the 2021 fiscal year, the County's governmental funds reported combined ending fund balance of \$272.1 million. Approximately \$56.7 million of the fund balance represents unassigned fund balance while the remaining major components of fund balance are restricted for capital projects and construction (\$155.5 million), state road projects (\$8.3 million), debt service (\$15.3 million), road and bridge (\$11.8 million), and special revenue (\$15.5 million). Committed fund balance was for projects budgeted to be expended in fiscal year 2022 (\$8.3 million). The County's ability to spend each of these types of fund balance is more limited than with unassigned fund balance.

General Fund

The General Fund is the primary operating fund of the County. At the end of the 2021 fiscal year, fund balance of the General Fund was \$66.5 million, of which \$56.7 million is unassigned. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total expenditures and operating transfers. Unassigned fund balance represents 56.3% of total general fund expenditures, and total fund balance represent 66.0% of that same amount. This significant fund balance to total expenditures ratio indicates a healthy financial position.

The fund balance of Hays County's General Fund increased by \$11,073,914 during the current fiscal year. Key factors that enabled the County to increase the level of fund balance are as follows:

- Total General Fund property tax revenues increased over the prior year by \$6.6 million. Property tax revenues increased due to an increase in taxable property values while decreasing the tax rate.
- The growth of the County has created an increase in demand for services and expenditures. The General Fund expenditures increased by \$7.1 million over the prior year's totals. Spending increased due to additional personnel in preparation for the opening of an expanded Direct Supervision Jail Facility. Additionally, increases are due to the upgrade of network infrastructure and implementation a new Records Management and Computer Aided Dispatch (RMS/CAD) System to transition to the National Incident Based Reporting System (NIBRS) as required by House Bill 11 of the 84th Regular Session of the Texas Legislature.
- Although County growth has caused increases to overall general fund expenditures, the COVID-19 Pandemic coupled with the County's fiscally conservative spending, resulted in lower than budgeted operational costs.

Road and Bridge Fund

The Road and Bridge Fund has a total fund balance of \$12.2 million, with a slight net decrease of \$.7 million. The decrease is a result of a decrease in property tax rate and revenue (\$.3 million), decrease in interest earnings (\$.1 million), decrease in operating contributions (\$.2 million), and decrease in other revenue (\$.1 million) from FY2020 road damage compensation. The decreases were offset by an increase in charges for services for permitting (\$.2 million).

American Rescue Plan Act Fund

The American Rescue Plan Fund has a total fund balance of \$426. In September 2021, the County received \$22,355,951 in Coronavirus State and Local Fiscal recovery funds from the US Treasury. The funds were unearned at the end of the fiscal year as the County plans for the use of the funds in FY2022.

Debt Service Fund

The debt service fund has a total fund balance of \$15,344,896 all of which will be used for the payment of debt service. The balance reflects a current year net increase of \$2,200,327. The increase is a result of property tax revenues increasing by \$3.1 million offset by an increase in principal debt payment expenses.

Major Capital Project Funds

Major Capital Project Fund balances decreased as spending for road and facilities capital projects continued while the Park Bond Fund balance increased with the issuance of \$43.8 million of park bonds in FY 2021. Numerous road construction projects that were initiated in prior years continued throughout fiscal year 2021 while new road and building improvements construction projects were initiated in FY2021.

- The Road Bond 2019 Fund has a total fund balance of \$78.9 million, with a net decrease of \$23.3 million. The major road expenditures included \$.7 million of low water crossing road improvements and road construction project expenses of \$8.0 million for Dacy Lane, \$.3 million for FM2001 – Sunbright Blvd., \$1.8 million for RM967 Safety Improvements, \$.6 million for Kohler’s Crossing and Union Pacific Railroad Improvements, \$.8 million for FM3237 CSI - RM150 to RR12, \$.3 million for Jacobs Well and Golds Safety improvements, \$.6 million for the Wimberley Valley Trail improvements, \$1.4 million for the US290 West SI Martin & Henley improvements, \$.5 million for Darden Hill and Sawyer Ranch improvements, \$3.2 million for Lime Kiln Road safety and drainage improvements, \$.4 million for the RM150 West Alignment improvement, \$1.2 million for the FM621 County Road 266 top Crystal River improvements, and \$1.1 million for Old Bastrop Highway right of way.
- The Park Bond 2021 Fund has a total fund balance of \$50.0 million, with a net increase of \$50.0 million. The increase is a result of the voter approved bonds totaling \$43.8 million issued during FY2021. The majority of park bond project expenditures will begin in FY2022.

Proprietary Fund

The County operates one internal service fund, the Medical Insurance Fund. This internal service fund is used to report activities connected with the County’s self-insurance program for employee health insurance. As of September 30, 2021, the net position of the Medical Insurance Fund was \$18.2 million, a decrease of \$1,403,469. The decrease resulted from higher medical costs related to the COVID-19 pandemic.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The Fiscal Year 2021 budget was adopted on September 22, 2020. The FY2021 budget increase (3.5%) over FY2020 was primarily a result of \$1.5 million for market adjustments for Law Enforcement positions per the voter-approved Collective Bargaining Agreement, \$1.2 million for Flood Mitigation and Groundwater Modeling projects, and \$900k for new personnel related to the new expanded Jail Facility.

Over the course of the year, the County revised its budget on several occasions for line item transfers within existing line items, with no increase in the overall budget. Any noted increases in the overall budget was due to additional grants with offsetting revenues that were received but were not anticipated during the budget process.

Actual expenditures were less than budgeted expenditures by \$6,692,993, primarily due to the incompleteness of capital projects, vacant positions, as well as pivoting of operations as a result of the COVID-19 Pandemic. Actual revenues collected were more than budgeted by \$9,376,819. The revenue increase was primarily the result of an increase in sales tax collections and higher than anticipated collection of fees. Actual revenues exceeded the budget and actual expenditures were less than budgeted due partially to the County’s conservative approach to budgeting as well as continued operational affects related to the COVID-19 Pandemic.

CAPITAL ASSETS

The capital assets of the County are those assets (land, buildings, improvements, infrastructure, and furniture and equipment), which are used in the performance of the County’s functions. At September 30, 2021, net capital

assets of the governmental activities totaled \$363.4 million. Annual depreciation for buildings, infrastructure, improvements and furniture and equipment totaled \$13.1 million. More detailed information about the County's capital asset activity is presented in Note 3. C. of the notes to the financial statements.

	2020	2021	Total Percent Change 2021-2020
Capital assets not being depreciated:			
Land	\$ 20,212,858	\$ 20,212,858	0.00%
Construction in progress - infrastructure	27,132,016	32,248,095	18.86%
Construction in progress - building	101,276,353	66,466,040	-34.37%
Construction in progress - land improvements	-	148,589	100.00%
Total capital assets not being depreciated	<u>148,621,227</u>	<u>119,075,582</u>	<u>-19.88%</u>
Capital assets being depreciated:			
Infrastructure	197,674,005	219,136,791	10.86%
Buildings and improvements	106,340,752	143,772,944	35.20%
Park improvements	5,023,170	5,035,513	0.25%
Equipment	39,248,581	43,880,992	11.80%
Total capital assets being depreciated	<u>348,286,508</u>	<u>411,826,240</u>	<u>18.24%</u>
Less accumulated depreciation for:			
Infrastructure	(84,073,716)	(89,555,569)	6.52%
Buildings and improvements	(40,292,179)	(44,153,046)	9.58%
Park Improvements	(1,603,575)	(1,828,097)	14.00%
Equipment	<u>(28,399,056)</u>	<u>(31,937,445)</u>	<u>12.46%</u>
Total accumulated depreciation	<u>(154,368,526)</u>	<u>(167,474,157)</u>	<u>8.49%</u>
Total capital assets being depreciated, net	<u>193,917,982</u>	<u>244,352,083</u>	<u>26.01%</u>
Governmental activities capital assets, net	<u>\$ 342,539,209</u>	<u>\$ 363,427,665</u>	<u>6.10%</u>

DEBT ADMINISTRATION

At the end of the 2021 fiscal year, the County reported \$668.6 million in outstanding debt. Of this amount, \$515.4 million is general obligation debt, \$27.2 million is special assessment revenue bonds, \$1.5 million is qualified energy conservation bonds, and \$2.9 million is a public property finance act contract loan for additional energy efficiency capital projects. The County reported \$3.9 million in vested vacation benefits, \$38.9 million in postemployment benefits, and \$29.6 million in pension plan benefits. Premiums being amortized over the life of the bond were \$49.3 million at year-end.

A majority of the general obligation debt is the result of a voter approved bond issue for roads, parks, and public safety facilities. In 2008, voters approved \$206 million for roads and \$30 million for parks projects. In 2016, voters approved \$106.4 million for public safety facilities and \$131.4 million for transportation safety and mobility improvements across the county. In connection with the 2008 road bond program, the County has entered into an agreement regarding the road construction projects relating to State roads in which the State of Texas will reimburse Hays County over an approximate 20-year period the sum of \$133,000,000. In 2020, voters approved \$75.0 million for constructing, improving, renovating, equipping, and acquiring land and interest in land, and buildings for park and recreational purposes. More detailed information about the County's long-term debt activity is presented in Note 3. F. of the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES:

The County has experienced a major population growth between the 2010 and 2020 census. The County's population increased from 157,107 to 241,067 which represents a 53.4% increase. Appraised property values used for the FY2022 budget preparation will increase by \$3.97 billion, or 18.8% from FY2021. The increase in FY2021 property values was the result of new improvements (\$1.2 billion) and increases in appraised values (\$2.7 billion). Additionally, a tax freeze for seniors over the age of 65 and disabled persons adopted in FY2017 are still in place. The average home value in FY2022 was \$314,038 as compared to the average home value in

FY2021 of \$274,688. These indicators were considered when adopting the FY2022 General Fund budget. Amounts available for appropriation in the FY2022 General Fund budget are \$110 million, compared to the final FY2021 budget of \$111.8 million. Total revenue for all operating funds, including General Fund, for FY2022 are budgeted at \$165.3 million.

Total expenditures for all operating funds, including General Fund, for FY2022 are budgeted at \$193.4 million which is a 27.5% increase from the previous year. This increase is primarily a result of federal funds received and budgeted as a result of the Covid-19 pandemic.

If these estimates are realized, the County's budgetary General Fund balance is anticipated to drop by \$8.3 million. The decrease in fund balance is the result of the use of reserves to fund one-time expenditures for capital improvements for the Jail renovation, a new timekeeping system, flood mitigation projects throughout the county, technology infrastructure upgrades, as well as other miscellaneous one-time project expenses. Based on our practice of conservatism in the budget process, we anticipate that the drop in projected fund balance will be less than anticipated in FY2022.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Auditor's Office, 712 S. Stagecoach Trail, Suite 1071, San Marcos, Texas 78666 or 512-393-2283.



**HAYS COUNTY, TEXAS
ANNUAL COMPREHENSIVE
FINANCIAL REPORT
2021**

BASIC FINANCIAL STATEMENTS



HAYS COUNTY, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government Governmental Activities
Assets	
Cash:	
Cash and cash equivalents	\$ 323,217,946
Receivables:	
Delinquent ad valorem taxes	896,830
Sales and use tax	5,022,473
Miscellaneous	70,601,631
Due from fiduciary funds	
Materials & supplies inventory, at cost	385,020
Prepaid items	322,702
Deposits	797,000
Capital assets (net of accumulated depreciation):	
Land	20,212,858
Buildings	99,619,898
Land improvements	3,207,416
Furniture, fixtures and equipment	11,943,547
Infrastructure	129,581,222
Construction in progress	98,862,724
Total Assets	764,671,267
 Deferred outflows of resources	
Deferred charge on refunding	10,581,946
Deferred pension charges	19,447,287
Deferred OPEB charges	8,725,631
Total deferred outflow of resources	38,754,864
 Liabilities	
Accounts payable	19,100,134
Accrued interest payable	2,385,784
Due to other agencies	1,083,381
Unearned revenues	29,554,495
Noncurrent liabilities:	
Due within one year	22,664,471
Due in more than one year	645,976,902
Total Liabilities	720,765,167
 Deferred inflows of resources	
Deferred pension charges	7,533,866
Deferred OPEB charges	7,427,269
Total deferred outflow of resources	14,961,135
 Net Position	
Net investment in capital assets	143,858,031
Restricted for:	
Restricted-administration	550,407
Restricted-debt service	15,344,896
Restricted-road and bridge	11,782,418
Restricted-law enforcement and corrections	587,572
Restricted-records management and preservation	3,159,909
Restricted-community services and programs	2,148,299
Restricted-judicial	1,297,621
Restricted-health and human services	7,707,769
Unrestricted	(118,737,093)
Total Net Position	\$ 67,699,829

The accompanying notes are an integral part of this statement.

HAYS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
Administration	\$ (16,229,101)	\$ 1,181,018	\$ 304,403	\$ -
Judicial	(18,827,666)	6,265,975	1,263,413	-
Law enforcement and corrections	(59,751,373)	4,288,896	2,938,320	95,654
Community and public services	(2,690,110)	1,134,410	155,248	100,000
Health and human services	(31,149,114)	2,232,064	4,679,085	225,728
General maintenance	(2,430,293)	-	-	16,359
Highways and streets	(32,732,053)	2,396,952	970,410	3,288,532
Interest and fees	(21,312,734)	-	-	-
Total governmental activities	<u>(185,122,444)</u>	<u>17,499,315</u>	<u>10,310,879</u>	<u>3,726,273</u>
Total primary government	<u>\$ (185,122,444)</u>	<u>\$ 17,499,315</u>	<u>\$ 10,310,879</u>	<u>\$ 3,726,273</u>

The accompanying notes are an integral part of this statement.

HAYS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

	Net (Expense) Revenue and Changes in Net Position	
	Primary Government	
Functions/Programs	Governmental Activities	
Primary government:		
Governmental activities:		
Administration	\$	(14,743,680)
Judicial		(11,298,278)
Law enforcement and corrections		(52,428,503)
Community and public services		(1,300,452)
Health and human services		(24,012,237)
General maintenance		(2,413,934)
Highways and streets		(26,076,159)
Interest and fees		(21,312,734)
Total governmental activities		(153,585,977)
Total primary government	\$	(153,585,977)
Ad valorem taxes		110,670,610
Sales and use tax		31,034,705
Interest on deposits		201,783
Miscellaneous revenues		14,657,467
Gain (loss) on sale of capital assets		-
Total general revenues		156,564,565
Change in net position		2,978,588
Net position - beginning		64,721,241
Net position - ending	\$	67,699,829

The accompanying notes are an integral part of this statement.

**HAYS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021**

	General	Road and Bridge Fund	Debt Service Fund	Road Bond 2019 Fund
Assets				
Cash and cash equivalents	\$ 72,874,347	\$ 16,274,940	\$ 9,143,869	\$ 82,672,326
Receivables				
Ad valorem taxes	538,057	110,877	247,896	-
Sales and use taxes	5,022,473	-	-	-
Due from other governments	267,004	50,326	2,814,110	661,441
Miscellaneous	1,847,880	11,640	3,603	-
Due from other funds	10,782,310	1,031,437	4,129,699	517,697
Prepaid items	322,702	-	-	-
Inventory, at cost	6,580	378,440	-	-
Total Assets	\$ 91,661,353	\$ 17,857,660	\$ 16,339,177	\$ 83,851,464
Liabilities				
Liabilities				
Accounts payable	\$ 5,646,357	\$ 1,232,698	\$ 3,002	\$ 4,179,386
Unearned revenue	42,832	-	-	-
Due to other agencies	940,023	2,715	140,643	-
Due to other funds	17,951,328	4,350,512	602,740	739,051
Total Liabilities	24,580,540	5,585,925	746,385	4,918,437
Deferred Inflows of Resources				
Unavailable revenue-property taxes	538,057	110,877	247,896	-
Total Deferred Inflows of Resources	538,057	110,877	247,896	-
Fund Balances				
Nonspendable	\$ 329,282	\$ 378,440	\$ -	\$ -
Restricted-administration	531,085	-	-	-
Restricted-debt service	-	-	15,344,896	-
Restricted-capital projects and construction	-	-	-	78,933,027
Restricted-road and bridge	-	11,782,418	-	-
Restricted-law enforcement and corrections	-	-	-	-
Restricted-records management and preservation	-	-	-	-
Restricted-community services and programs	692,683	-	-	-
Restricted-judicial	-	-	-	-
Restricted-health and human services	-	-	-	-
Restricted-state road projects	-	-	-	-
Committed-administration	2,428,254	-	-	-
Committed-general maintenance	1,200,000	-	-	-
Committed-community services and programs	600,000	-	-	-
Committed-health and human services programs	405,000	-	-	-
Committed-law enforcement and corrections	658,567	-	-	-
Committed-judicial	2,000,000	-	-	-
Committed-flood projects	995,000	-	-	-
Unassigned	56,702,885	-	-	-
Total Fund Balances	66,542,756	12,160,858	15,344,896	78,933,027
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 91,661,353	\$ 17,857,660	\$ 16,339,177	\$ 83,851,464

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

**HAYS COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021**

	Park Bond 2021 Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 50,000,481	\$ 22,356,378	\$ 60,123,725	\$ 313,446,066
Receivables				
Ad valorem taxes	-	-	-	896,830
Sales and use taxes	-	-	-	5,022,473
Due from other governments	-	-	4,399,560	8,192,441
Miscellaneous	-	-	172,887	2,036,010
Due from other funds	-	-	2,557,621	19,018,764
Prepaid items	-	-	-	322,702
Inventory, at cost	-	-	-	385,020
Total Assets	\$ 50,000,481	\$ 22,356,378	\$ 67,253,793	\$ 349,320,306
Liabilities				
Liabilities				
Accounts payable	\$ -	\$ -	\$ 5,758,968	\$ 16,820,411
Unearned revenue	-	22,355,952	7,155,711	29,554,495
Due to other agencies	-	-	-	1,083,381
Due to other funds	45,437	-	5,160,645	28,849,713
Total Liabilities	45,437	22,355,952	18,075,324	76,308,000
Deferred Inflows of Resources				
Unavailable revenue-property taxes	-	-	-	896,830
Total Deferred Inflows of Resources	-	-	-	896,830
Fund Balances				
Nonspendable	\$ -	\$ -	\$ -	\$ 707,722
Restricted-administration	-	-	19,322	550,407
Restricted-debt service	-	-	-	15,344,896
Restricted-capital projects and construction	49,955,044	426	26,643,051	155,531,548
Restricted-road and bridge	-	-	-	11,782,418
Restricted-law enforcement and corrections	-	-	587,572	587,572
Restricted-records management and preservation	-	-	3,159,909	3,159,909
Restricted-community services and programs	-	-	1,455,616	2,148,299
Restricted-judicial	-	-	1,297,621	1,297,621
Restricted-health and human services	-	-	7,707,769	7,707,769
Restricted-state road projects	-	-	8,307,609	8,307,609
Committed-administration	-	-	-	2,428,254
Committed-general maintenance	-	-	-	1,200,000
Committed-community services and programs	-	-	-	600,000
Committed-health and human services programs	-	-	-	405,000
Committed-law enforcement and corrections	-	-	-	658,567
Committed-judicial	-	-	-	2,000,000
Committed-flood projects	-	-	-	995,000
Unassigned	-	-	-	56,702,885
Total Fund Balances	49,955,044	426	49,178,469	272,115,476
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 50,000,481	\$ 22,356,378	\$ 67,253,793	\$ 349,320,306

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

HAYS COUNTY, TEXAS
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
September 30, 2021

Total fund balances - governmental funds	\$	272,115,476
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are expensed in the funds		363,427,665
Payables for bond principal and premiums, which are not due in the current period are not reported in the funds		(596,258,034)
Payables for bond interest which are not due in the current period are not reported in the funds		(2,385,784)
Compensated absences which are not due in the current period are not reported in the funds		(3,882,624)
Net pension liability is not reported in the funds		(29,555,804)
Internal service funds assets and liabilities are included in the governmental activities in the statement of net position		18,183,039
Property tax receivable unavailable to pay current year expenditures is deferred in the funds		896,830
Other post employment benefit liability is not reported in the funds		(38,944,911)
Deferred outflows on net pension liability are not reported in the funds		19,447,287
Deferred outflows on other post employment benefits are not reported in the funds		8,725,631
Deferred inflows on net pension liability are not reported in the funds		(7,533,866)
Deferred inflows on other post employment benefits are not reported in the funds		(7,427,269)
Deferred amounts on refunding are deferred outflows of resources and, therefore, are not reported in the funds		10,581,946
Receivables for which current financial resources are not available		60,310,247
		60,310,247
Governmental activities - net position	\$	67,699,829

The accompanying notes are an integral part of this statement.

HAYS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Debt Service Fund</u>	<u>Road Bond 2019 Fund</u>
Revenues				
Taxes				
Ad valorem	\$ 66,445,833	\$ 7,526,462	\$ 30,880,907	\$ -
Sales and use	28,625,232	2,409,473	-	-
Fines	1,379,829	237,586	-	-
Charges for services	9,042,155	2,188,868	-	-
Interest on deposits	68,636	8,363	7,470	50,259
Operating grants and contributions	5,107,940	301,056	-	686,461
Other revenue	1,150,987	146,771	10,312,632	-
Asset forfeitures	-	20,750	-	-
Total Revenues	<u>111,820,612</u>	<u>12,839,329</u>	<u>41,201,009</u>	<u>736,720</u>
Expenditures				
Current				
Administration	14,750,316	-	-	-
Judicial	16,937,833	-	-	-
Law enforcement and corrections	56,648,876	-	-	-
Community and public services	2,026,071	-	-	-
Health and human services	3,343,783	-	-	-
General maintenance	1,909,542	-	-	-
Highways and streets	54,290	11,412,795	-	15,793,409
Debt service				
Administrative charges	5,050	-	10,050	-
Interest	103,617	-	20,118,575	-
Principal retirement	320,575	-	18,880,000	-
Bond issuance costs	-	-	459,131	-
Capital outlay	2,216,419	2,159,180	-	8,285,825
Total expenditures	<u>98,316,372</u>	<u>13,571,975</u>	<u>39,467,756</u>	<u>24,079,234</u>
Excess (deficiency) of revenues over (under) expenditures	<u>13,504,240</u>	<u>(732,646)</u>	<u>1,733,253</u>	<u>(23,342,514)</u>
Other Financing Sources (Uses)				
Transfers Out	(2,430,326)	-	-	-
Total Transfers to other funds	<u>(2,430,326)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Transfers In	-	-	-	-
Total Transfers from other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Refunding bonds issued	-	-	52,090,000	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	(51,622,926)	-
Special assessment bonds issued	-	-	-	-
Premium on special assessment bonds issued	-	-	-	-
Proceeds from loans	-	-	-	-
Total Issuance of debt	<u>-</u>	<u>-</u>	<u>467,074</u>	<u>-</u>
Total other financing sources (uses)	<u>(2,430,326)</u>	<u>-</u>	<u>467,074</u>	<u>-</u>
Net change in fund balances	11,073,914	(732,646)	2,200,327	(23,342,514)
Fund balances - beginning	55,468,842	12,893,504	13,144,569	102,275,541
Fund balances - ending	<u>\$ 66,542,756</u>	<u>\$ 12,160,858</u>	<u>\$ 15,344,896</u>	<u>\$ 78,933,027</u>

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

HAYS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	Park Bond 2021 Fund	American Rescue Plan Act Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes				
Ad valorem	\$ -	\$ -	\$ 5,723,933	\$ 110,577,135
Sales and use	-	-	-	31,034,705
Fines	-	-	-	1,617,415
Charges for services	-	-	3,296,938	14,527,961
Interest on deposits	481	426	57,708	193,343
Operating grants and contributions	-	-	7,766,895	13,862,352
Other revenue	-	-	14,740,504	26,350,894
Asset forfeitures	-	-	127,194	147,944
Total Revenues	481	426	31,713,172	198,311,749
Expenditures				
Current				
Administration	-	-	38,763	14,789,079
Judicial	-	-	1,266,313	18,204,146
Law enforcement and corrections	-	-	872,033	57,520,909
Community and public services	45,437	-	285,079	2,356,587
Health and human services	-	-	26,333,060	29,676,843
General maintenance	-	-	-	1,909,542
Highways and streets	-	-	8,857,945	36,118,439
Debt service				
Administrative charges	-	-	3,000	18,100
Interest	-	-	1,559,917	21,782,109
Principal retirement	-	-	615,000	19,815,575
Bond issuance costs	462,588	-	674,595	1,596,314
Capital outlay	-	-	7,938,486	20,599,910
Total expenditures	508,025	-	48,444,191	224,387,553
Excess (deficiency) of revenues over (under) expenditures	(507,544)	426	(16,731,019)	(26,075,804)
Other Financing Sources (Uses)				
Transfers Out	-	-	-	(2,430,326)
Total Transfers to other funds	-	-	-	(2,430,326)
Transfers In	-	-	2,430,326	2,430,326
Total Transfers from other funds	-	-	2,430,326	2,430,326
Bonds issued	43,825,000	-	9,345,000	53,170,000
Premium on bonds issued	6,637,588	-	-	6,637,588
Refunding bonds issued	-	-	-	52,090,000
Premium on refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	(51,622,926)
Special assessment bonds issued	-	-	-	-
Premium on special assessment bonds issued	-	-	-	-
Proceeds from loans	-	-	-	-
Total Issuance of debt	50,462,588	-	9,345,000	60,274,662
Total other financing sources (uses)	50,462,588	-	11,775,326	60,274,662
Net change in fund balances	49,955,044	426	(4,955,693)	34,198,858
Fund balances - beginning	-	-	54,134,162	237,916,618
Fund balances - ending	\$ 49,955,044	\$ 426	\$ 49,178,469	\$ 272,115,476

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

HAYS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Net change in fund balances -- total governmental funds	\$ 34,198,858
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital outlays are not reported as expenses in the statement of activities	33,994,087
Depreciation of capital assets is not recorded in the funds	(13,105,631)
Bond issues are recorded as a current resource in the funds, but as a liability in the statement of net position	(105,260,000)
Repayment of bond principal is an expenditure in the funds but a reduction of the liability in the statement of net position	67,540,575
Bond premiums are capitalized and amortized in the statement of net position	(2,415,782)
Refunding bond gains/losses are capitalized and amortized in the statement of net position	1,450,279
Increase in non-current portion of compensated absences is not an expenditure in the funds, but is recorded as a liability in the statement of net position	(356,418)
Property taxes unearned in the funds are recognized as revenue in the statement of activities	93,475
Decrease in accrued interest payable from beginning of the period to the end of the period	309,630
Net expenditure in the internal service funds are reported in the governmental activities	(1,403,469)
Post employment benefit expense is not reported in the funds	(1,507,751)
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported in the funds such as the net pension benefit expense	(246,633)
Governmental funds report expenditures for costs of assets under construction that will be contributed on completion to another entity. However, in the statement of activities, the cost of those assets will be expensed when asset is transferred	<u>(10,312,632)</u>
Change in net position of governmental activities - statement of activities	<u>\$ 2,978,588</u>

The accompanying notes are an integral part of this statement.

**HAYS COUNTY, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
September 30, 2021**

	Internal Service Fund
ASSETS	
Current assets	
Cash and cash equivalents	\$ 9,771,880
Accounts receivable	62,933
Due from other funds	10,259,740
Prepaid items	-
Total Current assets	20,094,553
Non-current asset	
Deposits held by paying agent	797,000
Total Non-current asset	797,000
Total Assets	\$ 20,891,553
 LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	\$ 8,677
Due to other funds	428,791
Claims payable	2,271,046
Total Current liabilities	2,708,514
Total Liabilities	2,708,514
Net Position	
Restricted for future claims	18,183,039
Total Net Position	\$ 18,183,039

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

HAYS COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Internal Service Fund
OPERATING REVENUES	
Charges for services	\$ 14,615,249
Total operating revenues	14,615,249
OPERATING EXPENSES	
Medical claims	16,027,158
Total operating expenses	16,027,158
Operating Income	(1,411,909)
Nonoperating Revenues	
Interest on deposits	8,440
Total nonoperating revenues	8,440
Change in net position	(1,403,469)
Total net position - beginning	19,586,508
Total net position - ending	\$ 18,183,039

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

**HAYS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2021**

	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from interfund services provided	\$ 11,471,240
Payment for claims	(14,601,912)
Net cash (used) by operating activities	(3,130,672)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	8,440
Net cash provided by investing activities	8,440
Net decrease in cash and cash equivalents	(3,122,232)
Balances - beginning of year	12,894,112
Balances - end of year	\$ 9,771,880
 Reconciliation of operating income (loss) to net cash net cash provided (used) by operating activities:	
Operating income (loss)	\$ (1,411,909)
Changes in assets and liabilities:	
Interfund receivables	(3,107,471)
Accounts receivable	(40,757)
Prepaid items	605
Deposits held by paying agent	(189,000)
Accounts payable - other	(51,215)
Accounts payable - claims	1,425,246
Interfund payables	243,829
Net Cash (used) by operating activities	\$ (3,130,672)

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

HAYS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
September 30, 2021

	Total Fiduciary Funds
ASSETS	
Cash and cash equivalents	\$ 27,551,589
Total assets	27,551,589
 LIABILITIES	
Miscellaneous payables	-
Due to other agencies	-
Total liabilities	-
 NET POSITION	
Restricted for:	
Individuals, organizations and other governments	27,551,589
Total net position	\$ 27,551,589

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

HAYS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Fiscal Year Ended September 30, 2021

	Total Fiduciary Funds
ADDITIONS	
Property taxes	\$ 799,125,996
Motor vehicle registrations	75,036,595
Motor vehicle sales tax	52,229,258
Restitution	30,857
Seizures and evidence	41,001
Bond and registry accounts	2,238,821
Trust accounts	4,988,481
Miscellaneous fees	118,629
Total additions	933,809,638
 DEDUCTIONS	
Property taxes	799,684,454
Motor vehicle registrations	74,640,446
Motor vehicle sales tax	52,203,034
Restitution	31,684
Seizures and evidence	-
Bond and registry accounts	1,223,484
Trust accounts	7,389,715
Miscellaneous payables	116,914
Total deductions	935,289,731
Change in net position	(1,480,093)
Net position - beginning	-
Restatement of net position	29,031,682
Net position ending	\$ 27,551,589

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

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

NOTE 1. Summary of Significant Accounting Policies

The combined financial statements of Hays County, Texas (the “County”) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB) for state and local governments. GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County’s more significant accounting policies are described below.

The County adopted the provisions of GASB #63 *Financial Reporting of Deferred Outflows of Resources Deferred Inflows of Resources, and Net Position*. The statement requires governments to account for deferred outflows of resources, deferred inflows of resources and net position as they relate to derivatives and service concession arrangements. Under the provisions of this statement, governments will also present a Statement of Net Position and changes the caption “Net Assets” to “Net Position.”

The County adopted the provisions of GASB Statement #65, *Items Previously Reported as Assets and Liabilities* (“GASB 65”). The statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and 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. Implementation of GASB 65 is reflected in the financial statements and required a retroactive adjustment to recognize the costs associated with bond issuances that were previously amortized using the straight-line method over the life of the bonds.

The County adopted the provisions of GASB Statement #68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pension plans, this statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The County adopted the provisions of GASB Statement #71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. These pronouncements have been implemented for purposes of measuring the pension liability and deferred outflows/inflows of resources related to pensions, and pension expense/expenditures. Information about the fiduciary net position of the County’s Texas County & District Retirement System (TCDRS) plans and additions to/deductions from the plan’s fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The County adopted the provisions of GASB Statement #72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements, which would generally require state and local governments to measure investments at fair value. This standard expands fair value disclosures to provide comprehensive information for financial statement users about the impact of fair value measurements on a government’s financial position.

The County adopted the provisions of GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. The scope of this Statement addresses accounting and

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The County adopted the provisions of GASB Statement #77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to provide certain disclosures regarding the tax abatement commitments. The Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic developments or otherwise benefits the government or its citizens. This Statement requires disclosures of tax abatement information about (1) a reporting government's own tax abatements agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. The Statement requires a reporting government to disclose the names of the governments that entered into agreements, the specific taxes being abated, and the gross dollar amount of taxes abated during the reporting year. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public.

The County adopted the provisions of GASB Statement #84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This statement changes the definition of fiduciary activities, providing more refined guidance on how to determine if an activity is fiduciary in nature and therefore should be reported as such. The statement defines types of fiduciary funds, eliminating Agency funds and replacing them with Custodial Funds. Under this guidance, fiduciary funds will now report a net position and a statement of changes in net position.

Reporting Entity

The County of Hays is a political subdivision of the State of Texas and is governed by four Commissioners elected by precinct and a County Judge elected countywide that comprise the Commissioners Court. The accompanying financial statements present the government's financial statements.

The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its components units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

The County is not a component unit of any other reporting entity as defined by the GASB Statement. Based on the criteria above, the County determined that there are no component units.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Government-wide and Fund Financial Statements

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities that report information on all of the non-fiduciary activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The County does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The effect of interfund activity has been eliminated for the government-wide financial statements; however, interfund services provided and used by the County's funds are not eliminated in the process of consolidation.

A. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of the accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The reported fund balance (net current assets) is considered a measure of "available spendable resources." Operating statement of these funds presents increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets. Thus, the operating statements for the governmental funds are considered to present a summary of sources and uses of "available spendable resources" during a period.

All governmental funds used the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty (60) days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues, grant revenues, and reimbursements due to the County are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

All proprietary financial statements are reported using the accrual basis of accounting. Their revenues are recognized when they are earned rather than when received, and their expenses are recognized when they are incurred rather than actually paid. The measurement focus for proprietary funds is on determination of net income, changes in net position (or cost recover), financial position and cash flows. All proprietary funds, i.e. internal service funds, use accrual basis of accounting. Revenues are recognized when earned and expenses are accounted for using a cost of service measurement focus. This means that all assets and liabilities (whether current or non-current) associated with their activity are included in the funds' balance sheets.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Fiduciary funds use the accrual basis of accounting and are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds with the County. Custodial funds generally are used to account for assets that the County holds on behalf of others as their agent. Custodial funds are custodial in nature and involve no measurement of result of operations.

The County uses funds to report its financial positions and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain County function or activities. County resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. A fund is a separate accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expense. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

The fund financial statements provide information about the County's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

General Fund. This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund. It is the basic fund of the County and covers all activities for which a special revenue fund has not been established.

Road and Bridge Fund: This fund is used to account for resources restricted to, or designated for, road and bridge maintenance and operations. The Road and Bridge fund is a Special Revenue Fund used to account for the proceeds of specific revenue resources that are legally restricted to expenditures for the construction and maintenance of roads and bridges within the County and is primarily funded by ad valorem taxes and vehicle registration fees.

Debt Service Fund: The debt service fund is used to account for the resources accumulated for and the payment of principal and interest on long-term debt of the County.

Capital Projects Funds: These funds are used to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal. The Road Bond 2019 Fund and Park Bond 2021 Fund are reported as major capital project funds.

American Rescue Plan Act Fund: This fund is a major special revenue fund that is used to account for grant funds that are restricted for use by the American Rescue Plan Act. The American Rescue Plan Act facilitates the United States' recovery from the devastating economic and health effects of the COVID-19 pandemic.

In addition, the County reports the following fund types:

Special Revenue Funds: These funds are used to account for funds related to grants and contracts and other general government resources that are restricted by law or contractual agreement to specific purposes other than debt service or capital projects.

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the County. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the County's

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements. The County operates one internal service fund, the Medical Insurance Fund.

Fiduciary Funds: Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments or on behalf of other funds within the County. The County uses Custodial Funds to account for assets held in the agent capacity for other governments for which the tax office collects taxes, for monies seized by County law enforcement agencies, trust funds held for individuals, and for restitution owed to others.

B. Assets, Liabilities, and Net Position or Fund Balance

1. Cash and Cash Equivalents

Cash and Cash Equivalents include amounts in demand deposits, certificates of deposits with a maturity date within six months of the date acquired by the government, and deposits in TexPool, Logic, Texas Class, and other local government investment pools.

In accordance with GASB Statement 9, the County has developed a definition of cash equivalents. Cash and cash equivalents consist of cash on hand, demand deposits, money market accounts, certificates of deposits, as well as temporary investments with a maturity date of three months from the date acquired by the County.

State statutes and bond ordinances authorize the County to invest in direct obligations of State and Local Governments (SLGS) and the United States of America. Additionally, there are no differences in the types of investments authorized for different funds, fund types, or component units. Investments may consist of:

- a. Obligations including letters of credit, or the United States or its agencies and instrumentalities;
- b. Direct obligations of the State of Texas or its agencies and instrumentalities;
- c. Other obligations, the principal and interest which are unconditionally guaranteed or insured by, backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities; and
- d. 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;
- e. Certificates of deposit and Share Certificates that are guaranteed or insured by the federal Deposit Insurance Corporation (“FDIC”) or its successor; or the National Credit Union Share Insurance Fund (“NCUSIF”) or its successor; or secured in any other manner and amount provided by law for deposits of the County;
- f. An investment in certificates of deposits made through a depository institution and the full amount of the principal and accrued interest of each certificate of deposit is insured by the United States or an instrumentality of the United States;
- g. Fully collateralized repurchase agreements as defined in the Public Fund Investment Act with a defined termination date, pledged with a third party, and secured by obligations of the United State or its agencies and instrumentalities;
- h. A banker’s acceptance if it has a stated maturity of 270 days or fewer from the date of issuance, will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank;
- i. Commercial paper had a stated maturity of 270 days or fewer from the date of issuance and is rated not less than A-1 or P-1 or an equivalent rating;

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

- j. Mutual funds and money market funds with limitations.

Investments for the government are reported at fair value using quoted market prices.

2. Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund financial statements and are netted in the government-wide financial statements.

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Taxes collected from February 1st through June 30th are considered past due and are assessed a late payment penalty and interest. On July 1st, any remaining uncollected taxes become delinquent. Thereafter, the County may file suit for collection of the unpaid delinquent taxes, which then become subject to additional penalties and attorney fees. A schedule of tax rates and other pertinent ad valorem information is presented as part of the statistical section of this report.

Property tax revenues for financial reporting purposes are recognized when they become available and measurable, as explained in Note 1-A. According to authoritative pronouncements of the Governmental Accounting Standards Board, “available” means collected within the current period or expected to be collected no later than such time not to exceed sixty (60) days.

Allowances for uncollectible tax receivables within the General, Road & Bridge Special Revenue Fund and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for doubtful accounts in the General, Road & Bridge Special Revenue Fund and Debt Service Funds was \$855,824, \$99,520, and \$332,746 respectively.

3. Inventories and Prepaid Items

Inventories of consumable supplies are valued at cost using the first in/first out (FIFO) method. The costs of government fund type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payment to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements and in the fund financial statements are offset by a reservation of fund balance which indicates they do not represent “available spendable resources.” The costs of prepaid items are recorded as expenditures when consumed rather than when purchased.

4. Deferred Charges – Transportation Costs

These deferred charges include construction costs of roads primarily within the County that will be transferred to another governmental entity upon completion at which time will be expensed in the statement of activities.

5. Pensions

The County has adopted accounting policy in response to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27* (GASB 68). For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, the County specific information about its Fiduciary Net Position in the Texas County and District Retirement System (TCDRS) and additions to/deductions from the County’s Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. For this purpose, plan contributions are recognized in the

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the County's Total Pension Liability is obtained from TCDRS through a report prepared for the County by TCDRS consulting actuary, Milliman, in compliance with GASB 68.

6. Other Postemployment Benefits (OPEB)

Other Postemployment Benefits (OPEB) cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting, regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 requires a liability for OPEB obligations to be recognized on the balance sheets of participating employers. Changes in OPEB Liability will be immediately recognized as OPEB Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change. Information regarding the County's OPEB Liability is obtained through a report prepared for the County by Milliman, a consulting actuary, in compliance with GASB 75.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has the following items that qualify for reporting in this category:

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred charge on refundings is reported in the government-wide statement of net position.
- Pension contributions after measurement date – These contributions are deferred and recognized in the following year.
- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five year period.
- Difference between expected and actual experience and changes in assumptions for net pension liability and OPEB liability - These differences are deferred and amortized over the average life for all active, inactive, and retired members.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has the following item that qualifies for reporting in this category:

- Difference between expected and actual experience of pension assets - This difference is deferred and amortized over a closed five year period.
- Difference in expected and actual OPEB experience and changes in assumptions – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

8. Capital Assets

Capital assets include land, land and property improvements, buildings, infrastructure (e.g. roads and bridges), and equipment that used in operations and benefit more than a single fiscal period. Infrastructure assets are long-lived assets that normally are stationary in nature and typically can be preserved for a significantly greater number of years than most capital assets. The County defines capital assets as items with an initial, individual cost of more than \$5,000 and estimate useful life in excess of one year. Such assets are recorded at historical

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value. The cost of the normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements and the proprietary funds statements. Capital assets are recorded as expenditures of the current period in the governmental funds financial statements.

Improvements to capital assets that materially extend the life of the asset or add value are capitalized. The costs of normal maintenance and repairs that do not add to the value of or materially extend the life of the assets are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	25-50
Land Improvements	10-30
Buildings	50
Equipment and Vehicles	5-10

9. Compensated Absences

County employees earn vacation leave in varying amounts. When an employee leaves the service of the County, he or she will be paid for accrued but unused vacation leave (not to exceed 240 hours for full-time, 180 hours for three quarter time, and 120 for half-time employees) upon resignation, retirement, or death. Also, in accordance with the Fair Labor Standards Act as it applies to local governments, all full-time non-exempt County employees earn compensatory time for hours worked beyond their regular working hours. Accumulated compensatory time (up to a maximum of 60 hours) is also paid upon termination of employment. Unused sick leave may also be accumulated. A reimbursement is made for accumulated sick leave upon voluntary retirement with a TCDRS annuity and at least 20 years of continuous service with Hays County. Eligible employees will be paid at the county's lowest hourly rate at the time of retirement up to 480 hours of accrued sick leave for regular full-time employees, 360 hours for ¾ regular employees, and 240 hours for part-time employees, with a maximum gross of \$6,000.

All vacation and compensatory time is accrued when incurred in the government-wide financial statements. No liability is reported for unpaid accumulated sick leave. Liabilities for compensated absences are recognized in all the funds statements to the extent the liabilities have matured (i.e. are due for payment). All accrued vacation and compensatory time is paid at the wage rate in place at separation and is shown as an expenditure in the fund the employee had been assigned to prior to termination. The General Fund and Road and Bridge funds have been typically used to liquidate the accrued vacation and compensatory obligation.

10. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenues of the internal service fund are charges to customers for sales and services. Operating expenses for the internal service fund include the cost services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

11. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables (“due from other funds”) and payables (“due to other funds”) as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted on the government-wide statement of activities.

12. Unearned Revenue

Revenues not expected to be available for the current period are reflected as unearned revenue. Unearned revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Revenues received in advance of the costs being incurred are recorded as unearned revenue in the fund statements. Grants and reimbursement revenues received in advance of expenses/ expenditures are reflected as unearned revenue.

13. Long-term Obligations

In the government-wide financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Losses on refundings are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, 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, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

14. Fund Balance Classification Policy

The County adopted Governmental Accounting Standards Board Statement No. 54 (GASB 54) *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement provides guidance for fund balance categories and classifications and governmental fund type definitions. GASB 54 changed the way we look at fund balances, specifically reporting what fund balances, by major governmental fund type, are or are not available for public purposes. The County reports fund balance classifications in its governmental funds that correspond to 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. These categories are as follows:

- Non-spendable - These funds are not available for expenditures based on legal or contractual requirements. As of year end, non-spendable funds were composed of inventories and prepaid expenditures.
- Restricted - These funds are governed by externally enforceable restrictions.
- Committed - Fund balances in this category are limited for a specific purpose by the government’s highest level of decision making (in this case the Commissioners Court). Formal action of the County would be those actions, which are voted on at Commissioners’ Court meetings that are in compliance with Texas law. The County’s policy is to approve all commitments by formal court order. Similar action of the County is required to modify or rescind such commitments.
- Assigned - For funds to be assigned, there must be an intended use which can be established by the Commissioners Court or an official delegated by the court, such as a county judge or county auditor. For

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

example, during the budget process, the court decided to use some existing fund balance to support activities in the upcoming year.

- Unassigned - This classification is the default for all funds that do not fit into the other categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. However, in governmental funds, other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Restricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. The County's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

15. Net Position

Net Position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

16. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. Stewardship, Compliance, and Accountability

A. Budgets

Budgeting is an essential element of the financial planning, control, and evaluation processes of the County. Budgets for the County are prepared in conformity with generally accepted accounting principles (GAAP). The County legally adopts budgets for the General Fund, Special Revenue Funds (except some Discretionary Funds), Debt Service Funds, and Capital Project Funds. Budgets for grant funds are established pursuant to grant awards and budgets for Capital Project Funds are established on a project basis with annual budgets adopted using estimated expenditures left to complete projects. All annual appropriations, except grant funds and Capital Project Funds, lapse at fiscal year end.

The County Judge is the budget officer of Hays County and is assisted in the preparation of the budget documents by the County Auditor. The following procedures are followed in establishing the budgetary data reflected in the financial report.

1. The County Judge submits to the County Commissioners Court a proposed operating budget for the following fiscal year commencing the following October. The operational budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally adopted by the Commissioners Court by September 30 each year.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

The final approved budget as adopted by the Commissioners Court is filed with the County Clerk as a matter of public record. The Commissioners Court may amend the budget at any time after it's adopted, all changes in the budget must be by an affirmed vote of majority of the Commissioners Court. The budgets adopted by the County Commissioners Court set into law the maximum expenditure authorizations that cannot be legally exceeded. Under State statute, the formally adopted budget should not exceed budgeted appropriations in any expenditure category. The legal level of budgetary control is defined as the level at which the Commissioners Court must approve any over-expenditures of appropriations or transfers of appropriated amount. The County's legal level of budgetary control is the department's expenditure category levels. Any transfers or supplemental appropriations that amend expenditure category levels require the approval of a majority of the Commissioners Court. Budgets for the General Fund, certain Special Revenue Funds, Debt Service Fund, and certain Capital Project Funds are adopted on a modified accrual basis in accordance with generally accepted accounting principles. The County's legal level of budgetary control is at the department's cost center level with expenditure category levels defined as salaries, operating, travel, continuing education, and capital outlay. Any transfers or supplemental appropriations that amend expenditures across category levels require the approval of a majority of the Commissioners Court. Any amendments to the budget must be within the revenues and reserves estimated as available or the revenues estimated must be changed by an affirmative vote of a majority of the members of Commissioners Court. During the year, several supplemental appropriations were necessary.

A number of Special Revenue Funds do not have annually adopted budgets. State statues establishing who has control of and the purposes for which the funds can be used generally govern these funds. The revenues in these funds cannot be sufficiently anticipated in order to establish a viable budget.

The following Special Revenue Funds did not have formally adopted budgets:

- Constable Precinct 2 Drug Forfeiture Fund
- Sheriff LEOSE Fund
- Sheriff Federal Discretionary Fund
- Sheriff Commissary Fund
- District Attorney State Apportionment Fund
- Juvenile Delinquency Prevention Fund
- School Zone Safety Program Fund
- Truancy Court Fee Fund
- Constable LEOSE Fund
- District Attorney LEOSE Fund

The following Capital Project Funds did not have a formally adopted budget as projects were not anticipated in the current year:

- FM 110 TIRZ Fund

B. Encumbrance Accounting

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized as an extension of formal budgetary integration in the governmental funds of the County. Under encumbrance accounting, purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable encumbered amounts. Encumbrances outstanding at year end are reported by the County as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances at September 30, 2021.

C. Deficit Unrestricted Net Position

A deficit unrestricted net position of approximately \$118,737,093 exists in governmental activities as of September 30, 2021. This deficit is primarily the result of the County issuing bonds to finance the construction

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

of infrastructure contributed to other governmental entities. As of September 30, 2021, the amounts of bonds outstanding that were used to finance construction of assets transferred to another governmental entity was approximately \$138,717,602. These bonds will be paid with future property tax revenues restricted for debt service.

NOTE 3. Detailed Notes on all Funds

A. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. The County's cash deposits at September 30, 2021, and during the year ended September 30, 2021 were entirely covered by FDIC insurance or pledged collateral held by the County's agent bank in the County's name.

Investments:

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

The Act determines the types of investments which are allowable for the County. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The County's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The County's investments in these pools is the same as the value of the pool shares, which are valued based on quoted market rates.

The County invests in Texas Local Government Investment Pool (TexPool), which was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791, and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

The County also invests in LOGIC which has been organized in conformity with the Texas Government Code, and the Public Funds Investment Act. The business and affairs of LOGIC are managed by the board members. J.P. Morgan Investment Management, Inc. (JPMIM) and First Southwest, a division of Hilltop Securities, Inc. serve as co-administrators for LOGIC. JPMIM provides investment management services, fund accounting, transfer agency and custodial services and First Southwest provides participant services and marketing. The 5-member board of directors for LOGIC is comprised of individuals from participating government entities in the

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

pool. The Bylaws set forth procedures governing the selection of, and action taken by the Board. Board oversight of LOGIC is maintained through daily, weekly, and monthly reporting requirements.

The County also invests in The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) which was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per State Code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS is overseen by the Texas CLASS Board of Trustees, comprised of 7 active members of the pool and elected by the Participants, guided by a 4-member advisory board. The Board is responsible for selecting the Administrator and Investment Advisor. The Board retains the services of Public Trust Advisors, LLC (Public Trust) as program administrators and Wells Fargo Bank Texas, N.A. as Custodian.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The County has recurring fair value measurements as presented in the table below. The County’s investment balances, investment weighted average maturity, and investment Standard & Poor’s (S&P) rating are listed in the table below:

Investment or Investment Type	September 30, 2021	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Observable Inputs (Level 3)	Percent of Total Portfolio	Weighted Average Maturity in Days	Rating S&P
Investments not subject to Fair Value (amortized cost)							
TexPool Investment Pool	\$ 289,346,106	\$ -	\$ -	\$ -	88.40%	34	AAAm
Logic Investment Pool	18,392,520	-	-	-	5.62%	60	AAAm
Texas Class Investment Pool	4,584,055	-	-	-	1.40%	41	AAAm
BOK Financial	-	3,695,399	-	-	1.13%	N/A	N/A
Certificates of Deposit	-	11,346,659	-	-	3.47%	180	N/A
Total	312,322,681	15,042,058	-	-			
Total investments held by the County	\$ 327,364,739						
Plus cash in banks	23,404,796						
Total investments and cash held by County	350,769,535						
Less cash held in fiduciary funds	(27,551,589)						
Total cash and cash equivalents reported on statement of net position	<u>\$ 323,217,946</u>						

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Analysis of Specific Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end, and if so, the reporting of certain related disclosures:

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. State law dictates that in order to maintain eligibility to receive funds and invest funds on behalf of the County, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized statistical rating organization (NRSRO). State law authorizes investments in obligations guaranteed by the U.S. government and does not require that these investments be rated. The County's policy is to comply with state law. At year end, all of the County's investments meet the State's requirements.

At September 30, 2021, the County's investments are rated as to credit quality as shown in the above table.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law requires settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis. The County's Investment Policy requires that securities be registered in the name of the County. All safekeeping receipts for investment instruments are held in accounts in the County's name, and all securities are registered in the name of the County.

During Fiscal Year 2021, the County was not exposed to investment custodial risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The County is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The County's investment policy does not specifically address the concentration of credit risk, as this is accomplished through diversity of its holdings.

During Fiscal Year 2021, the County was not exposed to concentration of credit risk.

Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. The County manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. In accordance with its investment policy and state law, the County manages its interest rate risk by limiting the weighted average maturity of any investment owned by the County to the maximum of two years. The investment strategy for operating funds requires a dollar weighted average maturity of 365 days or less. Debt service funds cannot be invested in securities that have a stated final maturity date that exceeds the debt service payment date. Investment of debt service reserve funds and special project funds require high quality securities with short-term maturities. Eligible investment pools must have a weighted average maturity of no greater than 90 days. The County's exposure to interest rate risk at September 30, 2021 is summarized in the above table as the weighted average days to maturity.

Foreign Currency Risk

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

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

B. Receivables/Unearned Revenue/Deferred Inflow of Resources

Receivables at September 30, 2021 for the County's individual major governmental funds and other non-major governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Road and Bridge Fund	Debt Service Fund	Road Bond 2019 Fund	Other Governmental Funds	Total Funds
Ad valorem taxes	\$ 1,450,774	\$ 212,071	\$ 610,553	\$ -	\$ -	\$ 2,273,398
Allowance for doubtful accounts	(912,717)	(101,194)	(362,657)	-	-	(1,376,568)
Sales and use taxes	5,022,473	-	-	-	-	5,022,473
Due from other governments	267,004	50,326	2,814,110	661,441	4,399,560	8,192,441
Miscellaneous	1,847,880	11,640	3,603	-	172,887	2,036,010
	<u>\$ 7,675,414</u>	<u>\$ 172,843</u>	<u>\$ 3,065,609</u>	<u>\$ 661,441</u>	<u>\$ 4,572,447</u>	<u>\$ 16,147,754</u>

Governmental funds reported deferred inflow of resources in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflow of resources and unearned revenue reported in the governmental funds were as follows:

	Fund	Unearned Revenue	Deferred Inflow of Resources
Net tax revenue	General	\$ -	\$ 538,057
Other	General	42,832	-
Net tax revenue	Road and Bridge	-	110,877
Net tax revenue	Debt	-	247,896
Other	American Rescue Plan	22,355,952	-
Other	Family Health Services	75,866	-
Other	Help America Vote Act	120,000	-
Other	Emergency Rental Assistance	6,744,845	-
Other	Texas Water Development	215,000	-
	Total Governmental Funds	<u>\$ 29,554,495</u>	<u>\$ 896,830</u>

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

C. Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	<u>Beginning Balances</u>	<u>Reclasses and Increases</u>	<u>Reclasses and Decreases</u>	<u>Ending Balances</u>
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 20,212,858	\$ -	\$ -	\$ 20,212,858
Construction in progress - infrastructure	27,132,016	16,344,353	(11,228,274)	32,248,095
Construction in progress - buildings	101,276,353	4,637,529	(39,447,842)	66,466,040
Construction in progress - land improvements	-	148,589	-	148,589
Total capital assets not being depreciated	<u>148,621,227</u>	<u>21,130,471</u>	<u>(50,676,116)</u>	<u>119,075,582</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	197,674,005	21,462,786	-	219,136,791
Buildings and improvements	106,340,752	37,432,192	-	143,772,944
Park improvements	5,023,170	12,343	-	5,035,513
Equipment	39,248,581	4,632,411	-	43,880,992
Total capital assets being depreciated	<u>348,286,508</u>	<u>63,539,732</u>	<u>-</u>	<u>411,826,240</u>
Less accumulated depreciation for:				
Infrastructure	(84,073,716)	(5,481,853)	-	(89,555,569)
Buildings and improvements	(40,292,179)	(3,860,867)	-	(44,153,046)
Land and park improvements	(1,603,575)	(224,522)	-	(1,828,097)
Equipment	(28,399,056)	(3,538,389)	-	(31,937,445)
Total accumulated depreciation	<u>(154,368,526)</u>	<u>(13,105,631)</u>	<u>-</u>	<u>(167,474,157)</u>
Total capital assets being depreciated, net	<u>193,917,982</u>	<u>50,434,101</u>	<u>-</u>	<u>244,352,083</u>
Governmental activities capital assets, net	<u>\$ 342,539,209</u>	<u>\$ 71,564,572</u>	<u>\$ (50,676,116)</u>	<u>\$ 363,427,665</u>

Depreciation was charged to functions of the primary government as follows:

General administration	\$ 2,853,633
Judicial	146,680
Law enforcement/corrections	1,830,228
Community/public service	318,126
Health and welfare	942,266
General maintenance	523,399
Streets and highways	6,491,299
Total depreciation expense	<u>\$ 13,105,631</u>

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Capital Project and Construction Commitments

The County has active construction projects as of September 30, 2021. The projects include road construction, parks and park improvements, as well as facilities construction. As of September 30, 2021, the County's commitments with contractors were as follows:

Fund	Project Category	Spent to Date	Remaining Commitment
Public Safety Bond 2017 Fund	Facilities Construction & Improvements	\$ 104,610,552	\$ 1,729,380
County Priority Road Bond 2011 Fund	Road Construction	37,316,098	480,451
Road Bond 2019 Fund	Road Construction	23,151,881	5,281,424
Park Bond 2011 Fund	Park Improvements	9,224,496	102,572
Park Bond 2021 Fund	Park Improvements	58,610	1,640,642
	TOTAL	<u>\$ 174,361,637</u>	<u>\$ 9,234,469</u>

D. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Major Capital Project Funds	\$ 766,125	Short-term loans
General Fund	Non-major Capital Project Funds	2,862,130	Short-term loans
General Fund	Non-major Special Revenue Funds	2,231,229	Short-term loans
General Fund	Road and Bridge Fund	4,350,512	Short-term loans
General Fund	Debt Service Fund	143,523	Short-term loans
General Fund	Internal Service Fund	428,791	Short-term loans
	Total General Fund	<u>\$ 10,782,310</u>	
Road and Bridge Fund	General Fund	\$ 955,882	Short-term loans
Road and Bridge Fund	Major Capital Project Funds	18,363	Short-term loans
Road and Bridge Fund	Non-major Special Revenue Funds	57,192	Short-term loans
	Total Road and Bridge Fund	<u>\$ 1,031,437</u>	
Debt Service	General Fund	\$ 4,129,699	Short-term loans
	Total Debt Service Fund	<u>\$ 4,129,699</u>	
Major Capital Project Funds	General Fund	\$ 517,697	Short-term loans
	Total Major Capital Project Fund	<u>\$ 517,697</u>	
Non-major Special Revenue Funds	General Fund	\$ 560,249	Short-term loans
Non-major Special Revenue Funds	Non-major Special Revenue Funds	1,675	Short-term loans
	Total Non-major Special Revenue Fund	<u>\$ 561,924</u>	
Non-major Capital Project Funds	General Fund	\$ 1,528,061	Short-term loans
Non-major Capital Project Funds	Non-major Capital Project Funds	8,419	Short-term loans
Non-major Capital Project Funds	Debt Service Fund	459,217	Short-term loans
	Total Non-major Capital Project Fund	<u>\$ 1,995,697</u>	
Total Governmental Funds due from other funds		\$ 19,018,764	
Total Governmental Funds due to other funds		(28,849,713)	
Total Internal Service Fund due from other funds		10,259,740	
Total Internal Service Fund due to other funds		(428,791)	
		<u>\$ -</u>	

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2021, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General fund	Other Governmental Funds	\$ 2,430,326	Supplement health service costs
	Total Transfers	<u>\$ 2,430,326</u>	

E. Due to Other Governments

Due to other governments are summarized below:

<u>Fund</u>	<u>Amount</u>
General Fund	
Court fines due to State	\$ 356,773
Unclaimed funds due to State	156,680
Other amounts due to State and others	<u>426,570</u>
	<u>940,023</u>
Road and Bridge Fund	
Other amount due to State	\$ 2,715
Other amount due to State	<u>2,715</u>
Debt Service Fund	
Other amount due to others	\$ <u>140,643</u>
Total due to other government:	<u>\$ 1,083,381</u>

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2021, are as follows:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

	Restated			Amounts	
	Beginning			Ending	Due Within
	Balance	Increases	Decreases	Balance	One Year
Governmental activities:					
General obligation bonds	\$ 486,070,000	\$ 95,915,000	(66,605,000)	\$ 515,380,000	\$ 20,925,000
Certificates of obligations	-	-	-	-	-
Special assessment revenue bonds	18,440,000	9,345,000	(615,000)	27,170,000	440,000
Qualified energy conservation bonds	1,499,083	-	-	1,499,083	-
Public property finance act contract	3,246,071	-	(320,575)	2,925,496	328,815
Bond premiums	46,867,673	6,637,588	(4,221,806)	49,283,455	-
	<u>556,122,827</u>	<u>111,897,588</u>	<u>(71,762,381)</u>	<u>596,258,034</u>	<u>21,693,815</u>
Compensated absences	3,526,206	3,517,268	(3,160,850)	3,882,624	970,656
Post employment benefits	36,730,279	2,214,632	-	38,944,911	-
Pension plan benefits	19,255,943	10,299,861	-	29,555,804	-
	<u>59,512,428</u>	<u>16,031,761</u>	<u>(3,160,850)</u>	<u>72,383,339</u>	<u>970,656</u>
Total governmental activities	<u>\$ 615,635,255</u>	<u>\$ 127,929,349</u>	<u>\$ (74,923,231)</u>	<u>\$ 668,641,373</u>	<u>\$ 22,664,471</u>

The General Fund and the Road and Bridge Fund have primarily liquidated the compensated absences in the past. The postemployment benefits will be liquidated primarily by the General Fund. The pension plan benefits will be liquidated primarily by the General Fund. The private placement debt will be liquidated primarily by the General Fund.

Long-term debt of the County consists of various issues of General Obligation Bonds and Certificates of Obligation. General Obligation Bonds require voter approval at a public election before issuance, while Certificates of Obligation are issued upon the vote of the Commissioners Court. Both types are backed by the full faith and credit of the County. Debt service is primarily paid from ad valorem taxes with the exception of the Pass Through Toll Revenue and Limited Tax Bonds which are also paid from pass-through toll revenue from TXDOT. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Issue Date	Description	Maturity	Original Amount	Interest Rate / Coupon Date	Sept. 30, 2021 Ending Balance	Due Within One Year
5/3/2012	Limited Tax Refunding Bonds Series 2012 - Refunded portion of Series 2003 & 2004	8/15/2024	9,745,000	2.3% 02/15, 08/15	1,125,000	1,125,000
5/21/2013	Limited Tax Refunding Bonds Series 2013 - Refunded portion of Series 2003, 2004, 2005, 2006, 2009PT	2/15/2032	26,225,000	3.1% 02/15, 08/15	3,550,000	1,210,000
11/15/2013	Pass-Through Toll Revenue & Unlimited Tax Bonds Series 2013 - Road Improvements Texas Highway System	2/15/2038	25,920,000	4.07% 02/15, 08/15	2,705,000	865,000
9/15/2014	Limited Tax Refunding Bonds Series 2014 - Refunded portion of Series COB 2005, PTR and Limited Tax Bonds 2009	2/15/2030	9,105,000	2.63% 02/15, 08/15	7,920,000	55,000
3/15/2015	Limited Tax Refunding Bonds Series 2015 - Refunded portion of Series 2008, 2009, 2009, 2010	2/25/2029	42,595,000	2.86% 02/15, 08/15	39,880,000	3,340,000
4/1/2015	Pass-Through Toll Revenue & Limited Tax Bonds Series 2015 - Road Improvements Texas Highway System	2/15/2035	27,410,000	3.26% 02/15, 08/15	13,085,000	1,215,000
3/24/2016	Limited Tax Refunding Bonds Series 2016 - Refunded portion of Series Tax Bonds 2007, 2008, and 2009, PTR 2009, COB 2009 and 2010	2/15/2035	63,030,000	3.87% 02/15, 08/15	48,895,000	4,250,000
9/30/2016	Pass-Through Toll Revenue & Limited Tax Bonds Series 2016 - Road Improvements Texas Highway System	2/15/2036	35,065,000	3.40% 02/15, 08/15	29,535,000	1,445,000
8/16/2017	Limited Tax Refunding Bonds, Series 2017 Refunded portions of Series Tax Bonds 2011, Road Bonds 2011, and PTR 2011	2/15/2036	64,465,000	4.76% 2/15, 8/15	61,200,000	3,775,000
8/16/2017	Limited Tax Bonds, Series 2017 Public Safety Buildings	2/15/2042	96,190,000	2% 2/15, 8/15	94,340,000	1,605,000
8/16/2017	Unlimited Tax Road Bonds, Series 2017 Road Improvements and Texas Highway Improvements	2/15/2042	21,545,000	4.87% 2/15, 8/15	20,490,000	570,000
8/14/2019	Unlimited Tax Road Bonds, Series 2019 Road Improvements and Texas Highway Improvements	2/15/2044	97,035,000	3.8% 2/15, 8/15	96,740,000	310,000

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Issue Date	Description	Maturity	Original Amount	Interest Rate / Coupon Date	Sept. 30, 2021 Ending Balance	Due Within One Year
9/21/2021	Limited Tax Bonds, Taxable Series 2021 Park Bonds	2/15/2046	43,825,000	3.35% 2/15, 8/15	43,825,000	400,000
9/21/2021	Limited Tax Refunding Bonds Taxable Series 2021 - Refunded portion of Limited Tax Refunding Series Tax Bonds 2012, 2013, 2014, and PTR 2013, 2015	2/15/2038	52,090,000	1.88% 2/15, 8/15	52,090,000	760,000
	TOTAL TAX SUPPORTED DEBT				515,380,000	20,925,000
8/5/2015	Special Assessment Revenue Bonds, Series 2015 La Cima Public Improvement District Major Public Improvement Project	9/15/2045	19,200,000	6.94% 03/15, 09/15	18,160,000	270,000
11/12/2020	Special Assessment Revenue Bonds, Series 2020 La Cima Public Improvement District Neighborhood Improvement Areas 1-2 Project	9/15/2048	9,345,000	3.90% 03/15, 09/15	9,010,000	170,000
3/2/2017	Qualified Energy Conservation Bonds, 2017- Energy Efficiency Program	12/15/2031	1,499,083	1.347% 12/15	1,499,083	-
3/2/2017	Public Property Finance Act Contract, 2017- Energy Efficiency Program	12/15/2032	3,863,000	2.57% 12/15	2,925,496	328,815
	TOTAL				546,974,579	21,693,815

Refunding Bonds (from table)

In May 2012, Limited Tax Refunding Bonds, Series 2012 in the amount of \$9,745,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$690,000 and \$8,870,000 of Refunding & Improvement Bonds, Series 2003 and Unlimited Tax Bonds, Series 2004, respectively. As a result, the refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the statement of net position. On September 30, 2021, \$3,565,000 of bonds considered defeased are still outstanding. This refunding produced total savings of \$972,676 and a Net Present Value savings of \$840,011.

In May 2013, Limited Tax Refunding Bonds, Series 2013 in the amount of \$26,225,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$26,105,000 of Refunding and Improvement Bonds, Series 2003, Unlimited Tax Bonds, Series 2004, Certificates of Obligation, Series 2005, Unlimited Tax Road Bonds, Series 2006, Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009. On September 30, 2021, \$19,700,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$3,240,927 and a Net Present Value savings of \$2,334,943.

In September 2014, Limited Tax Refunding Bonds, Series 2014 in the amount of \$9,105,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$8,715,000 of Certificates of Obligation, Series 2005 and Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009. On September 30, 2021, \$8,715,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$931,444 and a Net Present Value savings of \$773,843.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

In March 2015, Limited Tax Refunding Bonds, Series 2015 in the amount of \$42,595,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$3,240,000 of Limited Tax Bonds, Series 2008, \$1,365,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009, \$22,670,000 of Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009, and \$14,470,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010. On September 30, 2021, \$39,580,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$3,089,097 and a Net Present Value savings of \$2,486,082.

In March 2016, Limited Tax Refunding Bonds, Series 2016 in the amount of \$63,030,000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$6,155,000 of Limited Tax Bonds, Series 2007, \$3,595,000 of Limited Tax Bonds, Series 2008, \$3,555,000 of Pass-Through Toll Revenue & Limited Tax Bonds, Series 2009, \$6,565,000 of Unlimited Tax Road Bonds, Series 2009, \$3,925,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2009, and \$39,275,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010. On September 30, 2021, \$49,100,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$7,146,864 and a Net Present Value savings of \$5,927,443.

In August 2017, Limited Tax Refunding Bonds, Series 2017 in the amount of \$64,465,0000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$6,395,000 of Limited Tax Bonds, Series 2011, \$29,900,000 of Unlimited Tax Road Bonds, Series 2011, and \$33,940,000 of Pass-Through Toll Revenue & Unlimited Tax Bonds, Series 2011. On September 30, 2021, \$66,675,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$9,874,662 and a Net Present Value savings of \$7,511,584.

In September 2021, Limited Tax Refunding Bonds, Taxable Series 2021 in the amount of \$52,090,0000 were issued. These bonds were used to purchase U.S. Government Securities that were placed in an irrevocable trust for the purpose of generating resources for future debt service payments of \$2,295,000 of Limited Tax Refunding Bonds, Series 2012, \$15,780,000 of Limited Tax Refunding Bonds, Series 2013, \$18,665,000 of Pass-Through Toll Revenue and Unlimited Tax Bonds, Series 2013, \$915,000 of Limited Tax Refunding Bonds, Series 2014, and \$10,070,000 of Pass-Through Toll Revenue & Unlimited Tax Bonds, Series 2015. On September 30, 2021, \$47,725,000 of bonds considered defeased are still outstanding. This refunding produced a total savings of \$7,514,511 and a Net Present Value savings of \$6,522,188.

Special Assessment Revenue Bonds (from table)

Hays County issued special assessment debt in FY 2015 to provide funds for portions of the costs of the La Cima Public Improvement District Major Public Improvement Project. Bond proceeds will be used to pay the costs of certain water, wastewater and road improvements that will benefit the entire La Cima Public Improvement District (PID). Hays County entered into an Indenture of Trust with BOKF, NA, dba Bank of Texas as Trustee. The bonds will be secured by the Trust Estate and will be repaid from amounts levied against the property owners benefiting from this construction. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, a reserve fund has been established to maintain an amount equal to the maximum annual debt service on the bonds as of their date of issuance. Additionally, pursuant to the Indenture and the Service and Assessment plan, the Trustee will transfer funds from the Pledged Revenue Fund first to a principal and interest account in an amount sufficient to pay debt service coming due, then to a Prepayment Reserve Account on an annual basis until the amount on deposit therein is equal to the prepayment reserve requirement, which is an amount equal to 1.5% of the outstanding bonds. The Trustee will then transfer funds to a Delinquency Reserve Account in an amount necessary to cover the delinquency reserve requirement, which is an amount equal to 5.0% of the principal amount of the outstanding bonds. If the amount on deposit in the Bond Fund is insufficient to pay the debt service on the Bonds due on such date, the Trustee shall transfer from the Prepayment Reserve Account of the Reserve Fund to the Bond Fund the amounts necessary to cure such deficiency. The La Cima PID bonds have a stated rate of interest of 6.93% and are payable over 30 years.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

During FY2021, the County issued Special Assessment Revenue Bonds 2020 for the La Cima Public Improvement District Neighborhood Improvement Areas #1-2 Project with principal amount of \$9,345,000. Bond proceeds were used to pay the costs of certain improvements that benefited neighborhoods in the La Cima Public Improvement District (PID). The Bonds were issued pursuant to an order adopted by the Commissioners Court on October 20, 2020 and an Indenture of Trust, dated November 1, 2020 between the County and Trustee, BOKF, NA. The bonds were secured by the Trust Estate and will be repaid from amounts levied against the property owners benefiting from this construction. The special assessments levied against assessable property located within the La Cima PID are pledged to pay the scheduled principal and interest payments on the special assessment revenue bonds. The La Cima PID bonds have a stated rate of interest of 3.90% and are payable over 30 years.

Direct Placement Debt

The County's outstanding debt at September 30, 2021 from direct placements related to governmental activities consists of \$1,499,083 in Qualified Energy Conservation Bonds and a \$2,925,496 note payable issued for the County's Energy Efficiency Capital Project.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2021, are as follows:

<u>Year Ending</u> <u>September 30,</u>	Governmental Activities				
	Bonds Payable		Direct Placement Debt		Total
	Principal	Interest	Principal	Interest	
2022	\$ 21,365,000	\$ 20,933,891	\$ 328,815	\$ 95,378	\$ 42,723,084
2023	22,140,000	20,208,886	348,309	86,927	42,784,122
2024	24,495,000	19,172,023	355,536	79,701	44,102,260
2025	26,540,000	18,039,093	362,926	72,312	45,014,331
2026	28,670,000	16,858,821	370,481	64,756	45,964,058
2027-2031	147,530,000	66,566,245	1,971,842	204,345	216,272,432
2032-2036	130,100,000	39,319,898	686,670	22,609	170,129,177
2037-2041	88,810,000	19,312,069	-	-	108,122,069
2042-2046	50,410,000	4,076,350	-	-	54,486,350
2047-2050	2,490,000	220,800	-	-	2,710,800
	<u>\$ 542,550,000</u>	<u>\$ 224,708,076</u>	<u>\$ 4,424,579</u>	<u>\$ 626,028</u>	<u>\$ 772,308,683</u>

Interest rates on long-term debt ranges from 2% to 7%.

3. Continuing Disclosure

The County has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the County.

G. Accumulated Unpaid Compensated Absences

On retirement or death of certain employees, the County pays any annual leave and compensating time in a lump sum payment to such employee or his/her estate. A summary of changes in the accumulated leave liability follows:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

		Compensated Absences
Balance, September 30, 2020	\$	3,526,206
Additions - new entrants and salary increments		3,517,268
Payments		<u>(3,160,850)</u>
Balance, September 30, 2021	\$	<u>3,882,624</u>

NOTE 4. Other Information

A. Health Care Coverage

Effective 10/1/1988 the County established a self-funded health insurance plan, which is recorded as an Internal Service Fund. This fund accounts for the health insurance risk financing activities of the County but does not constitute a transfer of risk from the County. The County pays most of the employee premium per month to the fund. Employees pay either \$47.22, \$25.00, or \$0.00 per month depending on the plan chosen and, at their option, may also authorize payroll withholdings to pay premiums for dependents. During the year ended September 30, 2021, the County contributed \$944/month for medical and \$34/month for dental per employee to the Plan. All contributions were paid to a third-party administrator, United Healthcare, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the County and the third-party administrator is renewable January 1, 2021, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through United Healthcare, a commercial insurer licensed and eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$200,000 and for aggregate loss of \$15,602,928.

Following is a reconciliation of changes in the aggregate liabilities for health claims for the current fiscal year:

	<u>FY 2021</u>	<u>FY 2020</u>
Claims payable, October 1	\$ 845,800	\$ 816,008
Claims incurred	16,027,158	12,937,635
Claims paid	<u>(14,601,912)</u>	<u>(12,907,843)</u>
Claims payable, September 30	<u>\$ 2,271,046</u>	<u>\$ 845,800</u>

There were no significant changes in coverage, retention, or limits during the fiscal year.

B. Employee Pension Plan

Plan Description

Hays County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The board of trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of nearly 800 nontraditional defined benefit pension plans. TCDRS in aggregate issues a comprehensive annual financial report on a calendar year basis. The annual comprehensive financial report is available upon written request from the board of trustees at Post Office Box 2034, Austin, Texas 78768-2034.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with 8 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 (seventy-five) or more. Members are vested after 8 (eight) years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the restricting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Employees Covered by Benefit Terms:

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries currently Receiving Benefits	467
Inactive Employees entitled to but Not Yet Receiving Benefits	1,073
Active Employees	<u>1,046</u>
Total	2,586

Contributions

The contributions rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employees gross earnings, as adopted by the employer’s governing body. The contribution rate is determined annually by the actuary, using the Entry Age Normal actuarial cost method. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer’s plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees. The employee deposit rate and the employer contribution rate may be changed by the governing body of the employer within the options available to the TCDRS Act.

Hays County has elected the annually determined contribution rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. Hays County contributed using the actuarially determined rate of 13.51% from October 2020 through September 2021 of annual covered payroll. The County’s contributions to the TCDRS for the years ending September 30, 2021, 2020, and 2019 were \$7,159,289, \$6,701,038, and \$5,943,540, respectively, and were equal to the required contributions for each year. The Commissioners’ Court, within the options available in the TCDRS Act, may change the employee deposit rate and the County contribution rate. The deposit rate payable by all employee members for the 2021 fiscal year was the rate of 7% of their annual covered payroll.

Net Pension Liability

Hays County’s Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The December 31, 2020 actuarial valuation is the most recent valuation.

Actuarial Valuation Information:

The Total Pension Liability in the December 31, 2020 actuarial valuations was determined using the following actuarial methods and assumptions:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Actuarial Valuation Date	12/31/2020
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	20.0 years
Asset Valuation Method	5 Year Smoothed Value
Actuarial Assumptions	
Investment Rate of Return	7.50%
Overall Payroll Growth	3.00%
Inflation	2.50%
Cost-of-Living Adjustments	0.00%

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.00% (made up of 2.50% inflation and 0.5% productivity increase assumptions) and a merit, promotion and longevity component that on average approximates 1.6% per year for a career employee. Mortality rates for active members were based on gender-distinct RP-2014 Active Employee Mortality Table at 90% for males and 90% for females, projected with 110% of the MP-2014 Ultimate scale after 2014. Mortality rates for retirees, beneficiaries, and non-active members were based on 130% of the RP-2014 Healthy Annuitant Mortality Tables for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014. For disabled annuitants, mortality rates were based on 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

The long-term expected rate of return on pension plan investments is 7.5%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TCDRS.

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS's investment consultants and are based on January 2021 information for a 10-year time horizon.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return (Expected Minus Inflation)</u>
U. S. Equities	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities - Developed	5.00%	4.25%
International Equities - Emerging	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships (MLPs)	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	<u>2.00%</u>	-0.70%
TOTAL	100.00%	

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Discount Rate:

The discount rate used to measure the Total Pension Liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a) - (b)
Balance at December 31, 2019	\$ 232,388,886	\$ 213,132,943	\$ 19,255,943
Changes for the year:			
Service cost	7,390,870	-	7,390,870
Interest on total pension liability ⁽¹⁾	19,034,731	-	19,034,731
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	253,431	-	253,431
Effect of assumptions changes or inputs	16,882,719	-	16,882,719
Refund of contributions	(546,891)	(546,891)	-
Benefit payments	(9,209,204)	(9,209,204)	-
Administrative expenses	-	(173,153)	173,153
Member contributions	-	3,874,136	(3,874,136)
Net investment income	-	22,021,311	(22,021,311)
Employer contributions	-	7,471,441	(7,471,441)
Other ⁽³⁾	-	68,155	(68,155)
Net changes	<u>33,805,656</u>	<u>23,505,795</u>	<u>10,299,861</u>
Balances as of December 31, 2020	<u>\$ 266,194,542</u>	<u>\$ 236,638,738</u>	<u>\$ 29,555,804</u>

⁽¹⁾ Reflects the change in liability due to the time value of money. TCDRS does not charge fees or interest.

⁽²⁾ No plan changes valued.

⁽³⁾ Relates to allocation of system-wide items.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability of Hays County, calculated using the discount rate of 7.60%, as well as what Hays County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.60%) or 1-percentage-point higher (8.60%) than the current rate:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

	1% Decrease in Discount Rate (6.60%)	Current Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total pension liability	\$ 305,534,457	\$ 266,194,540	\$ 233,666,934
Fiduciary net position	<u>236,638,736</u>	<u>236,638,736</u>	<u>236,638,736</u>
Net pension liability / (asset)	<u>\$ 68,895,721</u>	<u>\$ 29,555,804</u>	<u>\$ (2,971,802)</u>

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at www.tcdrs.org.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended September 30, 2021, Hays County recognized pension expense of \$7,405,923.

At September 30, 2021, Hays County reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Difference between expected and actual economic experience	\$ -	\$ 1,367,539
Changes in actuarial assumptions	-	12,688,990
Difference between projected and actual investment earnings	7,533,866	-
Contributions subsequent to the measurement date	-	5,390,758
Total	<u>\$ 7,533,866</u>	<u>\$ 19,447,287</u>

Hays County reported \$5,390,758 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2021	\$ 2,454,751
2022	4,374,532
2023	633,099
2024	(939,719)
2025	-
Therafter	-
Total	<u>\$ 6,522,663</u>

Each qualified employee is included in the retirement plan in which the County participates. The County participates in the Texas County and District Retirement System (TCDRS). The County does not maintain the accounting records, hold the investments, or administer the retirement plan. The total of the County's net pension liability, deferred

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

outflows of resources and deferred inflows of resources related to pensions as of September 30, 2021 and the pension expense for the year ended is as follows:

Net pension liability	\$	29,555,804
Deferred outflows of resources		19,447,287
Deferred inflows of resources		7,533,866
Pension expense		7,405,923

C. Postemployment Health Care Coverage

Plan Description and Benefits Provided

The County established a medical insurance benefit plan for retirees. The County administers this single-employer defined benefit medical plan. Eligible Hays County retirees may remain on the standard medical plan, an in-network medical plan, a dental PPO plan, a dental HMO plan and a vision plan. Subsidized medical coverage is available to the retiree but not the retiree’s spouse. Effective November 1, 2017 retirees with less than 20 years of continuous service with the County will pay the full cost of retiree coverage. Retirees with 20 or more years of continuous service with the County will continue to pay 15% of the cost of retiree coverage until the employer’s monthly cost reaches \$1,000. At that point, the retiree is responsible for the balance of the premium in excess of \$1,000 per month. Retirees with 20 or more years of continuous service with Hays County that are Medicare eligible, have the option of going to the Medicare advantage plan at no cost to the retiree. Pre 11/1/2017, full-time retired employees that have already retired under the rule of 75 with 15-19 continuous years prior to the retirement date pay 25% of the monthly premium. If the full-time pre 11/1/2017 retiree has 20 or more continuous years of service the retiree pays 15% of the monthly premium. Part-time pre 11/1/2017 employees with 15-19 years of service pay 50% of the monthly premium, those with 20 or more years pay 25% of the monthly premium. Hays County subsidizes the remaining premium cost.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Employees Covered by Benefit Terms

At the October 1, 2020 valuation date and September 30, 2021 measurement date the following employees were covered by the benefit terms:

Active members		902
Retired members		102
Beneficiaries		-
Covered spouses of retirees		<u>29</u>
Total		1,033

Expenses for postemployment benefits were recognized on a pay-as-you-go basis in the past. Premiums paid by retirees during the fiscal year ended September 30, 2021, were \$415,191.

Total OPEB Liability

The County’s total OPEB liability of \$38,944,911 was measured as of September 30, 2021 and was determined by an actuarial valuation as of October 1, 2020.

Actuarial Valuation Information:

Actuarial assumptions and other inputs - The total OPEB liability in the September 30, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Actuarial Cost Method	Entry Age Normal
Inflation	2.30%
Salary increases	3.25%
Discount rate	October 1, 2019: 2.21% October 1, 2020: 2.26%
Healthcare Cost Trend Rates	For 2021 short-term rates were 5.4% for pre-65, and 5% for post-65, and "Coordination of Benefits" for Post-65 Medicare eligible, decreasing to 3.7% for 2073 and
Retiree premium increases	Same as Health Cost Trend above.
Mortality	Pre-retirement: PUB-2010 General Retirees Amount-Weighted Table with Mortality Improvement Scale MP-2021 on a generational basis with healthy annuitant rates after benefit commencement. Post-retirement: PUB-2010 General Retirees Amount-Weighted Table with Mortality Improvement Scale MP-2021 on a generational basis with healthy annuitant rates after benefit commencement.
Participation Rates	75% of members with 15 or more years of service at retirement are assumed to elect retiree medical coverage. Those with less than 15 years of service are expected to obtain coverage elsewhere. Active participants electing coverage at retirement will also elect spouse coverage at a 32% rate.

Changes in the Total OPEB Liability

	Increase (Decrease) Total OPEB Liability
Balance at September 30, 2020	\$ 36,730,279
Changes for the year	
Service cost	1,334,493
Interest on total OPEB liability	828,767
Effect of plan changes	-
Effect of economic/demographic gains or losses	2,900,255
Effect of assumptions changes or inputs	(1,714,688)
Benefit payments	(1,134,195)
Balance at September 30, 2021	\$ 38,944,911

Changes in assumptions:

Changes of assumption and other inputs reflect the effects of changes in the discount rate for each period in fiscal year 2021; amounts reflect an increase in the discount rate from the beginning of the year from 2.21% to 2.26%.

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Sensitivity of the total OPEB liability to changes in the discount rate and healthcare cost trend rates:

The following presents the total OPEB liability of the County, calculated using the discount rate of 2.26%, as well as what the Hays County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.26%) or 1 percentage point higher (3.26%) than the current rate.

1% Decrease (1.26%)	Current Discount Rate (2.26%)	1% Increase (3.26%)
\$48,036,660	\$38,944,911	\$32,149,772

The following presents the total OPEB liability of the County, calculated using the current healthcare cost trend rates as well as what the County's total OPEB liability would be if it were calculated using the trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

	1% Decrease	Current Trend Rate	1% Increase
Total OPEB Liability	\$31,543,794	\$38,944,911	\$49,088,738

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources as Related to OPEB

	October 1, 2020 to September 30, 2021
OPEB Expense	
Service cost	\$ 1,334,493
Interest on total OPEB liability	828,767
Effect of plan changes	-
Recognition of deferred inflows/outflows of resources	
Recognition of economic/demographic gains or losses	534,166
Recognition of assumptions changes or inputs	(55,480)
OPEB Expense	\$ 2,641,946

As of September 30, 2021, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Deferred Inflows/Outflows of Resources		
Differences between expected and actual experience	\$ -	\$ 4,059,286
Changes of assumptions	(7,427,269)	466,345
	\$ (7,427,269)	\$ 4,525,631

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Year Ended September 30:		
2022	\$	478,686
2023		478,686
2024		478,686
2025		478,686
2026		44,047
Thereafter*		(660,429)
Total		1,298,362

Additional Disclosures

Texas Local Government Code, Chapter 175 requires counties to make available continued health benefits coverage under certain circumstances to retirees and their dependents beyond the end of an individual’s employment with the County by permitting covered employees to purchase continued health benefits coverage in retirement. Since Texas law does not require counties to fund all or any portion of such coverage, Hays County is under no legal obligation to supplement, directly, or indirectly, the retiree health coverage, and the decision to rescind these benefits may be made by an action of the Commissioners’ Court at any time. The County’s authority to establish and amend benefit provisions comes from Texas Local Government Code Section 157.101 and the requirement to provide retiring employees the right to purchase continued health insurance coverage comes from Texas Local Government Code, Chapter 175.

Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with the incurrence of the debt. Any debt incurred in contravention of this constitutional requirement is considered void and payment will not be due. Hays County has not incurred a legal debt obligation for OPEB and has not levied a tax for the same. The County funds the costs associated with OPEB on a current “pay-as-you-go” basis for a single fiscal year through annual appropriations authorized by the Commissioners Court during the County’s annual budget adoption process. GASB Statement No. 75 (GASB 75) *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* required governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits.

D. Group Term Life Insurance

The County provides a \$25,000 group term life insurance policy to all non-temporary employees working over 30 hours per week. The life insurance coverage reduces at age 65 to 65% and at age 70 to 50% of the original amount. Hays County’s group term life insurance premiums paid for the years ended September 30, 2021, 2020, and 2019 were \$56,055, \$54,244, and \$49,911, respectively.

E. Risk Management

The Governmental Accounting Standards Board (GASB) issued Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which established standard accounting and financial reporting practices for public entity risk pools and governmental entities. In accordance with GASB Statement No. 10, we make the following disclosures regarding the County’s risk management program.

1. Types of Risk

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021 the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Association of Counties Intergovernmental Risk Pool (“TAC”). TAC is a self-funded pool operating as a common risk

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

management and insurance program. The County pays an annual premium to TAC for its above insurance coverage. The agreement for the formation of TAC provides that TAC will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The County continues to carry commercial insurance for other risks of loss.

The County established a self-funded health insurance plan in 1988, which is recorded as an internal service fund, but this does not constitute a transfer of risk from the County. In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through United Healthcare, a commercial carrier licensed and eligible to do business in Texas in accordance with the Texas Insurance Code.

2. Insurance Coverage

Insurance is purchased from the Texas Association of Counties' County Government Risk Managements Pool and the commercial markets for exposures which are difficult to self-insure, or where analysis suggests the cost/benefit approach.

There were no significant changes in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

F. Tax Incentives

The County negotiates tax rebate agreements pursuant to Chapter 381 of the Texas Local Government Code in order to provide economic development incentives to companies that desire to relocate or expand within the County. The County negotiates incentive packages that provide job creation, job retention, private capital improvement, and positive impacts on the local economy. All Chapter 381 Agreements executed by the County contain a "Budget Out" clause that conditions the County's participation upon annual appropriation of funds by the Hays County Commissioners Court.

The County also provides current, appropriated funds to municipalities by participating in "Tax Increment Investment Zones." As an alternative to co-creating tax increment financing zones, the County participates in Tax Increment Reinvestment Zones by way of Interlocal Cooperation Agreements with municipalities. All Tax Increment Reinvestment Zone Interlocal Cooperation Agreements executed by the County contain a "Budget Out" clause that conditions the County's participation upon annual appropriation of funds by the Hays County Commissioners Court.

The County has established Transportation Reinvestment Zone One pursuant to Section 222.107 of the Transportation Code for the purpose of promoting transportation projects within the zone which will promote public safety, facilitate the improvement, development, or redevelopment of property, and facilitate the movement of traffic. Pursuant to Section 222.107 of the Transportation Code, the County has established Transportation Reinvestment Zone Number One, County of Hays ("TRZ No. 1") for the purpose of promoting transportation projects within TRZ No. 1. The County has dedicated 50% of the general property taxes related to the tax increment on the property within TRZ No. 1 to the reimbursement of TxDOT for the costs of improvements to, and extension and expansion of FM 110 (the "Project") under the terms of an advance funding agreement (the "AFA"). TRZ No. 1 remains in effect through December 31 of the year in which the County completes the repayment of money owed under the AFA, and any other agreement for the development, redevelopment, or improvement of the Project or projects for which TRZ No. 1 is designated. In Opinion No. KP-0004 dated February 26, 2015, the Attorney General of Texas has questioned the constitutional authority of a county to establish a transportation reinvestment zone and utilize captured tax increments to fund the county created tax reinvestment zone. In order to avoid this Constitutional question, Hays County is currently renegotiating its agreement with TxDOT to more closely mimic its TIRZ practices, as described above. All collected taxes under the TRZ are being held by Hays County and have not been paid.

The individual Tax Incentive programs that exceeded \$5,000 during the reporting period are disclosed in the following schedule:

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

Purpose	Tax Type	Authority	Percentage of Taxes Rebated during the Fiscal Year	Commitment Criteria	Amount of Taxes Rebated during the Fiscal Year	Budget Out Clause Included in Agreement
Economic Development Incentive	Sales Tax	Texas Local Government Code Chapter (TLGC) 381	33%	Construction of public infrastructure for an approximately 126 acre area	\$ 90,224	Yes
Economic Development Incentive	Sales Tax	TLGC Chapter 381	35%	Construction of a hospital and medical office complex	181,959	Yes
Economic Development Incentive	Property Taxes	TLGC Chapter 381	75%	Construction of new building and improvements	27,761	Yes
Economic Development Incentive	Real Property, Personal Property, and Sales Tax	TLGC Chapter 381	40% Real Property, 85% Personal, 15% to 85% Sales Tax Based on Annual Thresholds	Construction of fulfillment center with warehouse and personal and inventory property in San Marcos, Texas	995,048	Yes
Economic Development Incentive	Sales and Personal Property Tax	TLGC Chapter 381	50% Personal Property Taxes and 75% Sales Tax	Establish internet retail service operations center	1,947,875	Yes
Economic Development Incentive	Property Taxes	TLGC Chapter 381	Less Percentage of Leased Space: Year 1 at 100%, Year 2 at 80%, Year 3 at 60%, Year 4 at 40%, Year 5 at 20%	Construction of new building and improvements	80,373	Yes
Tax Increment Investment Zone	Property Taxes	Interlocal Agreement with City of Buda, TLGC Chpt 311	100% of increment	Investment within approximately 126 acres in Buda Zone	620,108	Yes
Tax Increment Investment Zone	Property Taxes	Interlocal Agreement with City of Kyle, TLGC Chpt 311	100% of increment	Investment within the approximately 475 acre Kyle Zone Number One	710,518	Yes
Tax Increment Investment Zone	Property Taxes	Interlocal Agreement with City of Kyle, TLGC Chpt 311	50% of increment	Investment within the Kyle Zone Number Two	230,113	Yes
Tax Increment Investment Zone	General Maintenance Property Taxes	Interlocal Agreement with City of San Marcos, TLGC Chpt 311	100% of increment	Investment attributed to the captured appraised value within the approximately 15 acre Reinvestment Zone Number Three	61,474	Yes
Tax Increment Investment Zone	General Maintenance Property Taxes	Interlocal Agreement with City of San Marcos, TLGC Chpt 311	100% of increment	Investment attributed to the captured appraised value within the approximately 15 acre Reinvestment Zone Number Four	215,298	Yes
Tax Increment Investment Zone	General Property Taxes	Interlocal Agreement with City of San Marcos, TLGC Chpt 311	70% of increment	Investment within the approximately 244 acre Reinvestment Zone Number Five	227,625	Yes
Tax Increment Investment Zone	General Property Taxes	Interlocal Agreement with City of Dripping Springs, TLGC Chpt 311	50% of increment	Investment within the Dripping Springs Zone Number One	191,855	Yes
Tax Increment Investment Zone	General Property Taxes	Interlocal Agreement with City of Dripping Springs, TLGC Chpt 311	50% of increment	Investment within the Dripping Springs Zone Number Two	141,269	Yes
Transportation Reinvestment Zone	General Property Taxes	Texas Transportation Code 221.107	50% of increment	Improvements to, extension, and expansion of FM 110 for promoting transportation projects within TRZ No. 1	1,466,202	No
TOTAL					\$ 7,187,702	

HAYS COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2021

G. Contingencies

The County participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the County has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the County, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

H. Restatement of Net Position

Implementation of GASB Statement #84, *Fiduciary Activities*, required a restatement of net positions for the fiduciary funds. This adjustment was needed to move beginning balances to the newly created fiduciary funds.

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX D

DESCRIPTION OF LAKE POINTE MUD

DESCRIPTION OF THE DISTRICT

Lake Pointe Municipal Utility District (the “District”) was created by consolidating West Travis County Municipal Utility District No. 3 and West Travis County Municipal Utility District No. 5. The consolidation was accomplished by election in May 2018 by the voters of each of the original districts according to the process laid out in Chapter 54 of the Texas Water Code. The District is a successor in interest to West Travis County Municipal Utility District No. 5, and has assumed West Travis County Municipal Utility District No. 5’s role as a member entity under the PUA Concurrent Ordinance.

ELECTED OFFICIALS

All of the Directors listed below reside within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held in November of even numbered years. The Directors and Officers of the District are listed below:

Name	Title
Robert Salgo	President
Penny Handsel	Vice President
Jody Flaws	Secretary/Treasurer
Jason Rew-Hunter	Director
Terry Elam	Director

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX D-2

EXCERPTS FROM THE
LAKE POINTE MUD
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2021

The information contained in this APPENDIX consists of excerpts from the Lake Pointe MUD Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

THIS PAGE LEFT INTENTIONALLY BLANK



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
Lake Pointe Municipal Utility District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lake Pointe Municipal Utility District (the "District"), as of and for the year ended September 30, 2021, 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, 2021, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 management's discussion and analysis on pages 5 through 9 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 supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information required by the TCEQ 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 supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Maxwell Locke & Ritter LLP

Austin, Texas
January 13, 2022

Lake Pointe Municipal Utility District

Management's Discussion and Analysis For the Year Ended September 30, 2021

Lake Pointe Municipal Utility District (the "District") was created through a Consolidation Agreement between West Travis County Municipal Utility District No. 3 and West Travis County Municipal Utility District No. 5 effective May 17, 2018 upon approval from voters of each district.

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the District offers the following narrative on the financial performance of the District for the year ended September 30, 2021. Please read it in connection with the District's financial statements that follow.

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 "Total Governmental Funds" 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.

Financial Highlights

- The assets of the District exceeded its liabilities at September 30, 2021 by approximately \$7,835,000.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis*
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to Basic Financial Statements*

Other supplementary information is also included.

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

The *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled “Total Governmental Funds”) 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 *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District’s adopted budget to its actual results.

The *Notes to 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*.

Schedules required by the Texas Commission on Environmental Quality are presented immediately following the *Notes to Basic Financial Statements*.

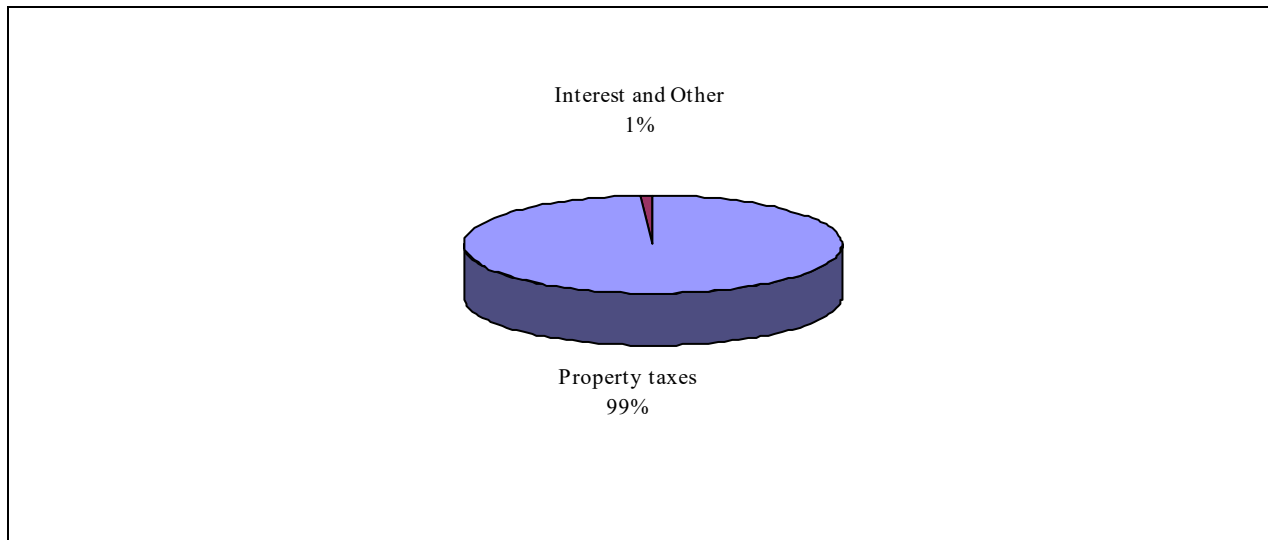
Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2021	2020	% Change
Current assets	\$ 2,540,577	\$ 2,178,891	16.6%
Capital assets	6,054,663	6,186,369	(2.1%)
Total assets	<u>\$ 8,595,240</u>	<u>\$ 8,365,260</u>	<u>2.7%</u>
Current liabilities	\$ 385,656	\$ 236,692	62.9%
Non-current liabilities	374,152	548,869	(31.8%)
Total liabilities	<u>\$ 759,808</u>	<u>\$ 785,561</u>	<u>(3.3%)</u>
Net investment in capital assets	\$ 5,510,511	\$ 5,472,500	0.7%
Restricted	247,425	275,994	(10.4%)
Unrestricted	2,077,496	1,831,205	13.4%
Total net position	<u>\$ 7,835,432</u>	<u>\$ 7,579,699</u>	<u>3.4%</u>

The District’s net position was approximately \$7.8 million as of September 30, 2021 and approximately \$7.6 million as of September 30, 2020. The District’s total assets were approximately \$8.6 million at September 30, 2021 of which approximately \$6.1 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$760,000 of which approximately \$544,000 represents bonds payable.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2021	2020	% Change
Property taxes, including penalties and interest	\$ 1,136,051	\$ 1,106,814	2.6%
Interest	6,815	35,902	(81.0%)
Other	-	21,071	(100.0%)
Total revenues	1,142,866	1,163,787	(1.8%)
Professional fees	118,949	119,520	(0.5%)
Debt service	22,533	26,383	(14.6%)
Repairs and maintenance	525,594	444,879	18.1%
Depreciation	131,706	131,706	0.0%
Contracted services	64,486	64,753	(0.4%)
Directors' fees	8,397	9,043	(7.1%)
Recurring operating	15,468	21,190	(27.0%)
Total expenses	887,133	817,474	8.5%
Change in net position	255,733	346,313	(26.2%)
Beginning net position	7,579,699	7,233,386	4.8%
Ending net position	\$ 7,835,432	\$ 7,579,699	3.4%

Operating revenues decreased by approximately \$21,000 to approximately \$1.1 million for the fiscal year ended September 30, 2021. Total expenses increased approximately \$70,000 to \$887,000 for the fiscal year ended September 30, 2021. Net position increased approximately \$256,000 for the fiscal year ended September 30, 2021, compared to an increase of approximately \$346,000 for the fiscal year ended September 30, 2020.

Analysis of Governmental Funds

	2021	2020
Cash, cash equivalents, and temporary investments	\$ 2,507,100	\$ 2,142,221
Receivables	33,477	36,670
Interfund receivable	160,717	160,459
Total assets	\$ 2,701,294	\$ 2,339,350
Accounts payable	\$ 179,889	\$ 43,875
Customer deposits	34,000	25,500
Interfund payable	160,717	160,459
Total liabilities	374,606	229,834
Deferred inflows of resources	22,177	19,970
Restricted for debt service	244,882	274,166
Assigned	884,986	-
Unassigned	1,174,643	1,815,380
Total fund balances	2,304,511	2,089,546
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,701,294	\$ 2,339,350

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, repairs and maintenance were less than budgeted due to subdivision and habitat improvements that were not completed during fiscal year 2021. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

Capital Assets

	2021	2020
Land	\$ 2,411,909	\$ 2,411,909
Drainage and irrigation systems	5,279,320	5,279,320
Boundary fence	783,601	783,601
Park improvements	34,928	34,928
Subtotal	8,509,758	8,509,758
Accumulated depreciation	(2,455,095)	(2,323,389)
Total	\$ 6,054,663	\$ 6,186,369

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

Long-Term Debt Activity

	2021	2020
Current portion	\$ 170,000	\$ 165,000
Long-term portion	<u>360,000</u>	<u>530,000</u>
Total	<u>\$ 530,000</u>	<u>\$ 695,000</u>

At September 30, 2021, the District owed \$530,000 to bond holders. During the fiscal year ended September 30, 2021, the principal balance was reduced by \$165,000. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The 2021 tax rate has been set at \$0.1617 per \$100 of assessed valuation for the District-wide area for operations and maintenance. An additional tax rate of \$0.050 per \$100 of assessed valuation has been levied on the MUD 5 Defined Area Taxing Unit for debt service. Appraised values within the District totaled approximately \$624 million for fiscal year 2022. The adopted budget for 2022 projects revenues of approximately \$1,000,000 and expenditures of approximately \$1,885,000.

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 William Swanks at TUMCO Consultants, Inc., 951 Sycamore Creek Drive, Dripping Springs, Texas 78620.

Lake Pointe Municipal Utility District

Statement of Net Position and Governmental Funds Balance Sheet September 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets:					
Cash and cash equivalents	\$ 1,973,017	5,216	1,978,233	-	1,978,233
Temporary investments	449,918	78,949	528,867	-	528,867
Receivables:					
Taxes	17,867	4,310	22,177	-	22,177
Other	11,300	-	11,300	-	11,300
Due from other funds	-	160,717	160,717	(160,717)	-
Capital assets (net of accumulated depreciation):					
Land	-	-	-	2,411,909	2,411,909
Drainage and irrigation systems	-	-	-	3,172,270	3,172,270
Boundary fence	-	-	-	470,484	470,484
Total assets	<u>\$ 2,452,102</u>	<u>249,192</u>	<u>2,701,294</u>	<u>5,893,946</u>	<u>8,595,240</u>
Liabilities:					
Accounts payable	\$ 179,889	-	179,889	-	179,889
Refundable deposits	34,000	-	34,000	-	34,000
Due to other funds	160,717	-	160,717	(160,717)	-
Bond interest payable	-	-	-	1,767	1,767
Long-term liabilities:					
Due within one year	-	-	-	170,000	170,000
Due after one year	-	-	-	374,152	374,152
Total liabilities	<u>374,606</u>	<u>-</u>	<u>374,606</u>	<u>385,202</u>	<u>759,808</u>
Deferred Inflows of Resources-					
Deferred revenue-property taxes	<u>17,867</u>	<u>4,310</u>	<u>22,177</u>	<u>(22,177)</u>	<u>-</u>
Fund Balances/Net Position:					
Fund balances:					
Restricted for-Debt service	-	244,882	244,882	(244,882)	-
Assigned-Subsequent year's budget deficit	884,986	-	884,986	(884,986)	-
Unassigned	<u>1,174,643</u>	<u>-</u>	<u>1,174,643</u>	<u>(1,174,643)</u>	<u>-</u>
Total fund balances	<u>2,059,629</u>	<u>244,882</u>	<u>2,304,511</u>	<u>(2,304,511)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,452,102</u>	<u>249,192</u>	<u>2,701,294</u>		
Net position:					
Net investment in capital assets				5,510,511	5,510,511
Restricted for debt service				247,425	247,425
Unrestricted				<u>2,077,496</u>	<u>2,077,496</u>
Total net position				<u>\$ 7,835,432</u>	<u>7,835,432</u>

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

Lake Pointe Municipal Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2021

	General Fund	Debt Service Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Revenues:					
General revenues:					
Property taxes, including penalties and interest	\$ 970,281	163,563	1,133,844	2,207	1,136,051
Interest	6,687	128	6,815	-	6,815
Total general revenues	<u>976,968</u>	<u>163,691</u>	<u>1,140,659</u>	<u>2,207</u>	<u>1,142,866</u>
Expenditures/expenses:					
Service operations:					
Legal fees	55,752	-	55,752	-	55,752
Repairs and maintenance	525,594	-	525,594	-	525,594
Management fees	60,000	-	60,000	-	60,000
Engineering fees	50,697	-	50,697	-	50,697
Audit fees	12,500	-	12,500	-	12,500
Directors' fees	8,397	-	8,397	-	8,397
Office	3,236	-	3,236	-	3,236
Tax appraisal/collection fees	4,486	-	4,486	-	4,486
Insurance	3,442	-	3,442	-	3,442
Other	8,615	175	8,790	-	8,790
Debt service:					
Principal payments	-	165,000	165,000	(165,000)	-
Interest and fiscal charges	-	27,800	27,800	(5,267)	22,533
Depreciation	-	-	-	131,706	131,706
Total expenditures/expenses	<u>732,719</u>	<u>192,975</u>	<u>925,694</u>	<u>(38,561)</u>	<u>887,133</u>
Excess (deficiency) of revenues over (under) expenditures	244,249	(29,284)	214,965	(214,965)	-
Change in net position				255,733	255,733
Fund balances/net position:					
Beginning of year	1,815,380	274,166	2,089,546	5,490,153	7,579,699
End of year	<u>\$ 2,059,629</u>	<u>244,882</u>	<u>2,304,511</u>	<u>5,530,921</u>	<u>7,835,432</u>

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

Lake Pointe Municipal Utility District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2021

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes, including penalties and interest	\$ 979,422	970,281	(9,141)
Interest	-	6,687	6,687
Total revenues	<u>979,422</u>	<u>976,968</u>	<u>(2,454)</u>
Expenditures:			
Service operations:			
Repairs and maintenance	783,902	525,594	258,308
Legal fees	56,000	55,752	248
Management fees	60,000	60,000	-
Engineering fees	31,000	50,697	(19,697)
Audit fees	12,500	12,500	-
Directors' fees	11,500	8,397	3,103
Tax appraisal/collection fees	5,000	4,486	514
Insurance	3,000	3,442	(442)
Office	11,770	3,236	8,534
Other	2,500	8,615	(6,115)
Capital outlay	<u>2,250</u>	<u>-</u>	<u>2,250</u>
Total expenditures	<u>979,422</u>	<u>732,719</u>	<u>246,703</u>
Excess of revenues over expenditures	-	244,249	244,249
Fund balance:			
Beginning of year	<u>1,815,380</u>	<u>1,815,380</u>	<u>-</u>
End of year	<u>\$ 1,815,380</u>	<u>2,059,629</u>	<u>244,249</u>

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

Lake Pointe Municipal Utility District

Notes to Basic Financial Statements Year Ended September 30, 2021

1. Summary of Significant Accounting Policies

Lake Pointe Municipal Utility District (the “District”) was created through a Consolidation Agreement between West Travis County Municipal Utility District No. 3 and West Travis County Municipal Utility District No. 5 effective May 17, 2018 upon approval from voters of each district. West Travis County Municipal Utility District No. 3 and West Travis County Municipal Utility District No. 5 were initially created on May 29, 1989 and August 28, 1989, respectively, by an Act of the State of Texas Legislature pursuant to provisions of Chapter 49 and 54 of the Texas Water Code. Upon consolidation, interests in all existing agreements, commitments, contracts, duties, leases, liabilities, loan obligations, and rights for each district transferred to the District along with ownership to all facilities and properties owned by each district. The District is a political subdivision of the State of Texas and operates under an elected Board of Directors (the “Board”).

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, 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 the Governmental Accounting Standards Board (“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.

Government-Wide and Fund Financial Statements

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 “Total Governmental Funds” 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.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and interest on temporary investments. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days after year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. The budget is proposed by the District Manager for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles. Amendments to the budget are approved by the Board. Budgetary control is exercised at the fund level.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Investments - The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, drainage and irrigation systems (purchased, constructed or donated), the boundary fence, and park improvements are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land) are depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Drainage and Irrigation Systems	50
Boundary Fence	30
Park Improvements	10

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses in the year incurred.

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

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds 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.

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 8 for additional information on those fund balance classifications.

Deferred Outflows and 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.

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.

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, 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.

Recently Issued Accounting Pronouncements

In June 2017, the 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.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

Governmental funds total fund balance	\$ 2,304,511
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	6,054,663
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	22,177
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums	(544,152)
Bond interest payable	(1,767)
Total net position	<u>\$ 7,835,432</u>

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

Excess of revenues over expenditures	\$ 214,965
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Depreciation expense	(131,706)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	2,207
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	165,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Amortization of premium	4,717
Change in bond interest payable	550
Change in net position	<u>\$ 255,733</u>

3. Cash, Cash Equivalents, and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At September 30, 2021, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety, liquidity, and return on investment.

The District is entitled to invest in obligations of the United States Government and/or its agencies and instrumentalities, certificates of deposit, repurchase agreements with a defined termination date, bankers' acceptance and commercial paper with a stated maturity of 270 days or less, no-load money market funds, and public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

Investments held at September 30, 2021 consisted of the following:

<u>Issuer</u>	<u>Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard & Poor's Rating</u>
UBS	Certificates of deposit	<u>\$ 528,867</u>	157	N/A

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's investment policy requires that certificates of deposit be either federally insured or collateralized. At September 30, 2021, all certificates of deposits were collateralized in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At September 30, 2021, the District was not exposed to custodial credit risk.

Interest Rate Risk - The District's investment policy requires that the District manage its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to short-term investments with necessary liquidity to ensure that sufficient funds are available for the continued operations and debt service requirements of the District. Certificates of deposit held by the District have set interest rates.

4. **Interfund Receivables and Payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The composition of interfund balances as of September 30, 2021, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Debt Service	General	<u>\$ 160,717</u>

5. Capital Assets

Capital assets activity for the year ended September 30, 2021 was as follows:

	Balance September 30, 2020	Additions	Retirements and Transfers	Balance September 30, 2021
Capital assets, not being depreciated-				
Land	\$ 2,411,909	-	-	2,411,909
Capital assets, being depreciated:				
Drainage and irrigation systems	5,279,320	-	-	5,279,320
Boundary fence	783,601	-	-	783,601
Park improvements	34,928	-	-	34,928
Total capital assets, being depreciated	6,097,849	-	-	6,097,849
Less accumulated depreciation for:				
Drainage and irrigation systems	(2,001,464)	(105,586)	-	(2,107,050)
Boundary fence	(286,997)	(26,120)	-	(313,117)
Park improvements	(34,928)	-	-	(34,928)
Total accumulated depreciation	(2,323,389)	(131,706)	-	(2,455,095)
Total capital assets, being depreciated, net	3,774,460	(131,706)	-	3,642,754
Capital assets, net	\$ 6,186,369	(131,706)	-	6,054,663

6. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2021:

	Balance September 30, 2020	Additions	Retirements	Balance September 30, 2021
Bonds payable	\$ 695,000	-	(165,000)	530,000
Premiums on refunding	18,869	-	(4,717)	14,152
Total	\$ 713,869	-	(169,717)	544,152

Long-term debt at September 30, 2021 is comprised of the following:

	Balance September 30, 2021	Due in One Year
\$1,935,000, Series 2011, Unlimited Tax Refunding Bonds, maturing on September 1, 2024. Interest varies from 2.00% to 4.00% and is payable on March 1 and September 1 each year.	\$ 530,000	\$ 170,000
Total	<u>\$ 530,000</u>	<u>\$ 170,000</u>

Debt service requirements to maturity for District's bonds are summarized as follows:

Year	Principal	Interest	Total Requirement
2022	\$ 170,000	21,200	191,200
2023	175,000	14,400	189,400
2024	185,000	7,400	192,400
Total	<u>\$ 530,000</u>	<u>43,000</u>	<u>573,000</u>

The District bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District.

At September 30, 2021, unlimited tax bonds of \$42,360,000 were authorized by the District, but unissued.

7. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

Upon consolidation of West Travis County Municipal Utility District No. 3 and West Travis County Municipal Utility District No. 5, the District received the rights to all uncollected property taxes. In September 2020, the District levied a tax rate of \$0.1729 per \$100 of assessed valuation to finance operating expenditures for the MUD 3 Defined Area Taxing Unit. The 2020 tax levy for the MUD 3 Defined Area Taxing Unit was \$472,301 based on a taxable valuation of \$273,164,383. The District levied a combined tax rate of \$0.2289 per \$100 of assessed valuation to finance operating expenditures and debt service requirements for the MUD 5 Defined Area Taxing Unit. The maintenance tax rate and the debt service tax rate were \$0.1729 and \$0.0560, respectively. The total 2020 tax levy for the MUD 5 Defined Area Taxing Unit was \$664,214 based on a taxable valuation of \$290,176,351.

8. 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.

Assigned - For the General Fund, the Board may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

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

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 10.

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

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 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. During the year ended September 30, 2021, there were no significant reductions in insurance coverage.

10. Commitments and Contingencies

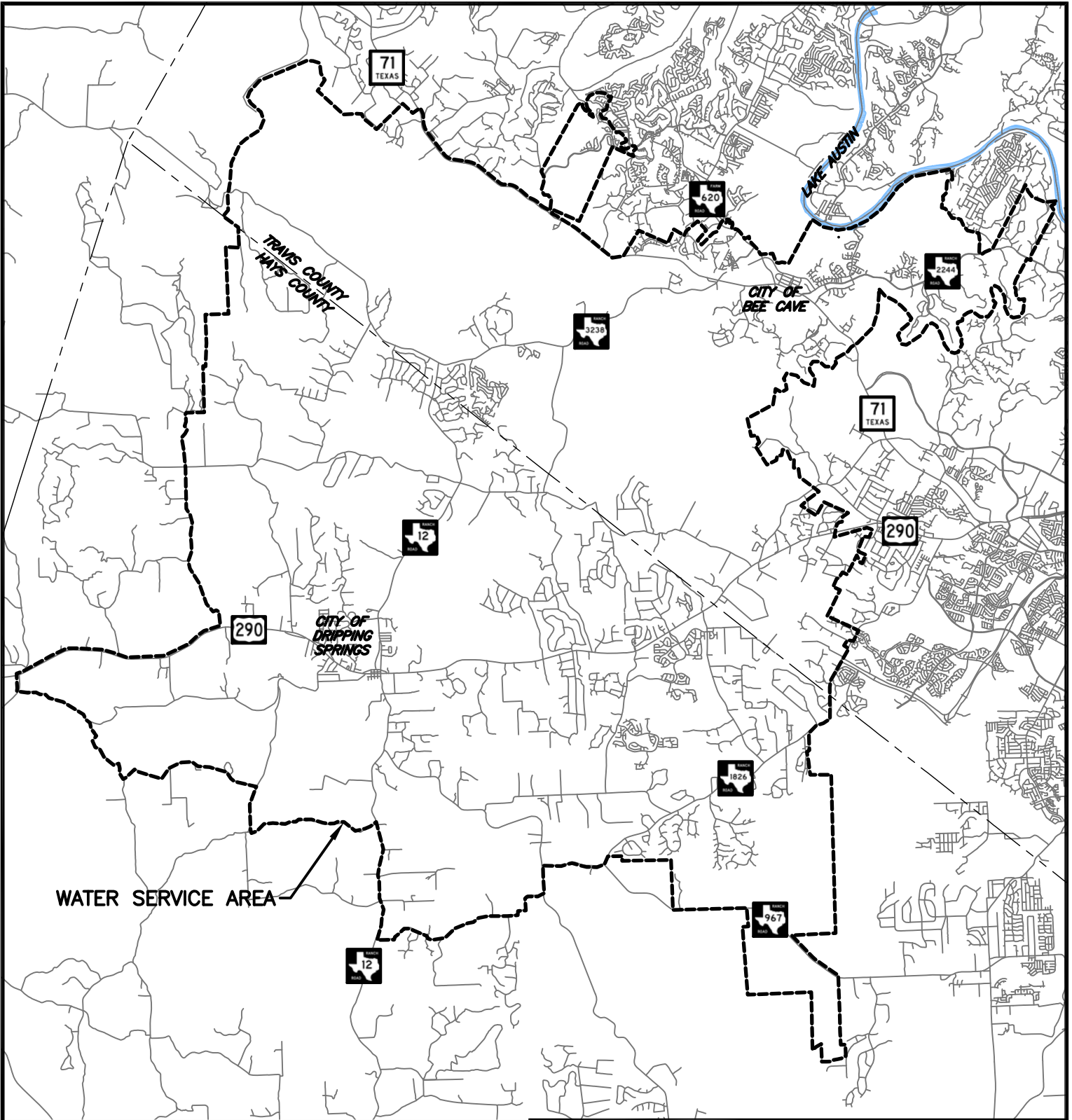
The District along with the City of Bee Cave, Texas and Hays County, Texas (collectively, the “Participants”) entered into an agreement with the West Travis County Public Utility Agency (the “PUA”), to provide for water supply and wastewater treatment services for its customers. The PUA purchased certain water and wastewater assets (“purchased assets”) from the Lower Colorado River Authority (the “LCRA”) and operates the purchased assets for the Participants. The Participants are subject to the funding of their proportionate share of annual payments required by the PUA to fund installments due to the LCRA as part of debt assumed by the PUA as part of the asset purchase, bond payments for any bonds issued by the PUA related to acquiring the purchased assets, and operation and maintenance expenses related to the purchased assets. During the year ended September 30, 2021, the District did not make any payments to the PUA related to this agreement.

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 world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. Due to the nature of the District’s services, the pandemic may negatively impact the District’s business, results of operations, and financial position; however, 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.

APPENDIX E

MAP OF THE PUA WATER AND WASTEWATER SERVICE AREA

THIS PAGE LEFT INTENTIONALLY BLANK



NOT TO SCALE



Murfee Engineering Company

EXHIBIT C

P.U.A. WATER SERVICE AREA

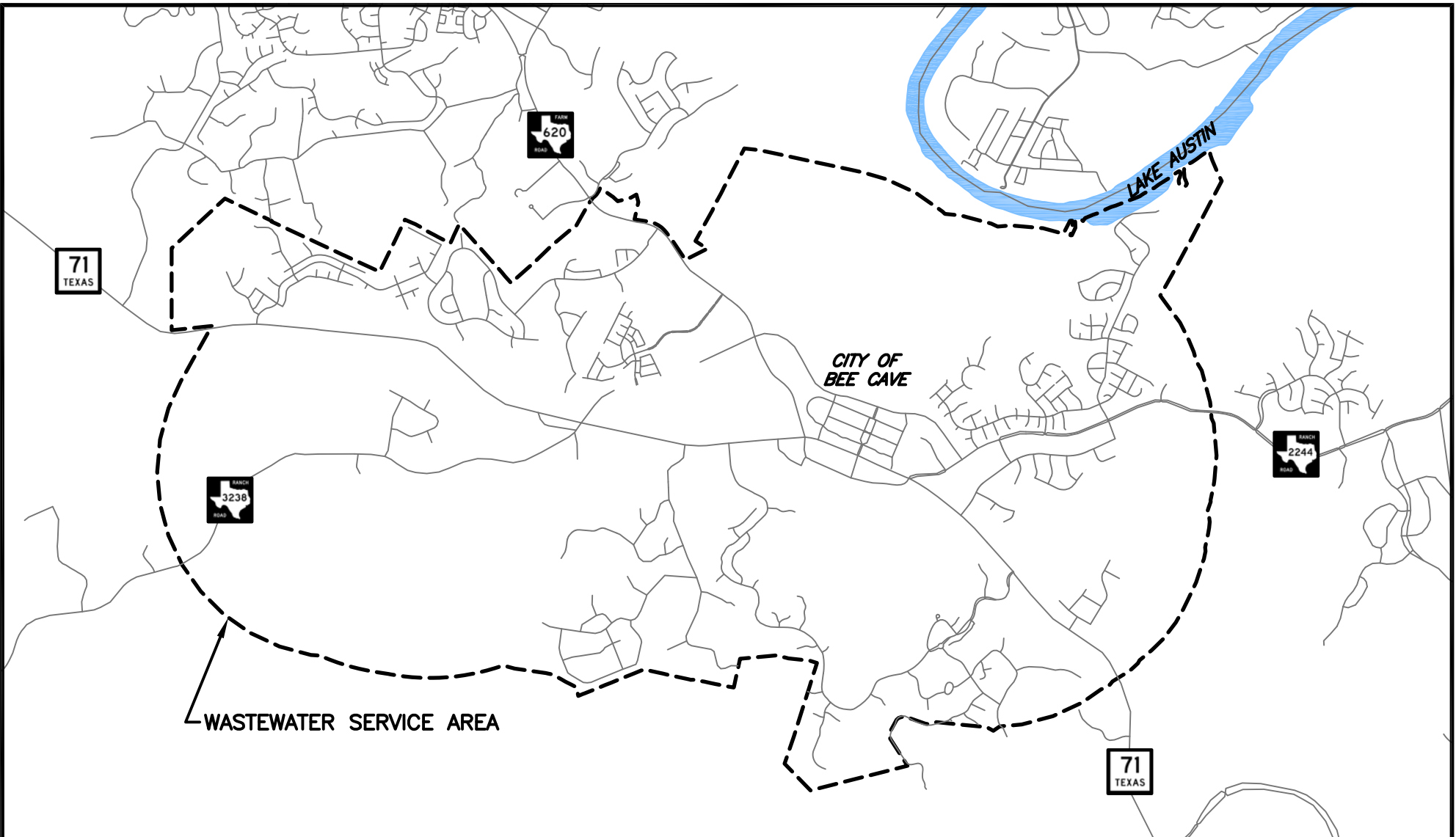
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204

Texas Registered Engineering Firm F-353

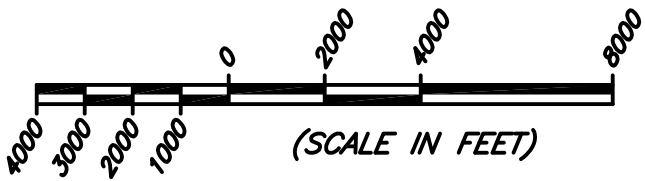
FILE(LAYOUT): O:\11051\PUA-WTR-SVC.dwg(WTR)

DATE: 2/28/2012

DRAWN: RWH



WASTEWATER SERVICE AREA



 Murfee Engineering Company		
<h2>EXHIBIT D</h2> <h3>P.U.A. WASTEWATER SERVICE AREA</h3>		
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204		
Texas Registered Engineering Firm F-353		
FILE(LAYOUT): O:\11051\PUA-WW-SVC.dwg(WW)	DATE: 2/28/2012	DRAWN: RWH

APPENDIX F

UTILITIES INSTALLMENT PURCHASE AGREEMENT

THIS PAGE LEFT INTENTIONALLY BLANK

UTILITIES INSTALLMENT PURCHASE AGREEMENT

THIS UTILITIES INSTALLMENT PURCHASE AGREEMENT (this “**Agreement**”) by and between the Lower Colorado River Authority, a conservation and reclamation district and political subdivision of the State of Texas (“**LCRA**”) and the West Travis County Public Utility Agency (“**Buyer**” or “**Obligor**”) is made and entered into effective the 17th day of January, 2012 (the “**Effective Date**”).

RECITALS

- A. LCRA owns the West Travis County water and wastewater utilities located within Travis and Hays counties and served by water and wastewater treatment facilities located within the vicinity of the City of Bee Cave, Texas (the “**Utilities**”).
- B. LCRA acquired portions of the Utilities from local governmental entities and private entities in an effort to provide regionalized water and wastewater service at a reasonable cost to the communities served by the Utilities that would be of benefit to the region.
- C. The LCRA Board has determined that the Utilities are no longer necessary, convenient, or of beneficial use to the business of LCRA and initiated a bidding process to seek out buyers of the Utilities who could meet the criteria of: providing reliable, quality utility services; having the ability to invest capital for needed infrastructure; having a commitment to meeting state regulatory requirements; and having a willingness to compensate LCRA for its investment.
- D. Buyer has met these criteria, LCRA hereby agrees to sell the Assets to Buyer, and Buyer agrees to purchase the Assets from LCRA, under the terms and conditions more particularly provided in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the parties hereto agree as follows:

The Parties agree that recitals above, including defined terms, are incorporated herein by reference for all purposes. Definitions for additional defined terms appear in Section 11.13 of this Agreement.

Article I.

PURCHASE AND SALE OF THE ASSETS

Section 1.1 Sale of Assets by LCRA. Subject and pursuant to the terms and conditions set forth in this Agreement, on the Closing Dates, LCRA shall transfer and convey to Buyer, and Buyer shall purchase and receive from LCRA, with the limited representations and warranties provided in this Agreement, all of LCRA’s right, title and interest in, to and under all of the assets, properties and rights of every kind and nature, whether real, personal or mixed,

tangible or intangible (including goodwill), wherever located and whether now existing or hereafter acquired (other than the Excluded Assets), which comprise, or are used or held for use in connection with, the Utilities (collectively, the “Assets” or “System Assets”). The Assets will be transferred AS-IS with no warranties, representations or guarantees, other than third-party warranties related to the Assets to the extent same are assignable; and provided, however, the conveyance of Property on which Material Facilities are located shall be by special warranty conveyance instrument. LCRA will use commercially reasonable efforts to identify by the Operations Transfer Date in writing to Buyer all third party warranties related to the Facilities that are assignable to the Buyer as a part of the Intangible Assets below.

Section 1.2 Description of Assets. The Assets include, without limitation, the Facilities, Intangible Assets, and Property as follows:

A. Facilities.

- (i) all of the water and wastewater utility facilities owned by LCRA, together with all improvements, structures, electrical equipment, and other equipment and tangible assets listed on Schedule 1-A of Exhibit A attached hereto and incorporated herein for all purposes (hereinafter, the “Fixtures”); and
- (ii) any other tangible assets of LCRA (such as associated laboratory equipment, office furniture, vehicles and other equipment) that are necessary for Buyer’s ownership and operation of the Assets listed on Schedule 1-B of Exhibit A (hereinafter, “Personalty”) (collectively, with (i) above, the “Facilities”).

A complete inventory of the Facilities that are owned by LCRA and necessary for the operation of the Utilities shall be taken prior to the expiration of the Review Period by Buyer and LCRA. The inventory will be used to update Schedules 1-A and 1-B of Exhibit A prior to the Operations Transfer Date. The updated Schedules 1-A and 1-B of Exhibit A may delete any items no longer owned by LCRA as a result of normal operation and maintenance of the Assets and to add items purchased by LCRA as a result of normal operation and maintenance of the Assets. All items shown on Schedule 1-B of Exhibit A, i.e. the Personalty, shall constitute the Facilities to be transferred to Buyer for operations on the Operations Transfer Date and all items shown on Schedule 1-A of Exhibit A, i.e. the Fixtures, shall constitute the Facilities to be transferred to Buyer on the Closing Dates pursuant to the terms of this Agreement. After the Operations Transfer Date, Buyer shall provide LCRA with an updated Schedule 1 of Exhibit A (reflecting the updated inventories) no later than thirty (30) business days prior to each Closing.

- B. Intangible Assets.** All contracts, leases, option rights, permits, certificates, licenses, reimbursement rights, service agreements, warranties from vendors or manufacturers or other third parties, regulatory correspondence, as-built plans and specifications, engineering reports, design plans, impact fee studies, files, records, information, data, Operational Reserve Funds, Impact Fee Funds, Developer Deposits, and other intangible assets of LCRA in draft or final form that are necessary for the on-going operation and ownership of the Facilities, including but not limited to those more particularly described

on **Schedule 2 of Exhibit A** attached hereto and incorporated herein for all purposes (collectively referred to herein as the “**Intangible Assets**”).

1. Any files, records, information or data that are privileged under the attorney-client privilege or privileged under other law may be excluded from the Intangible Assets. LCRA, and Buyer shall cooperate to transfer originals of such documents if permitted under applicable law, or to transfer copies if originals are to be retained by LCRA.
2. LCRA shall maintain current levels in the Impact Fee Funds and Operational Reserve Funds (currently estimated to total \$6,500,000) except that LCRA may expend such funds to pay for: a) Planned Improvements; b) Required Improvements; and c) Emergency Improvements. Contingent on Obligor’s timely assumption of operation of the Assets in accordance with this Agreement, remaining Operational Reserve Funds and Impact Fee Funds shall be transferred to Obligor in cash on the Operations Transfer Date. Obligor agrees and covenants to use Impact Fee Funds received from LCRA, if any, only for purposes as allowed by state law. LCRA shall provide Buyer with a written accounting of its expenditures, if any, from the Operational Reserve Funds and Impact Fee Funds no later than 10 business days prior to the Operations Transfer Date. Impact Fee Funds shall be expended only on those projects identified in the Impact Fee Studies. Operational Reserve Funds shall only be used for operations and maintenance expenses that qualify as Planned Improvements, Required Improvements or Emergency Improvements. Capital expenses qualifying as Planned Improvements, Required Improvements or Emergency Improvements shall be included in the Operating Cash Deficiency and addressed as provided in Sections 1.4, 6.2, and Definitions to this Agreement.

- C. Property.** All land and interests therein, including without limitation, contract rights, easements, licenses and rights-of-way owned by LCRA for the installation, operation, use and maintenance of, or otherwise necessary for use of the Facilities for their intended purposes, all of which land and interests therein are more particularly described on **Schedule 3 of Exhibit A** attached hereto and incorporated herein by reference for all purposes, together with all and singular the rights, privileges, and appurtenances, if any, pertaining to said land and interests therein, including any right, title, and interest of LCRA in and to adjacent streets, alleys, or rights-of-way, and together with any improvements, fixtures, and personal property of LCRA situated on and attached to said land and interests therein to the extent same constitute part of the Facilities (such assets collectively referred to herein as the “**Property**”).

The Facilities, Intangible Assets, and Property are collectively referred to herein as the “Assets” or the “System Assets.”

Section 1.3 Excluded Assets. Notwithstanding anything herein to the contrary, the Assets shall not include the items listed in **Exhibit B** attached hereto (“**Excluded Assets**”). The Excluded Assets may include interests to be retained by LCRA in certain of the Assets to be conveyed to Buyer, in which event the parties will identify any such interests to be retained by LCRA and draft appropriate conveyance instruments for the Assets which recognize, and retain for LCRA, any interests in said Assets to be retained by LCRA for its other corporate purposes

while still conveying ownership interests in the Assets to Buyer as necessary for Buyer's ownership, use and operation of the Facilities.

Section 1.4 Purchase Price.

- A.** The purchase price ("**Purchase Price**") will be (i) the full amount necessary to pay and/or defease all of LCRA's current outstanding debt attributable to the Assets, including amounts carried in LCRA's short-term debt programs, in amounts as shown on **Schedule A** and totalling approximately \$137,909,441 as of December 31, 2011; (ii) the full amount necessary to pay LCRA short-term debt incurred for capital costs based on Planned Improvements, Required Improvements and Emergency Improvements; and, (iii) the full amount necessary to pay LCRA short-term debt issued by LCRA to cover the Operating Cash Deficiency (collectively, the "LCRA Debt Obligations"). Schedule A shall be updated, as described in Section 1.4.D(1)(a) below to show all LCRA Debt Service Obligations as of the Operations Transfer Date.
- B.** The LCRA may pay for the Operating Cash Deficiency it incurs from the Effective Date until the Operations Transfer Date with the issuance of new LCRA short-term debt in an amount not to exceed \$6,000,000.00. The Operating Cash Deficiency shall include the amounts required to pay LCRA's May 15, 2012 debt service payment. The Operating Cash Deficiency shall not include any expenses incurred by LCRA in replenishing its Operating Reserve Fund unless the period of time between the Effective Date and the Operations Transfer Date exceeds three (3) months. The Parties agree that this "not to exceed" amount is based on LCRA's estimate of the possible Operating Cash Deficiency it could accumulate from January 17, 2012 until November 1, 2012 (the last possible date for the Operations Transfer Date under this Agreement). The Parties acknowledge that the Operating Cash Deficiency may be significantly less than this amount if the Operations Transfer Date is March 19, 2012. LCRA shall provide Buyer a written accounting for costs and expenses included in the Operating Cash Deficiency not less than twenty (20) calendar days following the Operations Transfer Date.
- C.** The parties agree to use their respective best efforts to achieve the Operations Transfer Date on March 19, 2012. In the event Buyer does not successfully complete assumption of operations and rate-making authority by March 19, 2012, the Operations Transfer Date will refer to the actual date that Buyer assumes operations and rate-making authority. The Operations Transfer Date will not extend beyond November 1, 2012, in which event this Agreement shall terminate in accordance with Section 9.3 below.
- D.** The Purchase Price will be paid in the form of installment payments at times specified in this Agreement ("**Installment Payments**").
- (1) Obligor's Installment Payments will be made from November 1, 2012, (or July 2, 2012 if the provisions of Section 1.4.D(2)(a) have been satisfied) through May 1, 2019, and will be made up of two types: (i) Equity Payments (as defined in Section 1.4.D(2)below); and (ii) Debt Service Payments (as defined in Section 1.4D(3) below) to be calculated and prepared based on **Schedules A and B**.

(a) **Schedule A** shall reflect outstanding principal, call dates, and debt service information for LCRA Debt Obligations and shall be updated no later than forty-five (45) days after the Operations Transfer Date (“Schedule A Update”) in a form and manner agreed to by the Parties as of the 2012 Equity Payment to include all then-current LCRA Debt Obligations as provided in this Agreement.

(b) **Schedule B** shall reflect how Installment Payments made by Obligor shall be applied to LCRA Debt Obligations, and define the remaining LCRA Debt Obligations after the first Equity Payment. Schedule B shall be prepared by an independent CPA firm, initially Grant Thornton LLP, subject to selection of an alternative firm upon mutual agreement of the Parties. The CPA firm’s expenses will be borne by the Obligor.

(c) **Schedule B** shall be prepared based upon the following methodology: following required adjustments to **Schedule A** after application of all cash received by the LCRA from the 2012 Equity Payment to pay LCRA Debt Obligations callable at the time of the payment, **Schedule B** shall be adjusted to reflect all remaining LCRA Debt Obligations (the “**Initial Schedule B**”). To the extent funds from the 2012 Equity Payment remain after defeasance of the LCRA Debt Obligations due on November 15, 2012, through May 15, 2014, as reflected on **Schedule A**, the LCRA will apply the remaining funds to retire either taxable or tax exempt short-term debt.

(d) The revised, supplemental **Schedule B** to be delivered after the second Equity Payment (“**Schedule B Supplement**”) shall represent the remaining LCRA Debt Obligations following required adjustments to **Initial Schedule B** after payment of all cash received by the LCRA from the second Equity Payment toward all then-callable LCRA Debt Obligations (including long term debt and outstanding short-term debt of LCRA). To the extent funds from the second Equity Payment remain after such redemption/defeasance of all then-callable LCRA Debt Obligations, LCRA will use the funds to defease remaining non-callable LCRA Debt Obligations.

(e) The **Schedule B Supplement** to be delivered after any subsequent Installment Payment shall represent the remaining LCRA Debt Obligations following required adjustments to the last prepared and accepted **Schedule B** after payment of all cash received by the LCRA from the most recently received Installment Payment, first, toward all then-callable LCRA Debt Obligations and, second, to defease remaining non-callable LCRA Debt Obligations.

(f) Debt Service Payments and Equity Payments may be combined into a single Installment Payment by Obligor to LCRA also as shown on **Schedule B**.

(g) If either party disputes or objects to the items updated in the Schedule A Update, the Initial Schedule B, or a Schedule B Supplement prepared for the purposes of this Agreement because such Party believes the disputed Schedule is

not in compliance with the terms and conditions of this Agreement, the parties shall mutually identify a third-party CPA firm to prepare a revised Schedule, and the cost of the preparation of such revised schedule shall be borne by the Party requesting such revised Schedule. Unless a party objects in writing to the revised Schedule within 14 days of receipt of the revised Schedule, the revised Schedule shall be deemed approved. In the event of dispute between the parties, the revised Schedule shall be referred to binding arbitration pursuant to the provisions of Article IX and Exhibit H unless the parties agree otherwise.

- (2) Obligor's Equity Payments will be calculated based on the amounts needed by LCRA to pay off its long-term LCRA Debt Obligations as such debt becomes callable, as shown on **Schedule A** and the **Schedule A Update**.
- (a) Obligor agrees to use its best efforts to finance a first Equity Payment to the LCRA in an amount not less than \$23,588,485 to be made on July 2, 2012, contingent upon the Obligor's ability to obtain a rating of "Baa" or higher from Moody's Investors Service, Inc. ("Moody's") or "BBB" or higher from Standard & Poor's Rating Services ("S&P"). This payment would be available to be applied to any LCRA Debt Obligations occurring after July 2, 2012. Obligor agrees to make a first Equity Payment to the LCRA of not less than \$23,588,485 to be made on November 1, 2012, in the event that the Obligor cannot obtain an investment grade rating in time for a July 2, 2012, payment (as described above).
- (b) Obligor further agrees to use its best efforts to finance a second Equity Payment to the LCRA in an amount not less than the amount of then-outstanding and currently-callable LCRA Debt Obligations to be made on May 1, 2013, contingent upon the Obligor's ability to obtain a rating of "A2" or higher from Moody's and "A" or higher from S&P. This payment will be available to be applied to any LCRA Debt Obligations as shown **Schedule B** remaining after the receipt of the first payment made by the Obligor to the LCRA. Obligor agrees to make a second Equity Payment to the LCRA of not less than \$93,245,068 on May 1, 2014, in the event the Obligor cannot obtain the ratings for the May 1, 2013, Equity Payment specified above.
- (c) Obligor thereafter will make semi-annual Debt Service Payments starting with the November 1, 2014, due date and Equity Payments as shown on **Schedule B** on May 1, 2015, and May 1, 2019 (as additional LCRA Debt Obligations become callable on or prior to May 15, 2015, and May 15, 2019). This Agreement may refer to Equity Payments by the year for which they are scheduled (e.g., "2015 Equity Payment").
- (d) Debt Service Reserves as of the Operations Transfer Date (currently estimated in the amount of \$3.3 Million) and Coverage from Obligor's Debt Service Payments will be used to pay callable LCRA Debt Obligations to reduce Obligor's Equity Payments. The balance of the Debt Service Reserves after use to pay callable

LCRA Debt Obligations will be reflected in Schedule A and Schedule B as prepared and revised for the purposes of this Agreement.

(3) Obligor's Debt Service Payments ("**Debt Service Payments**") shall be made as shown on **Initial Schedule B** or any **Schedule B Supplement**, as may be updated as provided for herein (and such updates to be approved by LCRA and Obligor) and shall be equal to LCRA's annual debt service on outstanding principal and interest payments on LCRA's Debt Obligations including applicable Coverage.

(a) Coverage ("**Coverage**") on Debt Service Payments will be calculated based on:

- i. actual fixed rate annual debt service (principal and interest payments) on the portion of the LCRA Debt Obligations consisting of long term tax exempt bonds as shown on Schedule B;
- ii. interest payments on the portion of the LCRA Debt Obligations consisting of outstanding tax-exempt and taxable short-term debt as shown on Schedule A and additional short-term debt issued by LCRA for the purposes of the Operating Cash Deficiency to be updated on Schedule A as of Operations Transfer Date; provided, however Obligor agrees that LCRA may use Coverage amounts from Obligor's Debt Service Payments to prepay the portion of the LCRA Debt Obligations consisting of the outstanding principal and interest balances on LCRA's outstanding short-term debt at LCRA's discretion;
- iii. Obligor's Debt Service Payments shall include a coverage amount of twenty-five percent (25%) as applied to the amounts in subsections "i." and "ii." above and credited to Obligor's future Debt Service and Equity Payments as stated in this Agreement; and,
- iv. Debt Service Payments will be reduced to account for the application of Coverage to prepay LCRA Debt Obligations and as Equity Payments are made and LCRA retires the LCRA Debt Obligations.
- v. Coverage shall not apply to any portions of any Installment Payments that prepay the Debt Service Payments prior to their applicable Debt Service Payment due date.

(b) Debt Service Payments shall be made semi-annually no later than May 1 and November 1 of each year beginning November 1, 2012, but only to the extent such payments have not been satisfied by Equity Payments received by LCRA on or before such date. Obligor's first Debt Service Payment shall be made no later than November 1, 2012. LCRA shall be responsible for paying the portion of the LCRA Debt Obligations consisting of the principal and interest on the long term debt due on May 15, 2012, and the amount of such payment shall be included in the Operating Cash Deficiency to be repaid by Obligor as described in Section 1.4.B above.

- (c) Coverage paid by Obligor will be credited against the final Equity Payment due on May 15, 2019, unless previously used to pay LCRA Debt Obligations. Notwithstanding anything herein to the contrary, in lieu of prepaying or defeasing the LCRA Debt Obligations with the Debt Service Payments or Equity Payments, LCRA shall have the right to use all funds paid by Obligor under this Agreement, including Debt Service Payments, Equity Payments or Redemption Payment, for any lawful purpose; i.e., LCRA may elect to use such funds to pay for other capital expenditures in lieu of issuing new debt for such purposes, provided, however, that all of Obligor's Debt Service and Equity Payments, including Coverage, are credited to the LCRA Debt Obligations as provided herein and LCRA's use of such funds as stated above will in no way increase or otherwise affect Obligor's Equity and Debt Service Payments. LCRA may transfer from Coverage the amount of three percent (3%) as applied to the amounts in subsections "a.i." and "a.ii." above (that is, 3 percentage points out of the 25 percentage points total) to the LCRA Public Service Fund, provided, however that such transferred funds shall be credited against Obligor's Debt Service and Equity Payments if such payments are timely made by Obligor.
- (d) LCRA shall maintain Debt Service Reserves to be funded by current LCRA Debt Service Reserves on hand on the Effective Date and from Coverage from Obligor's Debt Service Payments. If Coverage is insufficient to fund Debt Service Reserves due to default in payments by Obligor as provided in this Agreement, Obligor will fund any additional Debt Service Reserves necessary within ten (10) days after written demand by LCRA. In the event LCRA has exercised its remedy hereafter provided for and begun to provide wholesale water and sewer service to Obligor and it becomes necessary for LCRA to collect from Obligor additional sums for Debt Service Reserves as a result of Obligor's default in payment, LCRA may collect same as a surcharge related to Debt Service Reserves, and LCRA will bill Obligor and Obligor will pay LCRA according to the procedures and timelines for billing and payment provided in the New Raw Water Contract (defined below). The 2019 Equity Payment will be reduced to account for the application of any Debt Service Reserves toward the payment of the LCRA Debt Obligations remaining immediately prior to the 2019 Equity Payment.
- (e) Obligor will pledge its revenues in order to pay Installment Payments and all other obligations of Obligor under this Agreement and such pledge will be senior to any payment due from Obligor for any other indebtedness. Obligor grants LCRA a lien on its revenues securing the Installment Payments and all other obligations of Obligor under this Agreement. In addition, payments due LCRA under this Agreement shall be an expense on the books of the Obligor, to be paid ahead of any of Obligor's debt service obligations.

E. Installment Payments for the Purchase Price will be paid by wire transfer of immediately available funds to an account designated by LCRA.

Section 1.5 Earnest Money. In consideration of the obligations undertaken by Obligor in this Agreement, and also in consideration of the dismissal of rate appeals pending before the Texas Commission on Environmental Quality regarding the Assets on the Effective Date, no earnest money will be deposited by or due from Obligor.

Section 1.6 Closing Dates. For each Equity Payment made, LCRA and Obligor shall have a Closing in which LCRA transfers and conveys to Obligor interests in the System Assets as follows :

- A. at the time of the first Equity Payment in July/November, 2012, LCRA will convey all of its title to and interest in the retail distribution and collection facilities included in the System Assets to Obligor.
- B. at the time of Obligor's First Equity Payment in July/November, 2012, and at each of Obligor's subsequent Equity Payments, LCRA shall convey to Obligor an undivided ownership interest in the capacity of the Central Facilities commensurate with the amount of each such Equity Payment as compared to the amount of the LCRA Debt Obligations as shown on the Schedule A Update, so that Obligor shall acquire an ownership interest in the capacity in the Central Facilities in proportion to the amount of the LCRA Debt Obligations as of the Schedule A Update, that Obligor's Equity Payments retire, defease or redeem.
- C. LCRA will retain legal title to the Central Facilities and any undivided capacity interests not conveyed to Obligor until the final 2019 Equity Payment is made as provided herein. Upon full payment of all Installment Payments, LCRA shall have conveyed legal title and all capacity interest in the System Assets at the Closing of Obligor's final 2019 Equity Payment.
- D. In this Agreement, Closing Dates may be referred to individually by the year in which an Equity Payment and a corresponding Closing Date will occur; for example, 2015 Closing Date will refer to the Equity Payment due May 1, 2015, and the corresponding Closing Date.

Section 1.7 Obligor's Rights After Operations Transfer Date. From and after the Operations Transfer Date, Obligor shall have the right to manage and control operations of the Assets (including Central Facilities) and to set rates for service from the Assets (including Central Facilities); provided, however, if any "Required Consents" or "Required Approvals" necessary for Obligor to exercise such rights have not been obtained, LCRA and Obligor agree to enter into such agreements as necessary for Obligor to receive the beneficial interests contemplated by full exercise by Obligor of such operational and rate-setting aspects of the Assets as described below in, and subject to, Article III of this Agreement. Although LCRA may retain legal title to the Central Facilities and certain undivided interests in the capacity of the Central Facilities until the final Equity Payment, LCRA's retention of such legal title and undivided capacity interests shall not confer any rights or privileges in favor of LCRA that interfere with or are in abrogation of Obligor's rights and privileges under this Agreement arising on the Operations Transfer Date (including Obligor's right to manage and control operations and

set rates for service from the Assets) except as otherwise provided by the terms related to LCRA's remedies for payment defaults as provided below.

Article II.

BUYER'S INVESTIGATION RIGHTS

Section 2.1 Environmental Assessment. LCRA will have conducted a Phase I environmental assessment on all of the Property at no cost to Buyer, provided that LCRA will not be required to obtain any third party services for completion of the assessment (the "ESA"). The ESA may be apportioned with different assessments for different portions of the Property. LCRA agrees to provide Buyer with a copy of the initial ESA at least ten business days prior to the Operations Transfer Date.

Section 2.2 Document Review. Beginning on the Effective Date, LCRA shall make available for reasonable inspection and copying by Buyer upon reasonable notice from Buyer and at Buyer's expense during normal working hours at the Facilities or at the offices of LCRA or its agents, the following documents to the extent same are in LCRA's possession at its Facilities and offices and are not privileged (that is, excluding documents or records that are privileged under the attorney-client privilege or other law, provided that no such privilege shall affect or excuse LCRA's obligations to make disclosures regarding the Assets as otherwise expressly provided in this Agreement) (the "Review Documents"):

- A. copies of all books, records, operating reports, trade account reports, accounts payable and receivable lists, utility service agreements, vendor contracts, management agreements, maintenance records, purchase or sale contracts, regulatory records and correspondence, deeds, easements, surveys, plats or descriptions, plans and specifications, licenses, permits, certificates, soil reports, inspection reports, and engineering reports (including, without limitation, endangered species, environmental, and governmental inspection reports of LCRA related to the ownership or operation of the Assets or relating to or in respect of the physical condition or operation of Assets);
- B. copies of work papers which reflect the revenues, expenses, cash flows, assets and liabilities of the Assets since July 1, 2006, and LCRA's most recent budget and forecast related to the Assets;
- C. copies of any other documents evidencing LCRA's interests in the Property.

LCRA will use reasonable efforts to make the Review Items available to Buyer in electronic format so that the Review Items may be viewed remotely. Buyer agrees that, for any Review Item that LCRA makes available to Buyer in electronic format, LCRA will have satisfied its obligations under this Section; provided, however, that LCRA will deliver any hard copies of the Review Items to Buyer at Closing. LCRA represents, warrants and covenants that all Review Items provided to Buyer in connection with Buyer's investigation and due diligence of the Utilities and the Assets shall, in the case of documents and materials, be originals or true and correct copies of originals or, in the case of other information, be materially true, correct and complete. Until the 2019 Closing Date, Buyer shall have the right, during normal business hours and upon reasonable prior notice to LCRA, to conduct any and all reviews, investigations, or

examinations of the Review Documents which Buyer determines necessary in its sole and absolute discretion; provided, however, that Review Documents may be transferred by LCRA to Buyer prior to the 2019 Closing Date.

Section 2.3 Asset Review. From the Effective Date and continuing until the sixtieth (60th) day after the Effective Date (the “Asset Review Period”), Buyer at its expense shall have the right, during normal business hours and upon reasonable prior notice to LCRA, to conduct any and all investigations, examinations and/or environmental assessments of the Facilities and Property that Buyer determines necessary in its sole and absolute discretion, provided, however, any environmental testing or sampling shall require the prior written approval of LCRA, which approval shall not be unreasonably withheld or delayed. Buyer will make available to LCRA for review during regular business hours, within a reasonable period of time following request by LCRA, the results of any investigations or examinations of the Facilities or Property conducted by Buyer. In the event that Buyer substantially disturbs or substantially disrupts any of the Facilities and Property during the Asset Review Period, Buyer shall be obligated to restore the Facilities and Property or any item related thereto substantially to its prior condition to the extent Buyer’s review, investigation, or examination changed same and this obligation shall survive any termination of this Agreement. LCRA may, at LCRA’s option, accompany Buyer during any such inspections.

Section 2.4 Refusal to Provide Access. Should LCRA refuse to provide Buyer with access to the Facilities and Property within the Asset Review Period as provided in this Agreement, Buyer shall provide written notice of such refusal within the Asset Review Period by hand delivery or overnight delivery, receipt requested, to LCRA to the address specified in this Agreement. Such notice shall specifically identify the Assets to which LCRA has failed to allow Buyer access. If LCRA does not cure the alleged refusal within ten (10) business days from the date of receipt of such notice, such refusal shall be a material default by LCRA of this Agreement and Buyer may, as its sole and exclusive remedies, to enforce this Agreement by specific performance, mandamus, or similar remedy and recover its attorney fees in doing so. In the event LCRA refuses to pay reasonable and necessary attorney fees to Buyer after issuance of a court order for specific performance, mandamus, or similar remedy, Buyer may subtract its reasonable and necessary attorney fees approved by the court issuing said order from the Purchase Price.

Article III.

CONSENTS AND APPROVALS

Section 3.1 Required Consents. The parties acknowledge that certain of the Intangible Assets consisting of utility service and other agreements to which LCRA is a party – including agreements for construction of retail infrastructure and wholesale service agreements – and certain portions of the Property on which Material Facilities are located require the consent of another party (“**Required Consents**”) as a condition of LCRA’s assignment of said agreements, conveyance of infrastructure that is subject to said Intangible Assets or Property portions, and Obligor’s assumption of LCRA’s rights and obligations under said Intangible Assets or Property portions. All Required Consents identified by LCRA after due inquiry are listed in Schedule 4 of Exhibit A. Beginning on the Effective Date, Obligor shall use

commercially reasonable efforts to obtain all Required Consents and keep LCRA informed of the status of same, including at a minimum providing a monthly status report in writing to LCRA. LCRA agrees to use commercially reasonable efforts to cooperate with, and assist, Obligor in obtaining the Required Consents; provided, however, that such cooperation and assistance will not require any third-party expenditures by LCRA. To the extent that any of Intangible Assets are not assignable or not transferable without a Required Consent, this Agreement shall not constitute an assignment or transfer of those contracts if such assignment or transfer would constitute a breach thereof or a violation of any law absent such Required Consent.

- A. In the event a Required Consent pertaining to a wholesale service agreement between LCRA and customer receiving service from the Assets is not obtained by the Operations Transfer Date, the parties agree to enter into an operations agreement for Buyer to operate all Assets necessary to enable LCRA to provide wholesale services to said non-consenting wholesale customer for the duration that LCRA remains responsible for providing such wholesale service. LCRA shall continue to provide wholesale service, including setting of rates to cover costs of service to the non-consenting wholesale customer, in accordance with the wholesale service agreement.
- B. In the event a Required Consent pertaining to infrastructure included with the Assets is not obtained by the Operations Transfer Date, this Agreement shall constitute a license from LCRA to Buyer for Buyer to possess and use said infrastructure subject otherwise to the terms of the agreement by which LCRA obtained rights in said infrastructure. Title to said infrastructure will not pass from LCRA to Buyer until the Required Consent is obtained.

Section 3.2 Required Approvals. Buyer shall use commercially reasonable efforts to obtain all Required Approvals as provided in Schedule 5 of Exhibit A (“Required Approvals”). Buyer shall keep LCRA informed of the status of obtaining the Required Approvals, including at a minimum providing a monthly status report in writing to LCRA. LCRA agrees to use commercially reasonable efforts to cooperate with, and assist, Buyer in obtaining the Required Approvals; provided, however, that such cooperation and assistance will not require any third-party expenditures by LCRA. LCRA shall have the right to review any filings made by Buyer with the TCEQ prior to the filing of same. The parties shall use their respective best efforts to obtain TCEQ approval for the transfer of Certificate of Convenience and Necessity No. 11670 as it pertains to the Assets (the “WTC CCN”) to Buyer by the Operations Transfer Date. Notwithstanding the foregoing sentence, LCRA agrees that it shall not object to Buyer’s assumption of operation of and rate-making authority for the Assets on the Operations Transfer Date in the event such Required Approval remains pending, except to the limited extent a Required Consent remains pending and would affect Buyer’s assumption of rate-making authority. The parties agree and covenant that transfer of the WTC CCN shall not require, nor will such transfer include nor shall either party request, review by TCEQ of the Purchase Price or the LCRA Debt Obligations.

Article IV.

REPRESENTATIONS AND COVENANTS OF BUYER

Section 4.1 Authorization and Validity of Agreement. Buyer represents and warrants to LCRA that the following are true, accurate, and complete as of the Effective Date. The representations and warranties in this Article IV shall survive termination of this Agreement or Closing.

- A. each of the persons executing this Agreement on behalf of Buyer are duly authorized to do so;
- B. Buyer is a duly created Public Utility Agency pursuant to Chapter 572, Texas Local Government Code, and Buyer has full right and authority to enter into this Agreement and to consummate the transaction described in this Agreement;
- C. this Agreement constitutes the valid and legally binding obligation of Buyer and is enforceable against Buyer in accordance with its terms, subject to applicable law;
- D. neither the execution nor delivery of this Agreement nor the performance of Buyer's obligations under this Agreement violates, or will violate, any contract or agreement to which Buyer, or any member of Buyer, is a party or by which Buyer, or any member of Buyer, is otherwise bound; and
- E. there is no claim, action, suit, proceeding, investigation, inquiry, state or federal legislative action pending, or to the knowledge of Buyer, threatened, that would prevent Buyer from entering into or performing its obligations under this Agreement.

Section 4.2 Independent Decision. Buyer has conducted its own independent investigation of the Assets in making its determination as to the propriety of entering into this Agreement. Buyer has relied solely on the results of its own investigation and on the representations and warranties of LCRA provided in Article V below.

Section 4.3 Covenants of Buyer. In addition to other covenants expressly provided by Buyer in this Agreement, Buyer covenants as follows, all of which covenants shall survive until the termination of this Agreement upon the 2019 Closing Date:

(a) **Financial Ability.** Buyer shall have sufficient funds and financial ability to (i) pay the Purchase Price through the Installment Payments, when due, (ii) fund working capital to operate the Assets and provide adequate and reliable water and wastewater services to customers in compliance with contracts for service and local, state and federal regulations, and (iii) fund ongoing capital expenditures for required upgrading, renewals and replacements.

(b) **Rates.** Obligor agrees and covenants to timely increases in rates, as necessary, such that it has sufficient revenues to provide for the Installment Payments provided under this Agreement until all LCRA Debt Obligations are retired and this Agreement terminates.

(c) **Operational Ability.** By the Operations Transfer Date, Obligor shall have the employees or contracts with an operating company with experience and licenses necessary to operate the Assets in a manner to provide continuous, adequate and reliable water and wastewater services in compliance with all federal, state and local regulations. Obligor will consider hiring available and qualified LCRA employees having knowledge of and experience in operating and managing the Assets.

(d) **Warranty to Operate and Maintain.** Obligor shall operate and maintain the Assets at Obligor's expense, in accordance with TCEQ regulations and normal utility practices during the term of this Agreement consistent with level of operations described in **Exhibit C**. LCRA has the right to inspect the Assets to ensure compliance with TCEQ regulations until all LCRA Debt Obligations are retired.

(e) **Insurance.** Obligor shall maintain an appropriate amount of casualty insurance – to cover property damage, personal injury and wrongful death – and pollution liability insurance at all times with LCRA named as an additional insured until all LCRA Debt Obligations are retired and this Agreement terminates. LCRA will have right of mandamus to enforce this covenant.

(f) **Hazardous Substances.** Buyer agrees and covenants to LCRA not to create or permit a nuisance or store, use, manufacture or dispose of Hazardous Substances in, on or under the Property except: (i) in strict compliance with federal, state and local regulations and any necessary regulatory permits therefor; and, only to the extent reasonably necessary for potable water and treated wastewater services from the Utilities.

(g) **Prohibition on Buyer Conveying Interests in Property.** Buyer agrees and covenants to LCRA not to transfer, hypothecate or otherwise encumber either Buyer's or LCRA's rights in this Agreement or Buyer's or LCRA's rights in the Assets; provided, however, the parties expressly recognize and agree that the Obligor shall have the right (and the limitations expressed in this section shall not be construed to limit or interfere with the Obligor's right) to transfer, hypothecate and otherwise encumber (i) the Assets comprising the distribution and collection systems (upon the transfer of legal title to such systems to the Buyer) or (ii), subject only to the priorities expressed in this Agreement, the revenues derived from (A) the interests of the Obligor in the Assets (as and when such interests arise) or (B) the Obligor's rights under this Agreement.

Article V.

REPRESENTATIONS AND COVENANTS OF LCRA AND RELATED AGREEMENTS BY OBLIGOR

Section 5.1 Authority and Validity of Agreement.

LCRA represents and warrants to Buyer that the following are true, accurate, and complete as of the Effective Date. The representations and warranties within this Section 5.1 shall survive the termination of this Agreement or Closing.

- A. Each of the persons executing this Agreement on behalf of LCRA is duly authorized to do so;
- B. LCRA has full right and authority to enter this Agreement and to consummate the transaction described in this Agreement;
- C. This Agreement constitutes the valid and legally binding obligation of LCRA, and is enforceable against LCRA in accordance with its terms, subject to applicable law, and will not contravene any other agreement to which LCRA is a party;
- D. There is no claim, action, suit, proceeding, investigation, inquiry or state or federal legislative action pending which would prevent LCRA entering into or performing its obligations under this Agreement except as disclosed on **Exhibit D**;
- E. LCRA has no knowledge that any Material Facilities are located outside either the Property or dedicated public utility easements or rights-of-way appropriate for same except as disclosed on **Exhibit E**; and LCRA shall use good faith efforts and cooperate with Buyer in a timely manner to assist in the correction of any title, easement or right-of-way issues that may arise during the course of Buyer's operation and ownership of the Assets, provided such assistance is provided at no cost to LCRA other than the use of LCRA employee staff time; the parties acknowledge and agree that the Required Consents are not exhaustive with regard to consents or approvals, if any, relating to portions of the Property on which Facilities other than Material Facilities are located; and;
- F. To the best of LCRA's knowledge, the Assets are not subject to any materialman's liens, debts, or claims by or through LCRA filed in the public records of Travis or Hays County Texas or claims by or through LCRA filed in any legal or administrative tribunals.

Section 5.2 LCRA Covenants to Buyer. In addition to LCRA's and Buyer's other agreements and undertakings hereunder, LCRA hereby represents, warrants and covenants to Buyer that:

- A. **Notices Received.** LCRA, at its sole cost and expense, will promptly deliver to Buyer copies of any of the following received by LCRA after the Effective Date: (i) written notices alleging the occurrence of any default or alleged default under any of the contracts included in the Assets; (ii) written violations or alleged violations of any law, regulation, order, or other requirement of any governmental authority having jurisdiction over the Assets, including a proposed compliance order; or, (iii) tort claims filed in court relating to LCRA's ownership or operation of the Assets.
- B. **Completeness.** Except for Excluded Assets, the Assets comprise all of the property and assets of the Utilities as currently used in or necessary for the operation of the Utilities.
- C. **"As Is," Claims, Liens and Encumbrances.** Except for manufacturer's and contractor's warranties as otherwise expressly provided in this Agreement, the Assets shall be

transferred AS-IS and with no representations or warranties other than special warranty of title as provided herein.

D. Required Approvals. Exhibit A, Schedules 4 and 5, list all material Required Approvals and Required Consents known to LCRA. Other than the Required Approvals, LCRA has no knowledge of any approvals needed for LCRA to transfer the Assets to Buyer on Closing Dates as contemplated herein.

E. Absence of Certain Changes, Events and Conditions. Between the Effective Date and the Operations Transfer Date, and other than in the ordinary course of business consistent with past practice or the purchase of Planned Improvements, Required Improvement or Emergency Improvements, LCRA represents and warrants that it will not:

- (i) transfer, assign, sell or otherwise dispose of any of the Assets shown or reflected on Schedules 1-A and 1-B of Exhibit A except for deletion of any items no longer owned by LCRA as a result of normal operation and maintenance of the Assets and addition of items purchased by LCRA as a result of normal operation and maintenance of the Assets in amounts totaling more than \$10,000 unless otherwise approved in writing by Buyer;
- (ii) amend, terminate or waive any claims or rights included in the Intangible Assets except with Buyer's written consent;
- (iii) enter into any new, or amendments or modifications to any existing, contracts for any wholesale services or developer reimbursements that represent new or increased levels of water or wastewater service commitments from, or provide for third party operations of, the Assets without the Obligor's written consent;
- (iv) damage, destroy, or materially interrupt the use of the Assets resulting in a loss of Fifty Thousand Dollars (\$50,000.00) or more, whether or not covered by insurance, with written notice to and approval by Buyer; or,
- (v) purchase, lease or otherwise acquire the right to own, use or lease any property or assets in connection with the Utilities for an amount in excess of Fifteen Thousand Dollars (\$15,000.00), individually (in the case of a lease, per annum) or Fifty Thousand Dollars (\$50,000.00) in the aggregate (in the case of a lease, for the entire term of the lease, not including any option term), unless LCRA has obtained Buyer's written approval for same, which approval shall be deemed effective in the event Buyer has not provided approval or comment within five (5) business days.

F. Contracts and Required Consents. To LCRA's knowledge, the Required Consents listed in Exhibit A, Schedule 4 list each contract related to the Assets that grants any person or party a right to consent to the assignment of any of the Assets. In addition, LCRA has made available to Buyer as part of the Review Documents:

- (i) all contracts involving aggregate consideration in excess of \$25,000 and that, in each case, cannot be cancelled without penalty or without more than 90 days'

notice; and,

- (ii) all contracts that require LCRA to purchase or sell a stated portion of the requirements or outputs of the Utilities or that contain "take or pay" provisions.

LCRA has disclosed in **Exhibit D**, or agrees to disclose to Buyer promptly after filing, any allegation against LCRA of breach of or default under any contract included in the Assets that is filed in a legal or administrative tribunal.

- G. Insurance.** **Exhibit D** sets forth with respect to the Utilities or the Assets, a list of all pending claims against LCRA since January 1, 2008. Except as set forth on **Exhibit D**, there are no claims related to the Utilities or the Assets pending under any such Insurance Policies as to which coverage has been questioned, denied or disputed or in respect of which there is an outstanding reservation of rights.
- H. Legal Proceedings; Governmental Orders.** Except as set forth in **Exhibit D**, there are no actions in a legal or administrative tribunal pending against or by LCRA (a) relating to or affecting the Utilities or the Assets; or (b) that challenge or seek to prevent, enjoin or otherwise delay the transactions contemplated by this Agreement. In addition, LCRA agrees to disclose to Buyer promptly after filing any action brought against LCRA and filed in a legal or administrative tribunal relating to or affecting the Utilities or Assets. Except as set forth in **Exhibit D**, there are no outstanding governmental orders and no unsatisfied judgments, penalties or awards against, relating to or affecting the Utilities.
- I. Compliance With Laws; Permits.** To LCRA's knowledge, LCRA has complied, and is now complying, with all laws applicable to the conduct of the Utilities as currently conducted or the ownership and use of the Assets. LCRA has disclosed any allegations of non-compliance filed with a legal or administrative tribunal and currently pending in **Exhibit D** or **Exhibit E**. All permits required for LCRA to conduct the business of the Utilities as currently conducted or for the ownership and use of the Assets have been obtained by LCRA and are valid and in full force and effect and have been made available with the Review Documents. To LCRA's knowledge, no event has occurred that, with or without notice or lapse of time or both, would reasonably be expected to result in the revocation, suspension, lapse or limitation of any such permit.
- J. Employment Matters.** LCRA does not have any multi-employer benefit plans. To LCRA's knowledge, LCRA has withheld wages all remitted to the U. S. Treasury all federally mandated taxes for all persons classified by LCRA as employees and included on LCRA's FICA rolls. To the best of its knowledge, LCRA has no person classified as an independent contractor whom the IRS would deem to be an employee.
- K. Limitations on Additional Debt.** Provided that Obligor assumes operation of the Assets by the Operations Transfer Date, and except as otherwise expressly provided in this Agreement, LCRA agrees that the LCRA Debt Obligations shown in **Schedule A** and as updated and defined in this Agreement constitute all and the total sum of all of LCRA's outstanding LCRA Debt Obligations for the Assets and LCRA further agrees that Obligor's Debt Service Payments and Equity Payments shall only be based on the debt

obligations as shown in **Schedule A** and in accordance with **Schedule B** as may be updated as provided herein.

- L. Disclaimer.** IT IS THE EXPLICIT INTENT OF LCRA AND BUYER, AND LCRA AND BUYER HEREBY AGREE, THAT NEITHER LCRA, NOR ANY OF ITS AFFILIATES OR REPRESENTATIVES, HAS MADE OR IS MAKING ANY REPRESENTATION OR WARRANTY WHATSOEVER, EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING ANY IMPLIED REPRESENTATION OR WARRANTY AS TO THE CONDITION, MERCHANTABILITY, USAGE, SUITABILITY OR FITNESS OF THE ASSETS FOR ANY PARTICULAR PURPOSE EXCEPT THOSE REPRESENTATIONS AND WARRANTIES CONTAINED IN THIS AGREEMENT.

BUYER ACKNOWLEDGES AND AGREES THAT EXCEPT FOR A SPECIAL WARRANTY OF TITLE TO THE PROPERTY ON WHICH MATERIAL FACILITIES ARE LOCATED AS DESCRIBED AND PROVIDED IN THIS AGREEMENT, AT CLOSING BUYER IS ACCEPTING THE ASSETS IN THEIR "AS-IS, WHERE-IS" CONDITION "WITH ALL FAULTS" AND DEFECTS IN EXISTENCE AS OF THE CLOSING AND SPECIFICALLY AND EXPRESSLY WITHOUT ANY WARRANTIES, REPRESENTATIONS, OR GUARANTEES, EITHER EXPRESS OR IMPLIED, AS TO THEIR CONDITION, VALUE, QUALITY, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY, OR ANY OTHER WARRANTY OF ANY KIND, NATURE, OR TYPE WHATSOEVER FROM OR ON BEHALF OF LCRA. THE FOREGOING DISCLAIMER DOES NOT APPLY TO THIRD-PARTY WARRANTIES RELATED TO THE ASSETS TO THE EXTENT SAME ARE ASSIGNABLE AND ARE ASSIGNED. BUYER ASSUMES ALL RESPONSIBILITY FOR THE PHYSICAL AND ENVIRONMENTAL CONDITIONS OF THE PROPERTY AND ANY DAMAGES CAUSED BY OR ARISING FROM THE CONDITIONS ON THE PROPERTY UPON TRANSFER OF TITLE. BUYER AGREES TO ADDRESS ANY ENVIRONMENTAL SITE CONDITIONS AS REQUIRED BY LAW. Any instruments of transfer for the System Assets will reference this Agreement by Buyer.

Article VI.

MAINTENANCE AND CASUALTY PRIOR TO OPERATIONS TRANSFER DATE

Section 6.1 Operation of Assets by LCRA Pending Operations Transfer. The parties agree that between the Effective Date and the Operations Transfer Date, LCRA may, and it shall operate the Assets substantially in accordance with its past practices and procedures, substantially in compliance with local, state and federal regulations and in a manner generally consistent with accepted industry standards and in compliance with any existing agreements included in the Intangible Assets, subject to any approval rights of Buyer provided in this Agreement.

Section 6.2 Capital Projects and Repairs by LCRA Pending Operations Transfer. The parties agree that between the Effective Date and the Operations Transfer Date: (i) LCRA may design, engineer or construct any Planned Improvements, any Required Improvements or any Emergency Improvements and the costs of same will be an adjustment to the Purchase Price as provided in Section 1.4; and, (ii) otherwise, LCRA will not design, engineer or construct any changes to the Facilities without the prior express written consent of Buyer. Any contracts related to construction of Planned Improvements, Required Improvements or Emergency

Improvements that remain in effect on the Operations Transfer Date will be assigned by LCRA to Buyer.

Section 6.3 Planned Improvements, Required Improvements and Emergency Improvements Designed or Constructed Prior to Operations Transfer. LCRA will provide Buyer with a written report monthly after the Effective Date describing the status of the plans for, or design or construction of, any Planned Improvements, Required Improvements or Emergency Improvements, including the estimated cost and cost-to-date thereof. Within five (5) days prior to the Operations Transfer Date, LCRA shall provide Buyer with a final report regarding same including the costs to be added to the Purchase Price as provided by Section 1.4.

Section 6.4 Casualty. In the event the Assets or any part thereof should be damaged by any casualty prior to the Operations Transfer Date, LCRA shall pay to Buyer, on the Operations Transfer Date, any funds actually received by LCRA as insurance proceeds relating to such casualty (the “Insurance Proceeds”) for repair or replacement of the damaged property by LCRA as insurance proceeds relating to such casualty, and operations shall be transferred without LCRA repairing any such damage. Buyer acknowledges and agrees, however, that LCRA is self-insured for casualty events that result in damages of amounts less than One Hundred Thousand Dollars (\$100,000.00). LCRA shall apply insurance proceeds received, if any, in replacement of the damaged property to such repair or replacement. If the cost of such repair or replacement is not covered by third-party Insurance Proceeds or is less than \$100,000.00, and otherwise constitutes an Emergency Improvement, then the parties agree the cost of such repair shall be included in the Purchase Price as provided in Section 1.4. Buyer shall remain entitled, regardless, to receive on the Operations Transfer Date any surplus insurance proceeds remaining after LCRA’s repair or replacement of the Assets. LCRA shall diligently pursue claims for Insurance Proceeds and pay Buyer any Insurance Proceeds collected promptly following collection in respect of casualty events occurring prior to the Operations Transfer Date for which funds have not been received as of the Operations Transfer Date.

Section 6.5 Raw Water Curtailment Plan. LCRA shall provide for Buyer’s review and comment any “pro-rata curtailment plan” developed by LCRA pursuant to LCRA’s rules and policies regarding raw water contracts for the Assets prior to its submission in final form on the deadline set by LCRA for its raw water customers in February 2012. LCRA shall provide to Buyer for review not later than February 7, 2012. Buyer agrees to review and provide any comments on said “pro-rata curtailment plan” prior to or on February 11, 2012. The parties will cooperate in good faith to complete said plan for submittal not later than February 14, 2012.

Article VII.

OPERATIONS TRANSFER

Section 7.1 Operations and Funds Transfer. Buyer shall assume operation and rate-making authority for the Assets on the Operations Transfer Date, which the Parties agree shall be March 19, 2012 (unless otherwise delayed by mutual written agreement of the parties but in no event later than November 1, 2012), subject to the Required Consents and shall provide such operations and managerial services to LCRA for all Assets to which LCRA retains title or

interest. Operations to be assumed and provided by Buyer by or on the Operations Transfer Date shall include, but not be limited to, those operations described in **Exhibit C** attached hereto. Contingent upon Buyer's assumption of operation of the Assets, LCRA will transfer to Buyer on the Operations Transfer Date: (a) remaining Operational Reserve Funds in cash; (b) unused Impact Fee Funds in cash; (c) other Intangible Assets for which the Required Consents have been obtained; and (d) Personalty. LCRA and Buyer shall cooperate in the provision of notice to customers served by the Assets of the Operations Transfer and work together to minimize any impact to such customers. LCRA shall not charge customers of the Assets any fees for transfer of services provided from the Assets resulting from the transfer of the Assets by LCRA to Obligor pursuant to this Agreement.

Section 7.2 Utilities Rates Pending Operations Transfer Date. LCRA agrees to continue to collect rates that are currently in effect for the Utilities (which rates were the "second step" of rate increases approved by the LCRA Board of Directors in August 2007) until March 31, 2012. Buyer acknowledges and agrees that LCRA may implement for the Utilities rates approved as the "third step" of increases (which third step increases were to take effect October 1, 2009) by the LCRA Board in August 2007 (but without a "clawback" surcharge or recovery from system customers for the time period prior to March 31, 2012) if Obligor fails to take over operations and ratemaking control of assets by March 30, 2012, until the Operations Transfer Date occurs.

Section 7.3 Buyer's Rights of Possession and Assumption of Liabilities. Upon and after the Operations Transfer Date, and subject to the Required Consents, Buyer shall have the right to possess the Assets, including the Property, and to use the Assets and Property for potable water and treated wastewater services in accordance with this Agreement to retail and wholesale customers served by the System Assets. In accordance with such right of possession, Buyer shall have all of the rights necessary to operate, control, use, replace, repair and expand the Assets as needed for the provision of retail and wholesale water and wastewater services to the public. Any capital expansions of the Facilities increasing the Facilities' capacity paid for by the Buyer after the Operations Transfer Date shall be wholly owned by Buyer and may be located on the Property. LCRA agrees not to interfere with Buyer's right of possession of the Assets, including the Property, as long as Buyer timely performs Buyer's obligations under this Agreement. Buyer by written instrument will assume on the Operations Transfer Date all liabilities related to the Assets with the exception of any liability arising out of the Intangible Assets that is expressly excluded from the Intangible Assets under this Agreement. **BY THIS INSTRUMENT, BUYER WILL AGREE TO INDEMNIFY, HOLD HARMLESS AND DEFEND LCRA IN ACCORDANCE WITH SECTION 10.2 OF THIS AGREEMENT.**

Section 7.4 Prohibition on LCRA Conveying Interests in Property. During the term of this Agreement, LCRA agrees and covenants to Buyer not to transfer LCRA's rights in this Agreement or LCRA's rights in the Property under this Agreement or to create any lien on LCRA's rights in the Property under this Agreement as long as Buyer timely performs Buyer's obligations under this Agreement.

Section. 7.5 Raw Water Supply. LCRA shall continue the reservation and supply of raw water for the Assets and for Obligor's purchase of such raw water under the terms and conditions of LCRA's current LCRA Board Resolution until such time as LCRA and Obligor

execute a new Raw Water Contract which shall be on LCRA's current standard form and for a term of not less than forty (40) years on the Effective Date or prior to March 30, 2012 ("**New Raw Water Contract**"). Obligor agrees to submit an application for the New Raw Water Contract within ten (10) days of the Effective Date and to execute the New Raw Water Contract within five (5) days of LCRA approval of the New Raw Water Contract, upon which execution the New Raw Water Contract will be incorporated herein for all purposes and will be a material part of this Agreement. The New Raw Water Contract may not be terminated by Obligor during the term of this Agreement.

Article VIII.

CLOSING DATES

Section 8.1 Closing Dates. Closings will be held on Closing Dates as provided in this Agreement as follows: not later than November 1, 2012; not later than May 1, 2014; on May 1, 2015; and, on May 1, 2019.

Section 8.2 Time and Place of Closing. Closings shall be held at 10:00 a.m., local time on each respective Closing Date, at the offices of LCRA, 3700 Lake Austin Blvd. Austin, Texas 78703 or at such other time and place as may be agreed between the Parties. All matters to take place at each respective Closing, including delivery of title to Assets or capacity interests therein as provided in this Agreement, shall take place simultaneously.

Section 8.3 LCRA Delivery. On each Closing Date, LCRA shall deliver or cause to be delivered to Buyer, at LCRA's sole cost and expense, each of the following items:

- A. A duly executed and acknowledged Special Warranty Deed conveying LCRA's interest in portions of the Property consisting of fee simple Property, and an assignment for portions of the Property that are not held in fee simple by LCRA, consistent with the provisions of this Agreement regarding transfers of portions of the Assets on each respective Closing Date.
- B. A Bill of Sale and Assignment executed by Buyer and LCRA transferring and assigning to Buyer LCRA's interest in the Facilities and the Intangible Assets, consistent with the provisions of this Agreement regarding transfers of portions of the Facilities and Intangible Assets on each respective Closing Date. Each Bill of Sale and Assignment shall provide for Buyer's assumption of LCRA's obligations and liabilities under or related to the Facilities or Intangible Assets assigned thereby and, unless waived by LCRA, a full and complete release of LCRA from any further obligations and liabilities under the assigned Facilities and Intangible Assets.
- C. On the Operations Transfer Date and at each Closing, LCRA shall provide to Buyer the LCRA Closing Certificate (so called herein) which shall certify, represent, and warrant to Buyer, as of each Closing Date, that: (a) each and every of the covenants contained in this Agreement has been fully satisfied; and, (b) each and every of the representations and warranties contained in this Agreement is and continues to be true and correct on the Operations Transfer Date or date of Closing (as applicable), provided, should an event

occurring during the pendency of this Agreement make any of such representations and warranties not correct on the Operations Transfer Date or Closing Date (as applicable), such noncompliance shall be indicated and described on the LCRA Closing Certificate. In addition, LCRA will provide to Buyer a certified copy of the previously adopted Board resolution determining that the Assets are no longer necessary, convenient or of beneficial use to the business of LCRA. In addition, the LCRA Closing Certificate provided on the Operations Transfer Date shall certify compliance with the provisions of Section 6.1 of this Agreement.

- D. An opinion letter of LCRA's counsel substantially in the form attached hereto as **Exhibit F**.
- E. Any other additional documents and instruments as in the mutual opinion of Buyer's counsel and LCRA's counsel are reasonably necessary to the proper consummation of this transaction.
- F. All combinations and/or keys to all locks related to the Assets.
- G. To the extent reasonably available, the originals of all matters agreed to be transferred to Buyer at Closing, unless LCRA is otherwise required by law (including but not limited to Texas Local Government Code Chapter 201) to retain said originals, in which event LCRA will deliver copies to Buyer.

Section 8.4 Buyer Delivery. At the Closing, Buyer shall deliver to LCRA the following items:

- A. Buyer shall provide to LCRA a Buyer's Closing Certificate executed by an authorized representative of Buyer that shall certify, represent and warrant to LCRA, as of each respective Closing Date, that: (a) each and every of the covenants contained in this Agreement has been fully satisfied; (b) each and every of the representations and warranties contained in this Agreement is and continues to be true and correct on the Closing Date, provided, should an event occurring during the pendency of this Agreement make any of such representations and warranties not correct on the date of Closing, such noncompliance shall be indicated and described on the Buyer's Closing Certificate; and, (c) unless waived by both LCRA and Buyer, all of the Required Approvals have been obtained. The obligation of the LCRA to close this transaction is expressly conditioned upon the representations and warranties contained on Article V hereof being true and correct on the date of Closing.
- B. The Purchase Price, in good funds, consistent with the provisions of this Agreement regarding each respective Closing Date and as provided in **Schedule B**, as supplemented.
- C. An opinion letter of Buyer's counsel substantially in the form attached hereto as **Exhibit G**.
- D. Such evidence or documents as may reasonably be required by the LCRA evidencing the capacity of Buyer to close the transaction and the authority of the person or persons who

are executing the various documents on behalf of Buyer in connection with the sale of the Assets.

- E. Any other additional documents or instruments as in the mutual opinion of Buyer's counsel and LCRA's counsel are reasonably necessary to the proper consummation of this transaction.

Section 8.5 Customer Deposits. LCRA will return retail customer deposits to customers within a commercially reasonable time after the Operations Transfer Date. Buyer agrees that it will be responsible for obtaining deposits from customers after Closing.

Section 8.6 Accounts Receivable and Accounts Payable. LCRA will read customer meters as close as commercially feasible to the Operations Transfer Date ("**Final Reading**") but not more than three business days after the Operations Transfer Date. LCRA will provide the Final Reading to Buyer. LCRA shall continue to bill customers and shall be entitled to receive the associated revenue, including any past due amounts, based on service meter readings up to and including the Final Reading. Buyer shall bill customers and shall receive the associated revenue based on meter readings after the Final Reading. Accounts Receivable related to the Assets shall be collected by and owing to LCRA for services provided prior to the Operations Transfer Date and shall be collected by and owing to Buyer for services provided on and after the Operations Transfer Date, subject to the Required Consents. For any accounts payable associated with the Assets, LCRA shall pay expenses accruing prior to the Operations Transfer Date and Buyer shall pay expenses accruing on and after the Operations Transfer Date. Each Party shall cooperate and work together in good faith to effectuate the provisions of this Section and any funds collected by either Party due and owing to the other under this Section shall be promptly remitted by the collecting Party to the other, and in no event later than thirty (30) calendar days of such collection.

Section 8.7 Costs and Expenses. Unless expressly provided herein that LCRA shall pay certain costs and expenses, all costs and expenses in connection with the transaction contemplated by this Agreement shall be borne by Buyer.

Section 8.8 Additional Deliveries at Closing. At Closing, Buyer shall deliver to LCRA a document or documents terminating LCRA's obligations under or with reference to any Assets transferred to Buyer, and including a full release and discharge of LCRA with respect thereto. **BY THIS DOCUMENT, BUYER WILL AGREE TO INDEMNIFY, HOLD HARMLESS AND DEFEND LCRA IN ACCORDANCE WITH SECTION 10.2 OF THIS AGREEMENT.**

Section 8.9 Redemption Payment and Related Closing. This Agreement is redeemable by Obligor at any time after May 1, 2012, with sixty (60) calendar days written notice to LCRA at a price equivalent to the then-outstanding LCRA Debt Obligations plus any defeasance costs related to defeasance of the LCRA Debt Obligations on the proposed date of redemption ("**Redemption Payment**"). In the event Obligor exercises such redemption, the parties shall conduct a Closing at which LCRA conveys to Obligor all of its remaining interests in the Assets subject to the requirements for such a Closing provided in this Agreement.

Article IX.

DEFAULT AND REMEDIES

Section 9.1 Default and Cure. Obligor must cure any default in payment within ten (10) business days of the receipt of written notice of non-payment of the Equity Payment or Debt Service Payment.

Section 9.2 LCRA Remedies Through Arbitration and Courts. If Obligor fails to cure within ten (10) business days of its receipt of written notice, LCRA, in its sole discretion, shall have the right to: (a) use Debt Service Reserves to make any necessary debt service payments and, if necessary, issue more debt to make payments on LCRA Debt Obligations and replenish Debt Service Reserves, which additional debt will be incorporated into **Schedules A and B** accordingly; (b) institute an expedited binding arbitration the Arbitration Procedures specified in Exhibit H and, if necessary, enforce any arbitration order or award through legal action in a court of appropriate jurisdiction; (c) institute legal action in a court of appropriate jurisdiction to seek mandamus relief, specific performance and/or equitable relief to obtain timely increases in rates such that the Obligor has sufficient revenues to provide for the Debt Service Payments and Equity Payments; and/or, (d) institute legal action in a court of appropriate jurisdiction to enforce this Agreement as a contract for goods and services in accordance with Chapter 271, Texas Local Government Code. **OBLIGOR AND LCRA AGREE THAT THIS AGREEMENT CONSTITUTES AN AGREEMENT FOR PROVIDING GOODS AND SERVICES (including, but not limited to: goods such as inventory, equipment, vehicles and other goods; and, services such as raw water supply services for the Assets) BETWEEN OBLIGOR AND LCRA AND IS SUBJECT TO THE PROVISIONS OF THE SUBCHAPTER I OF CHAPTER 271, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED, AND ANY SUCCESSOR STATUTE(S). IN ACCORDANCE WITH SECTIONS 271.152 AND 271.153 THEREOF, OBLIGOR HEREBY WAIVES ANY CONSTITUTIONAL, STATUTORY OR COMMON LAW RIGHT TO GOVERNMENTAL IMMUNITY FROM LIABILITY OR SUIT AND EXPRESSLY CONSENTS TO BE SUED AND LIABLE AS DESCRIBED HEREIN, BUT ONLY AS TO LCRA AND THIS AGREEMENT AND ONLY TO THE EXTENT AUTHORIZED BY PROVISIONS OF SUBCHAPTER I OF CHAPTER 271, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED, AND ANY SUCCESSOR STATUTE(S). OBLIGOR AND LCRA, BY EXECUTION OF THIS AGREEMENT, EVIDENCE THEIR INTENT AND PURPOSE THAT THIS AGREEMENT BE BINDING AND ENFORCEABLE IN ALL RESPECTS.**

Section 9.3 LCRA Remedy for Default by Obligor on Date of First Equity Payment; Limitations on Same. In the event of default by Obligor in failing to pay the 2012 Equity Payment, due not later than November 1, 2012, or in the event the Operations Transfer Date has not occurred by November 1, 2012, and after completion of expedited arbitration or state court proceeding confirming existence of either of the two defaults specified in this sentence, LCRA in its sole discretion may reclaim possession of, and dominion and control over, the Assets (and possession and control of, but not title to, any improvements, extensions, repairs or replacements thereof owned by Obligor) and remove Obligor from same and assume rate-making authority for the Utilities. Obligor agrees that, in this event, this Agreement shall

constitute an agreement regarding service areas between two retail public utilities consistent with Section 13.248, Texas Water Code (“13.248 Agreement”), and that LCRA may file this Agreement along with the arbitration award or court order confirming the default with TCEQ and seek approval of same for transfer of the WTC CCN to LCRA, to which transfer Obligor shall not object after arbitration award or court order confirming the default. Upon TCEQ’s approval of the transfer of the WTC CCN to LCRA, this Agreement shall terminate automatically, without notice by or to any other party, for all purposes other than to serve as the 13.248 Agreement. LCRA agrees that the remedy provided in this Section shall be waived by LCRA, will no longer be available to LCRA, and will otherwise automatically terminate upon timely payment of the 2012 Equity Payment and completion of the Operations Transfer Date by or on November 1, 2012.

Section 9.4 LCRA Remedy to Assume Wholesale Operations; Limitations on Same. In the event of default by Obligor in failing to pay the 2013/2014 Equity Payment, due not later than May 1, 2014, and after completion of expedited arbitration or state court proceeding confirming existence of such default, LCRA in its sole discretion may reclaim possession of, and dominion and control over, the Central Facilities (and possession and control of, but not title to, any improvements, extensions, repairs or replacements thereof owned by Obligor) for the purpose of operating same, in which event, LCRA shall provide wholesale service to Obligor through master meters approximately at Plant boundaries. In the event that such a default occurs and is confirmed, as herein provided, wholesale services will be provided by LCRA on terms substantially similar to the wholesale potable water services agreement between LCRA, City of Leander and Brazos River Authority dated March 2, 1998, provided that: (1) LCRA shall give appropriate credit in future ratemaking or budget-setting proceedings for any Debt Service or Equity Payments previously made by Obligor and for any equitable or legal interests of Obligor in the Central Facilities; (2) LCRA may contract with a third party for operations of the Central Facilities; and, (3) Obligor agrees not to appeal or otherwise contest wholesale rates set by LCRA in such event of default that generate operating revenues comparable to the Step 3 rates proposed to be effective October 1, 2009, for the Utilities by LCRA Board action approved in August 2007. LCRA agrees that the remedy provided in this Section shall be waived by LCRA, will no longer be available to LCRA, and will otherwise automatically terminate upon timely payment of the 2013/2014 Equity Payment by or on May 1, 2014.

Section 9.5 LCRA Remedies Cumulative. The remedies provided to LCRA in Sections 9.2 – 9.4 of this Agreement are **SEPARATE FROM, AND CUMULATIVE OF, ANY OTHER REMEDIES, AT LAW OR IN EQUITY, TO WHICH LCRA MAY BE ENTITLED IN THE EVENT OF DEFAULT BY BUYER OF ITS OBLIGATIONS PROVIDED IN THIS AGREEMENT**, and Buyer hereby specifically affirms all of such remedies and the rights related thereto.

Section 9.6 Buyer’s Remedies. In the event of default by LCRA under this Agreement, Buyer, in its sole discretion, shall have the right to: (a) institute an expedited binding arbitration under procedures provided in the Agreement and, if necessary, enforce any arbitration order or award through legal action in a court of appropriate jurisdiction; (b) institute legal action in a court of appropriate jurisdiction to seek mandamus relief, specific performance and/or equitable relief to enforce the provisions of this Agreement; and/or, (c) institute legal action in a court of appropriate jurisdiction to enforce this Agreement as a contract for goods and

services in accordance with Chapter 271, Texas Local Government Code. **OBLIGOR AND LCRA AGREE THAT THIS AGREEMENT CONSTITUTES AN AGREEMENT FOR PROVIDING GOODS AND SERVICES (including, but not limited to: goods such as inventory, equipment, vehicles and other goods; and, services such as raw water supply services for the Assets) BETWEEN OBLIGOR AND LCRA AND IS SUBJECT TO THE PROVISIONS OF SUBCHAPTER I OF CHAPTER 271, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED, AND ANY SUCCESSOR STATUTE(S). IN ACCORDANCE WITH SECTIONS 271.152 AND 271.153 THEREOF, LCRA HEREBY WAIVES ANY CONSTITUTIONAL, STATUTORY OR COMMON LAW RIGHT TO GOVERNMENTAL IMMUNITY FROM LIABILITY OR SUIT AND EXPRESSLY CONSENTS TO BE SUED AND LIABLE AS DESCRIBED HEREIN, BUT ONLY AS TO OBLIGOR AND THIS AGREEMENT AND ONLY TO THE EXTENT AUTHORIZED BY PROVISIONS OF SUBCHAPTER I OF CHAPTER 271, TEXAS LOCAL GOVERNMENT CODE, AS AMENDED, AND ANY SUCCESSOR STATUTE(S). OBLIGOR AND LCRA, BY EXECUTION OF THIS AGREEMENT, EVIDENCE THEIR INTENT AND PURPOSE THAT THIS AGREEMENT BE BINDING AND ENFORCEABLE IN ALL RESPECTS.**

Section 9.7 Termination Not a Remedy After 2012 Equity Payment. After timely payment of the 2012 Equity Payment on or by November 1, 2012, neither party may terminate this Agreement as a remedy for default.

Section 9.8 Notice of Default and Opportunity to Cure. If either Buyer or LCRA at any time alleges that the other is in default under this Agreement, before exercising any remedy as a result of such default, the party alleging the default shall first provide written notice to the party alleged to be in default specifying the nature of the default and provide the allegedly defaulting party thirty (30) days opportunity to cure the default, unless a shorter period is provided elsewhere in this Agreement for a specific default. Any such cured default shall no longer be a default.

Article X.

HOLD HARMLESS AND RELEASE; CLAIMS

Section 10.1 Claims. In this Article X, the term "Claims" means any causes of action; judgments; civil, administrative or investigative actions or proceedings whether based on contract law, tort law or federal, state, or local environmental laws that result in regulatory fines, regulatory assessments, regulatory penalties, judgments, damages or expenses. Claims include, but are not limited to, claims for contribution or cost recovery under federal, state, or local environmental laws or fines or penalties assessed by administrative agencies with jurisdiction over operations and maintenance of the Assets. Claims also include, but are not limited to, administrative fines, penalties, or monetary judgments related to service rates set for the Assets (including orders for refund of Impact Fees issued by a court of competent jurisdiction in accordance with Chapter 395 of the Texas Local Government Code). Claims also include, but are not limited to any Claims directly or indirectly arising out of or in any way relating to any one or more of the following:

(a) any presence of any Hazardous Substances in, on, above, or under the Property in violation of or required to be remediated under any applicable environmental laws;

(b) any release of Hazardous Substances in, on, above, under or from the Property in violation of or required to be remediated under any applicable environmental laws;

(c) any activity by Buyer, any Person affiliated with Buyer, and any tenant or other user of the Property in connection with any actual, proposed or threatened use, treatment, storage, holding, existence, disposition or other release, generation, production, manufacturing, processing, control, management, abatement, removal, handling, transfer or transportation to, from or on the Property of any Hazardous Substances at any time located in, under, on or above the Property in violation of or required to be remediated under any applicable environmental laws;

(d) any activity by Buyer, any Person affiliated with Buyer, and any tenant or other user of the Property in connection with any actual or proposed remediation of any Hazardous Substances required or necessitated by applicable environmental laws at any time located in, under, on or above the Property, including but not limited to any removal, remedial or corrective action;

(e) any past, present, future or threatened non-compliance with or violations of any environmental laws (or permits issued pursuant to any environmental law) in connection with the Property or operations thereon, including but not limited to any failure by Buyer, any Person affiliated with Buyer and any tenant or other user of the Property to comply with any order of any governmental authority in connection with any environmental laws;

(f) the imposition, recording or filing or the threatened imposition, recording or filing of any environmental lien under applicable environmental laws or regulations encumbering the Property;

(g) any administrative processes or proceedings or judicial proceedings in any way connected with any environmental regulatory matter relating to the Property addressed in this Agreement;

(h) any acts of Buyer, any Person affiliated with Buyer, and any tenant or other user of the Property in arranging for disposal, storage or treatment, or arranging with a transporter for transport for disposal, storage or treatment, of Hazardous Substances at any facility in violation of any environmental law or regulation;

(i) any acts of Buyer, any Person affiliated with Buyer, and any tenant or other user of the Property in accepting any Hazardous Substances for transport to disposal or treatment facilities from which there is a release, or a threatened release of any Hazardous Substance in violation of any applicable environmental law or regulation which causes the incurrence of costs for remediation or other response action or damages; and,

(k) any personal injury, wrongful death, or property or other damage, including damage to natural resources, arising under any statutory or common law or tort law theory with respect to any Hazardous Substances or environmental conditions, including but not limited to damages assessed for private or public nuisance or for the conducting of an abnormally dangerous activity on or near the Property.

Section 10.2 INDEMNIFICATION AND RELEASE.

LCRA HEREBY COVENANTS AND AGREES, TO THE FULLEST EXTENT ALLOWED BY TEXAS LAW, AT ITS SOLE COST AND EXPENSE, TO INDEMNIFY

AND HOLD BUYER HARMLESS FROM AND AGAINST, AND TO RELEASE ANY “CLAIMS” ASSERTED AGAINST BUYER ARISING FROM LCRA’S OWNERSHIP OR OPERATION OF THE ASSETS PRIOR TO THE OPERATIONS TRANSFER DATE AND ALSO ASSERTED AGAINST LCRA PRIOR TO THE OPERATIONS TRANSFER DATE, BUT NOT TO THE EXTENT SUCH CLAIMS ARISE FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT OF BUYER (ITS CONTRACTORS, AGENTS, SERVANTS, EMPLOYEES, OR OTHER PERSONS FOR WHOSE CONDUCT IT MAY BE RESPONSIBLE) THAT ACCRUED AFTER THE OPERATIONS TRANSFER DATE.

BUYER HEREBY COVENANTS AND AGREES, TO THE FULLEST EXTENT ALLOWED BY TEXAS LAW, AT ITS SOLE COST AND EXPENSE, TO INDEMNIFY AND HOLD LCRA HARMLESS FROM AND AGAINST, AND TO RELEASE ANY “CLAIMS” ASSERTED AGAINST LCRA ARISING FROM BUYER’S OWNERSHIP OR OPERATION OF THE ASSETS FOLLOWING THE OPERATIONS TRANSFER DATE, BUT NOT TO THE EXTENT SUCH CLAIMS ARISE FROM THE NEGLIGENCE OR WILLFUL MISCONDUCT OF LCRA (ITS PARTNERS, CONTRACTORS, AGENTS, SERVANTS, EMPLOYEES, OR OTHER PERSONS FOR WHOSE CONDUCT IT MAY BE RESPONSIBLE) THAT ACCRUED PRIOR TO THE OPERATIONS TRANSFER DATE.

BUYER’S INDEMNIFICATION, HOLD HARMLESS AND RELEASE SHALL APPLY TO CLAIMS AGAINST LCRA ALLEGEDLY ARISING AFTER THE OPERATIONS TRANSFER DATE BUT BEFORE CLOSING DATES REGARDLESS OF WHETHER RESULTING FROM, OR RELATING TO, LCRA’S CONTINUED OWNERSHIP OF INTERESTS IN THE ASSETS UNTIL THE 2019 CLOSING DATE.

THE PROVISIONS OF THIS SECTION 10.2 SHALL SURVIVE ALL CLOSINGS. FOR PURPOSES OF THIS SECTION 10.2, THE TERM “LCRA” WILL INCLUDE ALL DIRECTORS, OFFICERS AND EMPLOYEES OF LCRA.

Any party receiving notice of Claims to which this Section relates shall promptly notify the other party of such claim in writing. Notice shall be considered prompt if received by the other party within three (3) business days of the receipt by the notifying party.

Section 10.3 Obligations for Claims. Each indemnifying party agrees to look first to proceeds of insurance coverage available to it prior to requiring the indemnified party to bear any liability for costs or expenses assessed against the indemnified party associated with and required to address any Claims. Each indemnifying party’s liability to the indemnified party pursuant to this Article X is solely limited to payment to the indemnified party for (i) any monetary damages, fines or penalties awarded by a court of competent jurisdiction against the indemnified party; (ii) monetary fines or penalties assessed against the indemnified party by a regulatory authority with jurisdiction; or (iii) amounts paid by the indemnified party as provided in a settlement agreement as approved by the indemnifying party. Notwithstanding any other provisions herein to the contrary, neither indemnifying party shall be liable for costs and expenses for the indemnified party’s or any third party’s attorneys fees or consultant fees in the event such costs and expenses are not covered by insurance. Each party agrees to be obligated

to and assert, reasonably pursue, and maintain reasonable defenses against any Claims for which it is indemnified and held harmless by the provisions of this Section; failure to so defend against an indemnified Claim shall constitute a waiver of a party's right to indemnity. For any amounts due and owing from Buyer under this Article X, and unless Buyer elects to make cash payments to LCRA, LCRA shall have the right to use Debt Service Reserves and Coverage to cover costs or expenses assessed against LCRA for said Claims, subject to providing to Buyer an accounting related to such costs. In that event, Coverage or Debt Service Reserves so applied will not be subtracted from (or credited against) the Purchase Price, and Buyer shall be subject to and agrees to pay surcharges from LCRA to restore Coverage and Debt Service Reserves as provided in this Agreement.

Article XI.

GENERAL PROVISIONS

Section 11.1 Notices. All notices and other communications hereunder shall be in writing and shall be delivered by one of the following means unless otherwise expressly provided: hand delivery; overnight delivery; mailed by registered or certified mail, return receipt requested, postage prepaid; or, electronic mail provided that a duplicate of the same notice or communication is also mailed by first-class mail. All notices and communications hereunder shall be addressed as follows, and shall be effective upon actual delivery if delivered by hand or by expedited courier delivery or, if mailed, three business days after deposit in the United States mail:

A. If to LCRA, to:

Rebecca S. Motal
General Manager
LCRA
P. O. Box 220 – Mail Stop H107
Austin, Texas 78767-0220
Phone: (512) 473-3283
Email: becky.motal@lcra.org

With a copy to:

Madison Jechow
Associate General Counsel
LCRA
P. O. Box 220 – Mail Stop H429
Austin, Texas 78767-0220
Phone: (512) 473-4067
Email: madison.jechow@lcra.org

B. If to the Buyer, to:

Larry Fox
Chair, Board of Directors
West Travis County Public Utility Agency
c/o Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Avenue Suite 1900 Austin, Texas 78701

With a copy to:

Lauren Kalisek
General Counsel
West Travis County Public Utility Agency
Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Avenue Suite 1900
Austin, Texas 78701
Email: lkalisek@lglawfirm.com

Any party may change its address for receiving notice by giving notice of a new address in the manner herein provided; however, if mailed, notice of such new address will be effective only upon actual receipt by the other parties.

Section 11.2 Headings and Defined Terms. Descriptive headings are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement.

Section 11.3 Assignment. Assignment of this Agreement by either party is prohibited without the prior written consent of the other party, which consent shall not be unreasonably withheld, delayed or conditioned; provided, however, that: (1) LCRA hereby consents to Buyer assigning this Agreement, and all Buyers' rights and obligations hereunder, to a conservation and reclamation district authorized by Article XVI, Section 59, of the Texas Constitution that is legally created for the purpose of owning and operating the Assets; and (2) Buyer hereby consents to LCRA assigning this Agreement, and all LCRA's rights and obligations hereunder, to an affiliate of LCRA authorized by state law provided that (i) such assignment does not impair the ability of Buyer to issue tax-exempt obligations; and (ii) such affiliate has the right to assume and the capacity to perform LCRA's rights and obligations hereunder." The assigning party shall be released from the obligations of this Agreement only upon delivery to the other party of written instruments confirming that the assignee assumes all rights and obligations of assignor under this Agreement. Thereafter, this Agreement shall be binding upon and inure to the benefit of the parties and their successors and assigns.

Section 11.4 Governing Law and Forum. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and the obligations of the parties hereto are and shall be performable in Travis County. By executing this Agreement, each party hereto expressly (a) consents and submits to personal jurisdiction and venue consistent with the previous sentence, (b) waives, to the fullest extent permitted by law, all claims and defenses that

such jurisdiction and venue are not proper or convenient, and (c) consents to the service of process in any manner authorized by Texas Law.

Section 11.5 No Oral Modification. This Agreement may not be modified or amended, except by an agreement in writing signed by both the LCRA and Buyer.

Section 11.6 No Oral Waiver. The parties may waive any of the conditions contained herein or any of the obligations of the other party hereunder, but any such waiver shall be effective only if in writing and signed by the party waiving such conditions or obligations. No waiver or waivers of any breach or default (or any breaches or defaults) of any term, covenant, condition or liability under this contract, or of performance by the other parties of any duty or obligation under this contract, shall be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, under any circumstances.

Section 11.7 Time of Essence. Time is of the essence of this Agreement.

Section 11.8 Total Agreement. This Agreement, including the Exhibits hereto, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings of the parties in connection therewith. No representation, warranty, covenant, agreement, or condition not expressed in this Agreement shall be binding upon the parties hereto or shall affect or be effective to interpret, change, or restrict the provisions of this Agreement except by an amended agreement in writing signed by both the LCRA and Buyer.

Section 11.9 Partial Invalidity. If any clause or provision of this Agreement is or should ever be held to be illegal, invalid, or unenforceable under any present or future law applicable to the terms hereof, then and in that event, it is the intention of the parties hereto that the remainder of this Agreement shall not be affected thereby, and that in lieu of each such clause or provision of this Agreement that is illegal, invalid, or unenforceable, there be added as part of this Agreement a clause or provision as similar in terms to such illegal, invalid, or unenforceable clause or provision as may be possible and be legal, valid, and enforceable such that the intention of the parties is effected as closely as is possible.

Section 11.10 Counterpart Execution. To facilitate execution, this Agreement may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of all persons required to bind any party appear on each counterpart. All counterparts shall collectively constitute a single instrument. It shall not be necessary in making proof of this Agreement to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto.

Section 11.11 Holidays. In the event that the date upon which any duties or obligations hereunder to be performed shall occur upon a Saturday, Sunday or legal holiday, then, in such event, the due date for performance of any duty or obligation shall thereupon be automatically extended to the next succeeding business day.

Section 11.12 Consents and Approvals. Whenever this Agreement requires Buyer or LCRA to give an approval or consent or to take or not take an action, Buyer and LCRA agree

that such consent, approval, or action or inaction will not be unreasonably withheld, delayed, or conditioned.

Section 11.13 Definitions. Terms as used in this Agreement will have the following meanings:

“Accounts Payable” means those accounts payable from revenues of the Assets as described in Section 8.6 of the Agreement.

“Accounts Receivable” means those accounts receivable as revenues of the Assets as described in Section 8.6 of the Agreement.

“Agreement” means this Utilities Installment Purchase Agreement.

“Arbitration Procedures” means the procedures provided in Exhibit H attached hereto and incorporated herein.

“Asset Review Period” means the period of time defined in Section 2.3 of the Agreement.

“Assets” or “System Assets” shall be those items described in Section 1.1 of the Agreement.

“Buyer” means West Travis County Public Utility Agency or any successor entity that is a conservation and reclamation district authorized by Article XVI, Section 59, of the Texas Constitution and is legally created for the purpose of owning and operating the Assets to which the West Travis County Public Utility Agency assigns its rights and obligations under this Agreement.

“Buyer’s Closing Certificate” means a document provided to LCRA by Buyer containing the items listed in Section 8.4 of the Agreement.

“Central Facilities” means those portions of the Assets, including associated Properties, consisting of the raw water intake, pump station and transmission line to the water treatment plant located generally in the Lake Pointe Subdivision in Travis County Texas, the water treatment plant located at the Uplands Subdivision in Travis County, Texas, and as identified with TCEQ PWS No. 2270235, and the wastewater treatment plant and disposal facilities located generally in the Lake Pointe, Falconhead and Spanish Oaks subdivisions in Travis County, Texas, and permitted under TCEQ TLAP Permit No. WQ0013594001.

“Coverage” means the funds to be paid by Obligor to LCRA as a part of the Debt Service Payments as defined in Section 1.4.D(3)(a) of the Agreement

“Closing” means LCRA’s transfer and conveyance to Buyer of interests in the System Assets upon LCRA’s receipt of each Equity Payment as described in Section 1.6 of the Agreement.

“Closing Dates” means the dates upon which a Closing occurs as defined in Section 1.6 of the Agreement.

“Debt Service Payments” means Obligor’s payments to LCRA as described in Section 1.4.D(3) of the Agreement.

“Debt Service Reserves” means those monetary funds reserved by LCRA to cover future debt service payments to be made on LCRA Debt Obligations in accordance with applicable bond covenants and is calculated annually on the basis of six months of average annual debt service requirements on LCRA Debt Obligations.

“Developer Deposits” means the monetary funds held by LCRA pursuant to Intangible Assets posted by a developer or owner of property served or proposed to be served by the Assets for the purposes of securing payments to be made to LCRA for such service.

“Effective Date” means the date set forth on the first page hereof.

“Emergency Improvements” mean those improvements to the Assets as determined by LCRA to be necessary to prevent imminent harm to public health or safety, or to the environment, or to the Assets.

“Environmental Laws” means all applicable federal, state and local laws and regulations, including common law, relating to the protection of the public health, welfare, and the environment, threatened or endangered species, protected wildlife or natural resources, including, without limitation, those laws and regulations relating to the use, presence, handling, generation, processing, treatment, storage, transportation, disposal, or other management of Hazardous Substances, and the requirements of permits issued under such laws or regulations.

“Equity Payments” shall be those payments made to LCRA by Obligor as described in Section 1.4.D(2).

“ESA” means a phase one environmental assessment performed on all of the Property

“Excluded Assets” shall be those items described in Section 1.3 of the Agreement.

“Facilities” mean those items described in Section 1.2.A. of the Agreement.

“Final Reading” means the customer meter reading as defined in Section 8.6 of the Agreement.

“First Equity Payment” means the first Equity Payment made by Obligor to LCRA as described in Section 1.4.D(2)(a) of the Agreement.

“Fixtures” means those portions of the Facilities as referenced in Section 1.2.A.i. of the Agreement and listed on Schedule 1-B of Exhibit A.

- “Hazardous Substances” means pollutants, contaminants, hazardous, toxic or radioactive substances, materials or wastes, and oil or petroleum products.
- “Impact Fee Funds” means those monetary funds collected by LCRA in accordance with Chapter 395 of the Texas Local Government Code to fund the capital improvements identified in its most recent and effective impact fee studies for water and wastewater service.
- “Initial Schedule B” means the first Schedule B prepared after Obligor makes its first Equity Payment as described in Section 1.4.D(1)(c) of the Agreement.
- “Installment Payments” means Debt Service Payments and Equity Payments.
- “Insurance Proceeds” mean funds described in Section 6.4 of the Agreement.
- “Intangible Assets” mean those items described in Section 1.2.B. of the Agreement.
- “LCRA” means the Lower Colorado River Authority or its assignee as authorized by this Agreement.
- “LCRA Closing Certificate” means a document provided to Buyer by LCRA containing the items listed in Section 8.3.C. of the Agreement.
- “LCRA Debt Obligations” means LCRA’s current and future debt obligations attributable to the Assets as described in Section 1.4 of the Agreement.
- “Material Facilities” means the Central Facilities, lifts stations, pump stations, storage facilities, and pipelines twelve (12) inches in diameter or larger.
- “New Raw Water Contract” means the contract for raw water to be entered into by LCRA and Buyer as described in Section 7.5 of the Agreement.
- “Obligor” means West Travis County Public Utility Agency or any successor entity that is a conservation and reclamation district authorized by Article XVI, Section 59, of the Texas Constitution and is legally created for the purpose of owning and operating the Assets to which the West Travis County Public Utility Agency assigns its rights and obligations under this Agreement.
- “Operating Cash Deficiency” means the amount of monetary funds that is needed to pay the shortage, if any, between revenue LCRA collects from the Assets from the Effective Date until the Operations Transfer Date as compared to: (i) operating expenses incurred by LCRA related to the Assets from the Effective Date until the Operations Transfer Date; and, (ii) the amounts required to pay LCRA’s May 15, 2012 debt service payment including coverage thereon; which Operating Cash Deficiency is further defined in Section 1.4 of the Agreement. Capital costs for Planned Improvements, Required Improvements and Emergency Improvements are separate from, and not included in, the Operating Cash Deficiency.

“Operational Reserve Funds” means the monetary funds reserved by LCRA to cover three (3) months of operating expenses associated with the Assets.

“Operations Transfer Date” has the meaning provided in Section 1.4.C. of the Agreement.

“Personalty” means those portions of the Facilities as described in Section 1.2.A.ii. of the Agreement and as listed on Schedule 1-A of Exhibit A.

“Planned Improvements” mean: (1) utility facility reimbursement obligations paid by LCRA pursuant to existing Intangible Assets not to exceed \$150,000.00 prior to March 19, 2012; and, (2) those capital improvements previously identified in LCRA’s Business Plan or LCRA’s Capital Plan and added to LCRA’s Asset management system or construction work in progress list or approved by the LCRA Board (with written notice thereof to Buyer) prior to the Effective Date provided, however, that the Planned Improvements shall be limited to the following specific projects if the Operations Transfer Date occurs prior to or on March 19, 2012:

1. WTC Regional WTC Disinfection Tank Hydraulic Improvements;
2. County Line PS 1308 Elevated Storage (bid only; contract award only with approval of Buyer);
3. SW Parkway PS Upgrade 3,667 to 5,900;
4. SW Parkway 20” Main from WTP to SWPPS (design and clearing only);
5. Highway 71 1280 Elevated Storage (design only; site acquisition with approval of Buyer);
6. Bohl’s WWTP and System Expansion (clearing and fencing only);
7. Bee Cave Regional Lift Station Expansion to 1,650 gpm (design only); and,
8. general additions within the limits allowed in Section 5.2 E(v) or otherwise approved by the Buyer.

“Property” means the property described in Section 1.2.C. of the Agreement.

“Purchase Price” means the amount specified in Section 1.4 of the Agreement.

“Redemption Payment” means the payment described in Section 8.9 of the Agreement

“Required Approvals” mean those items described in Section 3.2 of the Agreement.

“Required Consents” mean those items described in Section 3.1 of the Agreement.

“Required Improvements” means those improvements required by applicable local, state or federal regulations. The Required Improvements will include repair or replacement of an effluent pipeline located near the Shops at the Galleria.

“Review Documents” mean those documents described in Section 2.2 of the Agreement.

“Schedule A Update” means the update to Schedule A prepared by LCRA and subject to review in accordance with this Agreement (including but not limited to Section 1.4.D(1)(a) hereof) after the Operations Transfer Date.

“Schedule B Supplement” means the revised, supplemental Schedule B to be prepared following each Equity Payment after the First Equity Payment as described in Section 1.4.D(1)(d).

“TCEQ” means the Texas Commission on Environmental Quality or its successor agency.

“WTC CCN” has the meaning as defined in Section 3.2 of the Agreement.

In addition, Installment Payments and Closings may be referred to by the year in which this Agreement contemplates that such Installment Payment or Closing will occur (e.g., “2015 Equity Payment”).

Section 11.15 Schedule and Exhibits. The following Schedule and Exhibits are attached hereto:

Schedule A

Exhibit A Assets

Schedule 1-A Facilities—Fixtures

Schedule 1-B Facilities—Personalty

Schedule 2 Intangible Assets

Schedule 3 Property

Schedule 4 Required Consents

Schedule 5 Required Approvals

Exhibit B Excluded Assets

Exhibit C Operations to be Transferred on Operations Transfer Date

Exhibit D Claims Against LCRA Affecting Assets

Exhibit E Disclosure Regarding Location of LCRA Assets

Exhibit F Opinion Letter of LCRA Counsel

Exhibit G Opinion Letter of Buyer Counsel

Exhibit H Arbitration Procedures

Section 11.16 Third Party Beneficiaries. Nothing in this Agreement, express or implied, is intended to confer upon any person, other than the parties hereto and their successors and assigns, any benefits, rights or remedies under or by reason of this Agreement.

IN WITNESS WHEREOF, each party hereto has signed this Agreement or caused this Agreement to be signed in its corporate name by its officer thereunto duly authorized, all as of the date first above written.

Signatures on the Following Pages

LCRA:

LOWER COLORADO RIVER AUTHORITY

By: Rebecca S. Motal
Rebecca S. Motal
General Manager



BUYER:

By: Larry Fox
Larry Fox
Chair, Board of Directors
West Travis County Public Utility Agency

SCHEDULE A

Schedule A to Installment Purchase Agreement

Amounts Current as of December 31, 2011

Note: Interest amounts shown for Taxable and Tax-exempt CP are forecasted.

Actual amounts will be known after respective period-ends

	Currently Callable			Callable 5/15/2013			Callable 5/15/2015			Callable 5/15/2019			Non-callable (Series 2010)			Total Fixed Debt Service	Taxable CP 21,043,183			Tax-exempt CP 7,634,928			Total Debt Service
	Prin	Int	Total	Prin	Int	Total	Prin	Int	Total	Prin	Int	Total	Prin	Int	Total		Rate	Principal	Interest	Rate	Principal	Interest	
	2013	2,599,250	3,199,713	5,798,963	320,868	664,303	985,171	339,468	819,518	1,158,986	306,714	883,391	1,190,105	415,099	94,189		509,288	9,642,513	1.0%	210,432	1.0%	76,349	
2014	2,741,356	3,063,029	5,804,385	338,069	648,260	986,329	299,917	802,544	1,102,462	322,550	868,055	1,190,605	447,809	74,022	521,832	9,605,613	1.0%	210,432	1.0%	76,349	9,892,394		
2015	2,892,602	2,918,849	5,811,451	352,084	630,511	982,595	316,688	786,049	1,102,737	333,358	857,572	1,190,930	461,872	52,561	514,433	9,602,147	1.0%	210,432	1.0%	76,349	9,888,928		
2016	3,042,397	2,765,018	5,807,415	373,015	612,027	985,042	334,381	768,631	1,103,012	350,526	840,904	1,191,430	482,573	30,177	512,750	9,599,649	1.0%	210,432	1.0%	76,349	9,886,430		
2017	3,248,330	2,604,090	5,852,419	395,878	592,443	988,321	358,047	750,240	1,108,287	363,552	823,378	1,186,930	-	6,509	6,509	9,142,467	1.0%	210,432	1.0%	76,349	9,429,248		
2018	3,458,579	2,432,406	5,890,985	410,109	571,660	981,769	377,739	730,548	1,108,287	378,694	808,836	1,187,530	-	6,509	6,509	9,175,080	1.0%	210,432	1.0%	76,349	9,461,862		
2019	3,641,782	2,249,948	5,891,730	437,079	550,129	987,208	398,515	709,772	1,108,287	398,379	789,901	1,188,280	130,185	6,509	136,694	9,312,199	1.0%	210,432	1.0%	76,349	9,598,980		
2020	3,832,994	2,057,387	5,890,381	455,419	527,183	982,601	420,433	687,854	1,108,287	419,048	769,982	1,189,030	-	-	-	9,170,300	1.0%	210,432	1.0%	76,349	9,457,081		
2021	4,045,643	1,855,180	5,900,823	480,127	503,273	983,400	443,557	664,730	1,108,287	440,750	749,030	1,189,780	-	-	-	9,182,291	1.0%	210,432	1.0%	76,349	9,469,072		
2022	4,253,294	1,654,000	5,907,294	507,575	478,066	985,641	462,566	640,334	1,102,901	463,538	726,993	1,190,530	-	-	-	9,186,366	1.0%	210,432	1.0%	76,349	9,473,147		
2023	4,465,365	1,442,486	5,907,851	536,391	451,419	987,810	489,164	613,737	1,102,901	487,465	703,816	1,191,280	-	-	-	9,189,842	1.0%	210,432	1.0%	76,349	9,476,623		
2024	4,696,338	1,219,832	5,916,170	564,315	423,258	987,573	517,291	585,610	1,102,901	507,588	679,442	1,187,030	-	-	-	9,193,674	1.0%	210,432	1.0%	76,349	9,480,455		
2025	4,939,666	986,303	5,925,969	592,240	393,632	985,871	547,035	555,865	1,102,901	533,967	654,063	1,188,030	-	-	-	9,202,771	1.0%	210,432	1.0%	76,349	9,489,552		
2026	5,192,152	739,992	5,932,144	624,272	362,539	986,811	578,490	524,411	1,102,901	563,051	626,030	1,189,080	-	-	-	9,210,935	1.0%	210,432	1.0%	76,349	9,497,717		
2027	1,040,865	482,892	1,523,557	1,041,977	331,325	1,373,303	611,753	491,148	1,102,901	593,661	596,470	1,190,130	-	-	-	5,189,891	1.0%	210,432	1.0%	76,349	5,476,672		
2028	1,083,975	433,009	1,516,984	1,081,047	279,227	1,360,273	646,929	455,972	1,102,901	625,878	565,302	1,191,180	-	-	-	5,171,338	1.0%	210,432	1.0%	76,349	5,458,119		
2029	1,137,536	381,295	1,518,831	1,061,012	225,174	1,286,186	640,372	418,774	1,059,145	654,786	532,444	1,187,230	-	-	-	5,051,392	1.0%	210,432	1.0%	76,349	5,338,174		
2030	1,188,250	327,056	1,515,306	859,595	172,124	1,031,719	677,193	381,952	1,059,145	690,475	498,068	1,188,543	-	-	-	4,794,713	1.0%	210,432	1.0%	76,349	5,081,494		
2031	1,254,527	270,428	1,524,954	881,298	129,144	1,010,432	716,132	343,014	1,059,145	729,826	460,091	1,189,918	-	-	-	4,784,449	1.0%	210,432	1.0%	76,349	5,071,231		
2032	1,130,416	210,672	1,341,089	784,906	85,080	869,986	757,309	301,836	1,059,145	771,342	419,951	1,191,293	-	-	-	4,461,512	1.0%	210,432	1.0%	76,349	4,748,294		
2033	1,183,735	156,878	1,340,713	916,685	45,834	962,519	800,855	258,291	1,059,145	810,141	377,527	1,187,668	-	-	-	4,550,045	1.0%	210,432	1.0%	76,349	4,836,826		
2034	1,244,597	100,750	1,345,347	-	-	-	846,904	212,242	1,059,145	856,348	332,969	1,189,318	-	-	-	3,593,810	1.0%	210,432	1.0%	76,349	3,880,591		
2035	428,187	41,632	469,819	-	-	-	895,601	163,545	1,059,145	906,205	284,800	1,191,005	-	-	-	2,719,970	1.0%	210,432	1.0%	76,349	3,006,751		
2036	448,271	21,293	469,564	-	-	-	947,098	112,048	1,059,145	953,867	233,826	1,187,693	-	-	-	2,716,402	1.0%	210,432	1.0%	76,349	3,003,183		
2037	-	-	-	-	-	-	1,001,556	57,589	1,059,145	1,009,491	180,171	1,189,662	-	-	-	2,248,807	1.0%	210,432	1.0%	76,349	2,535,588		
2038	-	-	-	-	-	-	-	-	-	1,068,243	123,387	1,191,630	-	-	-	1,191,630	1.0%	210,432	1.0%	76,349	1,478,411		
2039	-	-	-	-	-	-	-	-	-	1,125,301	63,296	1,188,599	-	-	-	1,188,599	1.0%	210,432	1.0%	76,349	1,475,380		
2040	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	210,432	1.0%	76,349	286,781		
2041	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
	63,190,106	31,614,037	94,804,143	13,013,949	8,676,611	21,690,560	14,424,992	12,836,252	27,261,244	16,664,745	15,449,698	32,114,443	1,937,538	270,477	2,208,015								

EXHIBIT A

ASSETS

SCHEDULE 1-A – FIXTURES

Table with columns: Unit, Asset ID, FERC Code, Sum Cost, Sum Accum Depr, Sum NBV, As of Date, Project, Project Title, Comments, Descr, Book Name, Acq Date, Serial ID, Manufacturer, Model, Location, Quantity, Class, Financing, Profile ID, Tag Number, Category, Oper Unit, Product. The table contains a comprehensive list of water system assets, including pipes, valves, pumps, and treatment equipment, with their respective costs and acquisition dates.

West Travis County Wastewater System
Asset List thru 11/30/11

Unit	Asset ID	FERC Code	Sum Cost	Sum Accum Depr	Sum NBV	As of Date	Project	Project Title	Comments	Descr	Book Name	Acq Date	Serial ID	Manufacturer	Model	Location	Quantity	Class	Financing	Profile ID	Tag Number	Category	Oper Unit	Product
1LCRA	00004004909	118303630	8,096.00		3,609.45	4,486.55	11/30/2011	1002184	Spillman Development Group Acq	Purchase of Spillman Ranch Internals	CORPORATE	6/1/2003				SPILLMAN	2.0000	SERVICUST	D	830363		WATR	WTRCO	
1LCRA	00004004910	118303630	135,463.00		60,393.93	75,069.07	11/30/2011	1002184	Spillman Development Group Acq	Purchase of Spillman Ranch Internals	CORPORATE	6/1/2003				SPILLMAN	30.0000	SERVICUST	D	830363		WATR	WTRCO	
1LCRA	00004004911	118303630	44,207.00		15,656.72	28,550.28	11/30/2011	1002184	Spillman Development Group Acq	Purchase of Spillman Ranch Internals	CORPORATE	6/1/2003				SPILLMAN	34.0000	SERVICUST	D	W40		WATR	WTRCO	
1LCRA	00004004912	118303630	9,147.00		3,239.58	5,907.42	11/30/2011	1002184	Spillman Development Group Acq	Purchase of Spillman Ranch Internals	CORPORATE	6/1/2003				SPILLMAN	8.0000	SERVICUST	D	W40		WATR	WTRCO	
1LCRA	00004004893	118503312	453,847.00		134,893.41	318,953.59	11/30/2011	1002184	Spillman Dev Group Acquisition	Effluent line - Moved from WTC W	CORPORATE	6/1/2003				SPILLMAN	72.0000	DISTMAIN	D	8503312		WATR	WTRCO	
1LCRA	00004004894	118503312	95,466.00		28,374.60	67,091.40	11/30/2011	1002184	Spillman Dev Group Acquisition	Effluent line - Moved from WTC W	CORPORATE	6/1/2003				SPILLMAN	15.0000	DISTMAIN	D	8503312		WATR	WTRCO	
1LCRA	00004005413	118303610	215,967.00		36,788.68	179,178.32	11/30/2011	1007310	Palisades Reimb Phase 3 and 4	Purchase of the internal facilities - Moved from '6" PVC SDR 26 grav sewer pip	CORPORATE	5/1/2006				SPILLMAN	73.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004005414	118303610	43,540.00		7,909.75	35,630.25	11/30/2011	1007310	Palisades Reimb Phase 3 and 4	Purchase of the internal facilities - Moved from '6" PVC SDR 26 grav sewer pip	CORPORATE	5/1/2006				SPILLMAN	73.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004005108	118303530	202,311.00		0.00	202,311.00	11/30/2011	1002794	RR620 WW Interceptor	Land	CORPORATE	2/1/2002				WTC	1.0000	LAND	D	830353		WATRL	WTRCO	
1LCRA	00004005109	118303610	195,735.00		84,818.49	110,916.51	11/30/2011	1002794	RR620 WW Interceptor	Hwy 620 WW Pipeline	CORPORATE	2/1/2002				WTC	54.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005110	118303610	10,570.00		4,580.30	5,989.70	11/30/2011	1002794	RR620 WW Interceptor	Hwy 620 WW Pipeline	CORPORATE	2/1/2002				WTC	2.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005111	118303610	33,868.00		14,676.12	19,191.88	11/30/2011	1002794	RR620 WW Interceptor	Hwy 620 WW Pipeline	CORPORATE	2/1/2002				WTC	6.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005112	118303610	17,930.00		7,769.71	10,160.29	11/30/2011	1002794	RR620 WW Interceptor	Hwy 620 WW Pipeline	CORPORATE	2/1/2002				WTC	3.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005113	118303610	153,511.00		52,449.61	101,061.39	11/30/2011	1002794	RR620 WW Interceptor	Hwy 620 WW Pipeline	CORPORATE	2/1/2002				WTC	37.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004005114	118303610	692,962.19		236,762.04	456,200.15	11/30/2011	1002794	RR620 WW Interceptor	Hwy 620 WW Pipeline	CORPORATE	2/1/2002				WTC	93.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004005339	118303610	203,933.00		88,370.99	115,562.01	11/30/2011	1003077	Hwy 71 WW Interceptor	Hwy 71 WW Interceptor	CORPORATE	2/1/2002				WTC	20.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005340	118303610	29,913.00		12,962.31	16,950.69	11/30/2011	1003077	Hwy 71 WW Interceptor	Hwy 71 WW Interceptor	CORPORATE	2/1/2002				WTC	2.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005341	118303610	43,920.00		19,032.00	24,888.00	11/30/2011	1003077	Hwy 71 WW Interceptor	Hwy 71 WW Interceptor	CORPORATE	2/1/2002				WTC	4.0000	COLLSWRGRV	D	W20		WATR	WTRCO	
1LCRA	00004005342	118303610	186,028.00		63,559.55	122,468.45	11/30/2011	1003077	Hwy 71 WW Interceptor	Hwy 71 WW Interceptor	CORPORATE	2/1/2002				WTC	152.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004005343	118303610	528,154.00		180,452.58	347,701.42	11/30/2011	1003077	Hwy 71 WW Interceptor	Hwy 71 WW Interceptor	CORPORATE	2/1/2002				WTC	366.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004005344	118303610	42,362.22		14,473.84	27,888.38	11/30/2011	1003077	Hwy 71 WW Interceptor	Hwy 71 WW Interceptor	CORPORATE	2/1/2002				WTC	3.0000	COLLSWRGRV	D	W40		WATR	WTRCO	
1LCRA	00004004157	118303742	58,945.99		10,192.73	48,753.26	11/30/2011	1003712	WTC WW Master Plan	Effluent Holding Ponds	CORPORATE	7/1/2004				WTCWW	1.0000	REUSEDIST	D	8303742		WATR	WTRCO	
1LCRA	000080003125	118303540	26,576.58		15,503.00	11,073.58	11/30/2011	1009808	WTC FY09 - Gen Add	Automatic Flow Meter	CORPORATE	6/30/2009				WTCWW	1.0000	FLOWMEAS	R	W05		WATR	WTRCO	540002
1LCRA	000080003126	118303700	22,349.56		3,259.30	19,090.26	11/30/2011	1009808	WTC FY09 - Gen Add	Chemical feed skid system	CORPORATE	6/30/2009				WTCWW	3.0000	RECWELLS	R	W20		WATR	WTRCO	540002
1LCRA	000080003127	118303540	18,713.56		1,817.55	16,896.01	11/30/2011	1009808	WTC FY09 - Gen Add	Switch over valve & regulator	CORPORATE	6/30/2009				WTCWW	2.0000	STRUCOMP	R	W30		WATR	WTRCO	540002
1LCRA	000080003309	118303540	101,751.24		3,900.48	97,850.76	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	SITEMIP	D	W50		WATR	WTRCO	540008
1LCRA	000080003312	118303540	54,983.40		3,509.33	51,474.07	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	SITEMIP	D	W30		WATR	WTRCO	540008
1LCRA	000080003314	118303540	428,885.74		41,101.54	387,784.20	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	STRUCOMP	D	W20		WATR	WTRCO	540008
1LCRA	000080003315	118303540	23,885.98		915.63	22,970.35	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	STRUCOMP	D	W50		WATR	WTRCO	540008
1LCRA	000080003308	118303600	41,118.88		1,970.26	39,148.62	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	7.0000	COLLSWRFRD	D	W40		WATR	WTRCO	540008
1LCRA	000080003313	118303600	1,521.40		291.61	1,229.79	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	COLLSWRFRD	D	W10		WATR	WTRCO	540008
1LCRA	000080003310	118303610	113,679.00		5,447.12	108,231.90	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	8.0000	COLLSWRGRV	D	W40		WATR	WTRCO	540008
1LCRA	000080003311	118303610	41,625.51		3,989.12	37,636.39	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	5.0000	COLLSWRGRV	D	W20		WATR	WTRCO	540008
1LCRA	000080003307	118303700	584,048.45		55,784.05	528,264.40	11/30/2011	1009842	Spanish Oaks Section 4 LS WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	RECWELLS	D	W20		WATR	WTRCO	540008
1LCRA	000080002961	118303610	58,608.68		4,273.48	54,335.20	11/30/2011	1010798	Spanish Oaks Section 5B WW	Purchase of internal facilities	CORPORATE	5/27/2009				WTCWW	7.0000	COLLSWRGRV	D	W40		WATR	WTRCO	540008
1LCRA	000080002962	118303610	38,042.44		5,547.85	32,494.59	11/30/2011	1010798	Spanish Oaks Section 5B WW	Purchase of internal facilities	CORPORATE	5/27/2009				WTCWW	4.0000	COLLSWRGRV	D	W20		WATR	WTRCO	540008
1LCRA	000080002963	118303610	26,308.57		3,836.68	22,471.89	11/30/2011	1010798	Spanish Oaks Section 5B WW	Purchase of internal facilities	CORPORATE	5/27/2009				WTCWW	3.0000	COLLSWRGRV	D	W20		WATR	WTRCO	540008
1LCRA	000080002964	118303630	1,580.60		20,096.18	20,096.18	11/30/2011	1010798	Spanish Oaks Section 5B WW	Purchase of internal facilities	CORPORATE	5/27/2009				WTCWW	5.0000	SERVICUST	D	W40		WATR	WTRCO	540008
1LCRA	000080002965	118303630	4,705.90		343.13	4,362.77	11/30/2011	1010798	Spanish Oaks Section 5B WW	Purchase of internal facilities	CORPORATE	5/27/2009				WTCWW	1.0000	SERVICUST	D	W40		WATR	WTRCO	540008
1LCRA	000080003326	118303600	98,032.31		4,684.05	93,348.26	11/30/2011	1010841	Spanish Oaks Golf Villas WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	19.0000	COLLSWRFRD	D	W40		WATR	WTRCO	540008
1LCRA	000080003331	118303600	3,176.56		608.84	2,567.72	11/30/2011	1010841	Spanish Oaks Golf Villas WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	COLLSWRFRD	D	W10		WATR	WTRCO	540008
1LCRA	000080003332	118303600	5,231.98		1,002.80	4,229.18	11/30/2011	1010841	Spanish Oaks Golf Villas WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	2.0000	COLLSWRFRD	D	W10		WATR	WTRCO	540008
1LCRA	000080003333	118303600	12,601.60		603.81	11,997.79	11/30/2011	1010841	Spanish Oaks Golf Villas WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	3.0000	COLLSWRFRD	D	W40		WATR	WTRCO	540008
1LCRA	000080003334	118303600	5,605.69		268.61	5,337.08	11/30/2011	1010841	Spanish Oaks Golf Villas WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	1.0000	COLLSWRFRD	D	W40		WATR	WTRCO	540008
1LCRA	000080003335	118303600	3,176.56		202.77	2,973.79	11/30/2011	1010841	Spanish Oaks Golf Villas WW	Purchase of internal facilities	CORPORATE	7/10/2009				WTCWW	2.0000	COLLSWRFRD	D	W30		WATR	WTRCO	540008
1LCRA	000080003325	118303																						

EXHIBIT A

ASSETS

SCHEDULE 1-B - PERSONALTY

West Travis County Regional Assets
Assigned to the WTC Systems
January 10, 2012

Unit	Asset ID	FERC Code	Sum Cost	Sum Accum Depr	Sum NBV	As of Date	Project	Project Title	Comments	PUA/Region	Descr	Book Name	Acq Date	Serial ID	Manufacturer	Model	Location	Quantity	Class	Financing	Profile ID	Tag Number	Category	Oper Unit	Product
1LCRA	000004003518	118503410	29,354.21	29,354.21	0.00	3/31/2011	1001201	Min Cap Water/Wastewater	WTC Fleet	PUA	2001 Ford 150 Superc V# 51178	CORPORATE	11/30/2000			WTR SVCS	1.0000	VEHICLE	D	850341	51178	WATR	WTRCO		
1LCRA	000004003538	118503410	27,824.48	27,824.48	0.00	11/30/2011	1001201	Min Cap Water/Wastewater	WTC Fleet	PUA	2002 Chevy V# 51384	CORPORATE	11/30/2001			WTR SVCS	1.0000	VEHICLE	D	850341	51384	WATR	WTRCO		
1LCRA	000004003541	118503410	27,824.48	27,824.48	0.00	11/30/2011	1001201	Min Cap Water/Wastewater	WTC Fleet	PUA	T2002 Chevy V# 51387	CORPORATE	11/30/2001			WTR SVCS	1.0000	VEHICLE	D	850341	51387	WATR	WTRCO		
1LCRA	000004004296	118503410	18,552.49	18,552.49	0.00	11/30/2011	1006001	FY05 Minor Cap (W/WW Utilities)	WTC Fleet	PUA	1/2 ton pickup	CORPORATE	6/30/2005			WTR SVCS	1.0000	VEHICLE	D	850341	51835	WATR	WTRCO		
1LCRA			1,725.00	1,725.00	0.00	11/30/2011			WTC Fleet	PUA	2001, TITAN, Trl/Enclosed Cargo	CORPORATE	6/26/2001	5DCZC5101911001453				1.0000	VEHICLE			51364	WATRV	WTRCO	
1LCRA			6,258.65	6,258.65	0.00	11/30/2011			WTC Fleet	PUA	2002, JOHN DEERE, 727, Mower	CORPORATE	7/30/2002	TC0727X010271				1.0000	VEHICLE			51486	WATRV	WTRCO	
1LCRA			0.00	0.00	0.00	11/30/2011			WTC Fleet	PUA	2003, RHINO, Trl/Utility	CORPORATE	8/11/2003	4XKFS10123A002093				1.0000	VEHICLE			51754	WATRV	WTRCO	
			11,415.00	11,415.00	0.00	11/30/2011			WTC Fleet	PUA	2000, DAEWOO, G25E-DF, Forklift	CORPORATE	3/7/2005	CW01334				1.0000	VEHICLE			51896	WATRV	WTRCO	
1LCRA	000008003943	118503430	1,652.00	316.65	1,335.35	11/30/2011	1010269	W/WW FY10 Minor Cap			Gas Detector	CORPORATE	8/7/2009	8318910 BDK		LCRA	1.0000	EQUIP	R	W10		540001	WTRCO		
1LCRA	000004003651	118503470	5,857.18	5,857.18	0.00	11/30/2011	1004898	FY04 Minor Cap W/WW Utilities			1720D Turbidimeter	CORPORATE	12/31/2003			WTR SVCS	1.0000	MISCEQ	D	W05			WATR	WTRCO	
1LCRA	000004003652	118503470	10,538.87	9,397.18	1,141.69	11/30/2011	1004898	FY04 Minor Cap W/WW Utilities			Chlorine Analyzers w/recorders	CORPORATE	12/31/2003			WTR SVCS	4.0000	MISCEQ	D	850347			WATR	WTRCO	
1LCRA	000004003653	118503460	6,030.92	4,641.18	1,389.74	11/30/2011	1004898	FY04 Minor Cap W/WW Utilities			SCADA Equipment	CORPORATE	12/31/2003			WTR SVCS	1.0000	COMMEC	D	W15			WATR	WTRCO	
1LCRA	000004003659	118503470	2,080.99	2,080.99	0.00	11/30/2011	1004898	FY04 Minor Cap W/WW Utilities			12V submersible pump w/attach	CORPORATE	12/31/2003			WTR SVCS	2.0000	MISCEQ	D	W05			WATR	WTRCO	
1LCRA	000004003661	118503470	29,564.83	26,361.96	3,202.87	11/30/2011	1004898	FY04 Minor Cap W/WW Utilities			Sewer Camera	CORPORATE	12/31/2003			WTR SVCS	1.0000	MISCEQ	D	850347			WATR	WTRCO	
1LCRA	000004003662	118503470	1,225.34	1,092.56	132.78	11/30/2011	1004898	FY04 Minor Cap W/WW Utilities			Parts Washer	CORPORATE	12/31/2003			WTR SVCS	1.0000	MISCEQ	D	850347			WATR	WTRCO	
1LCRA	000004004303	118503430	1,437.83	818.90	618.93	11/30/2011	1006001	FY05 Min Cap (W/WW Utilities)			davit crane	CORPORATE	6/30/2005			WTR SVCS	1.0000	EQUIP	D	W15			WATR	WTRCO	
1LCRA	000004004304	118503430	2,020.72	1,397.66	623.06	11/30/2011	1006001	FY05 Min Cap (W/WW Utilities)			plasma cutter	CORPORATE	6/30/2005			WTR SVCS	1.0000	EQUIP	D	850343			WATR	WTRCO	
1LCRA	000004004316	118503440	2,019.58	1,396.89	622.69	11/30/2011	1006001	FY05 Min Cap (W/WW Utilities)			chlorine regulator	CORPORATE	6/30/2005			WTR SVCS	1.0000	LABEQUIP	D	850344			WATR	WTRCO	
			185,382.57		9,067.11																				

EXHIBIT A

ASSETS

SCHEDULE 2 -- INTANGIBLE ASSETS

Title/Name	CAS ID	Parties	Customer Type
Utility Facilities Acquisition Agreement (156 Sawyer)	2	156 Sawyer Ranch Ltd	Retail
Assignment of Rights under Utility Fac Acquisition Agr (156 Sawyer/Fluke)	6051	156 Sawyer Ranch Ltd; Fluke, Linda A.	Retail
Amend to Util Facil Acq Agrmt & Partial Assign (156 Sawyer/Pulte/LCRA)	6596	156 Sawyer Ranch Ltd; Pulte Homes of Texas, L.P.	Retail
Partial Assign & Assumption of Util Facil Acq Agrmt (156Sawyer/Pulte/LCRA)	6578	156 Sawyer Ranch Ltd; Pulte Homes of Texas, L.P.; Reunion Ranch WCID	Retail
Utility Facilities Construction and Conveyance Agreement (Southwest Center)		290 & Derecho, LLC	
Water Utility Facilities Acquisition Agr (290 E Bush/Hays Co MUD4/LCRA) 06	6033	290 East Bush, Inc.; Hays County MUD No. 4	Retail
Supplement to Customer Service Agreement (6D Ranch)	7766	6D Ranch, Ltd	Retail
Customer Service Agreement (6D Ranch)	14973	6D Ranch, Ltd	Retail
Agreement for Interim Water Service (Balfour Tract) (COA/6D Ranch/LCRA)	18	6D Ranch, Ltd; Austin, City of	Retail
Utility Facilities Acquisition Agr. (Glen Rose re:WTC MUD 3&5 & Lk. Pointe)	5790	6D Ranch, Ltd; Glen Rose Development Corporation	Retail
Utility Facilities Construction and Conveyance Agreement (Cottages at Spillman Ridge)		Ash Creek Homes, Inc.	
Utility Facilities Construction and Conveyance Agreement (Bee Cave Expansion)		AT&T Services, Inc.	
Agreement Concerning LCRA System Interconnection	17740	AustinSeventyOne, Ltd.	Other
Water Services Agreement (Barton Creek West WSC re: Uplands)	16667	Barton Creek West WSC	Wholesale
Amendment-Water Services Agreement (Barton Creek West WSC re: Uplands)	21	Barton Creek West WSC	Wholesale
Emergency Water Interconnect (Barton Crk WSC/TCMUD4)	453	Barton Creek West WSC; Travis County MUD # 4	Wholesale
Util Fac Acquisition Agr (Bee Cave Oaks Dev. re: TCWCID21-Seven Oaks)	36	Bee Cave Oaks Development, Inc.	Retail
Utility Facility Acquisition (Bee Cave Road Assoc, re: Seven Oaks, Sec. IV)	7430	Bee Cave Road Associates	Retail
Restated and Amended Agr for Use of Public Places for Const of Water Supply Sys	39	Bee Cave, City of	Other
Restated and Amended WW Services Agreement (Bee Cave)	38	Bee Cave, City of	Other

Exhibit A – Schedule 2

Title/Name	CAS ID	Parties	Customer Type
Water Facilities Lease and Service Agreement (HPR)[Formby]	42	Belvedere MUD; Hamilton Bee Cave	Retail
MOU re Retail & Wholesale Water Svc in WTC (Briarcliff Vllg)	500	Briarcliff, Village of	Other
Utilities Facilities Construction & Water Svc Agr (BRSJ re Signor/Madrone Ranch)	54	BRSJ, Ltd.	Retail
Amend 1 Utility Fac Const & Water Svc Agr (BRSJ re:Madrone Ranch/Signor)	55	BRSJ, Ltd.	Retail
Raw Effluent Agreement	62	CCNG Development Company, L.P.	Retail
Project Management Agreement	3670	CCNG Development Company, L.P.	Retail
Utility Facilities Acquisition (CCNG-re: svcs to the CCNG tract)	63	CCNG Development Company, L.P.	Retail
Amend 1 Utility Facilities Acquisition Agreement (CCNG)	66	CCNG Development Company, L.P.; West Travis County MUD Nos. 6, 7, and 8	Retail
Utility Facilities Construction & Conveyance Agreement- CCNG	16190	CCNG Realty, Inc.	Retail
290 LUE Reservation Commitment – 25 LUEs		Cedar Valley Investments	LUE
Customer Service Agreement (Spanos Corp. Irrigation Water, Re: Spillman Ranch)	256	Centennial Real Estate; Spanos Corporation	Retail
Uplands Office Utility Facilities Construction Conveyance Agreement	12924	CGA Ventures, LLC	Retail
Chapman Tract Service Commitment letter	17009	Chapman, Bill J.	
Utility Facilities Construction and Conveyance Agreement (ORB Music Studio)	17734	Charles B. Hudson	
Customer Service Agreement, Irrigation Water	73	Citibank Texas (Citicorp)	Raw/Eff
Water Services Agreement (Crystal Mountain HOA) 98	81	Crystal Mountain Homeowners Assoc., Inc.	Wholesale
Consent & Assignmnt of Contract Rights for the Sawyer Ranch/Darden Hill Water Ln	88	Cypress Hays, L.P. (Currently known as Rock Creek Holdings, L.P.); Greenhawe WCID No. 2; Hays Reunion Ranch, L.P.; LSM Ranch, Ltd.; SGL Investments, Ltd	
Wholesale Water Services Agreement (Deer Creek Ranch-06)	90	Deer Creek Ranch Water Co., L.L.C.	Wholesale
Amend 2 Wholesale Water Services Agr (Deer Creek Ranch-09)	16146	Deer Creek Ranch Water Co., L.L.C.	Wholesale

Title/Name	CAS ID	Parties	Customer Type
Amend 1 Wholesale Water Services Agr (Deer Creek Ranch-07)	6043	Deer Creek Ranch Water Co., L.L.C.	Wholesale
Consent and Estoppel Agreement between LCRA and Frost National Bank		Deer Creek Ranch Water Co., L.L.C.	Wholesale
Water Sale Contract Second Repayment Agreement		Deer Creek Ranch Water Co., L.L.C.	Wholesale
Utility Construction and Conveyance Agreement (Dickey-Marble Falls Minor Emerg.	4293	Dickey, Michael W.	Retail
Utility Facilities Construction and Conveyance Agreement (Driftwood,Veytia,RSJS)	92	Driftwood Water Co. Inc.; RSJS Rockwall, Ltd; Veytia Partners, Ltd	Retail
290 LUE Reservation Commitment – 64 LUEs		Dripping Springs ISD	LUE
290 LUE Reservation Commitment – 96 LUEs		Dripping Springs ISD	
Revised & Restated Water Svcs Agr (Dripping Springs WSC)	8553	Dripping Springs WSC	Wholesale
Wholesale Water Supply Agreement (City of Dripping Springs)	96	Dripping Springs, City of	Wholesale
Wholesale Water Services Agrmt- LCRA & City of Dripping Springs, Headwaters MUD	15863	Dripping Springs, City of	Wholesale
Embarcadero Agreement	12302	Embarcadero WSC	Retail
Util Facil Constr & Convey for Water Svcs to Retail Shops at Bee Cave (ERA BC)	6580	ERA BC Partners, LTD	Retail
Utility Facilities Construction and Conveyance Agreement (ESPY Corp.)	17397	Espy Corporation	
Treated Effluent Disposal Easement (Falconhead West/LCRA) see also TCWCID17	6133	Falconhead West, LP	Other
Raw Water Effluent Agreement (Fire Phoenix-Golf Course)	258	Fire Phoenix LLC; Spillman Development Group, Ltd.	Raw/Eff
Compromise Settlement Agreement & Release of Claims- Spillman/Fire Phoenix	16674	Fire Phoenix LLC; Spillman Investment Group, Ltd.	Raw/Eff
Utility Facilities Construction and Conveyance Agreement (Ramsey Ranch)		Firle, Voorheis Partnership, LP	
Utility Facilities Construction and Water Svc Agr (Formby/Hamilton Bee Cave)	125	Formby, William L.	Retail

Title/Name	CAS ID	Parties	Customer Type
Assignment of Contract from William Formby to Hamilton Bee Cave, L.P.		Formby, William L./Hamilton Bee Cave LP	Retail
Utility Facilities Construction and Conveyance Agreement (Kritch Commercial Park)	16952	Glenn G. Kritch	
Water Utility Facilities Acquisition Agr	13717	Greenhawe WCID No. 2; LSM Ranch, Ltd.; Wilson Family Communities Inc.	Retail
Partial Assignment from Wilson Family Communities Inc. to Graham Mortgage Corp.		Greenhawe WCID No. 2; LSM Ranch, Ltd.; Wilson Family Communities Inc.	Retail
Cost of Sharing and Reimbursement Agreement [Phase II, Sawyer Ranch Rd Pipeline]	4739	Greenhawe WCID No. 2; Hays Reunion Ranch, L.P.; LSM Ranch, Ltd.; Pulte Homes of Texas, L.P.; Rock Creek Holdings, L.P.; SGL Investments, Ltd	Retail
Agr for Const & Conv & Reimb of Water Line Ph. 1&3 (Sawyer Ranch/Darden)	6600	Greenhawe WCID No. 2; Hays Reunion Ranch, L.P.; LSM Ranch, Ltd.; Rock Creek Holdings, L.P.; SGL Investments, Ltd.	Retail
Assignment by SGL Investments Ltd. to WFCRW, LLC - Agr for Const & Conv & Reimb of Water Line Ph. 1&3 (Sawyer Ranch/Darden)		Greenhawe WCID No. 2; Hays Reunion Ranch, L.P.; LSM Ranch, Ltd.; Rock Creek Holdings, L.P.; SGL Investments, Ltd.	Retail
Assignment by WFCRW, LLC to Wilson Family Communities, Inc. - Agr for Const & Conv & Reimb of Water Line Ph. 1&3 (Sawyer Ranch/Darden)		Greenhawe WCID No. 2; Hays Reunion Ranch, L.P.; LSM Ranch, Ltd.; Rock Creek Holdings, L.P.; SGL Investments, Ltd.	Retail
Amend 1 Util Fac Const & Water Svc Agr (Hamilton Bee Cave[Formby])	6022	Hamilton Bee Cave LP	Retail
Amend 2 to Util Fac Const & Water Svc Agr (Hamilton Bee Cave[Formby])		Hamilton Bee Cave LP	Retail
Amend 3 to Util Fac Const & Water Svc Agr (Hamilton Bee Cave[Formby])	6024	Hamilton Bee Cave LP	Retail
Agreement Regarding Provision of W/WW Service 6% (Hays County)	473	Hays County	Other
Billing Services Contract (Hays County MUD No. 4, re: LedgeStone)	11792	Hays County MUD No. 4	Other
Interlocal Cooperation Contract for Billing Services (Hays Co MUD5 re Highpoint)	6027	Hays County MUD No. 5	Other
Water Services Agreement (Hays County WCID No. 1)	131	Hays County WCID #1	Wholesale

Title/Name	CAS ID	Parties	Customer Type
Amend 1 Water Services Agreement (Hays County WCID No. 1)	3842	Hays County WCID #1	Wholesale
Assignment of Certain Rights to Water Services by Hays Co. WCID No. 1 to Hays Co. WCID No. 2		Hays County WCID #1 and Hays County WCID #2	
Wholesale Water Services Agr- Hays County WCID No. 2	16683	Hays County WCID #2	Wholesale
Settlement Agreement and Stipulation of Dismissal between Hays County Water Planning Partnership, Save Our Springs Alliance, US Army Corps of Engineers, LCRA, USFWS, et al.	6855	Hays County Water Planning Partnership, Save Our Springs Alliance, US Army Corps of Engineers, LCRA, USFWS, et al.	
Cost Sharing & Reimbursement Agreement for Phase IV of the Sawyer Ranch Road P	132	Hays Reunion Ranch, L.P.	Wholesale
Water Services Agreement (Hays Reunion Ranch)	3845	Hays Reunion Ranch, L.P.	Wholesale
Utility Facilities Construction and Conveyance Agreement (Galleria Townhomes)		HCG Land Partners & Bluestem Residential	
HDC Utility Facilities Construction Conveyance Agreement	12906	HDC, Inc.	Retail
Utility Facilities Construction and Conveyance Agreement (HGC Land Partners)		HGC Land Partners	Retail
Utility Facilities Construction and Conveyance Agreement (Hill Co Galleria)	137	Hill Country Galleria, L.P.	Retail
Utility Facilities Construction & Convey Agreement (Jamail re:Cedar Ridge Est)	4727	Jamail, Bryan Joseph	Retail
Amend 3 Utility Fac Const & Water Svc Agr (McHargue re Hamilton Pool Rd)		KD Rocky Creek LP	Retail
Assignment of Rights to LegacyTexas Bank- Utility Facilities Const. & Water Svc Agr (McHargue re Hamilton Pool Rd)		KD Rocky Creek LP and LegacyTexas Bank	Other
Assignment of Rights to from KD Rocky Creek to RC Travis LP		KD Rocky Creek LP and RC Travis LP	Other
Consent and Estoppel Certificate – KD Rocky Creek and RC Travis LP		KD Rocky Creek LP and RC Travis LP	
Utility Facilities Construction & Conveyance Agreement- Kratzer Family Trust	15827	Kratzer Family Trust	Retail
Irrigation Agreement (Lake Travis ISD)	156	Lake Travis ISD	Raw/Eff
Access Easement from LTISD (requires an annual payment)		Lake Travis ISD	Other

Exhibit A – Schedule 2

Title/Name	CAS ID	Parties	Customer Type
Utility Facilities Construction and Conveyance Agreement (Hays County)		Lasco Polo Club	
Utility Facilities Construction and Conveyance Agreement (Polo Club Center)		Lasco Polo Club Partners, Ltd.	
Utility Facility Acquisition, Const & Service Agreement	166	Lazy Nine MUD	Wholesale
Wholesale Water Services Agreement (Lazy 9-WTCRegWS-Bee Cave)	165	Lazy Nine MUD	Wholesale
Assignment and Assumption of Contracts and Other Items – Lazy Nine MUD to Lazy Nine MUD1A		Lazy Nine MUD1A	
Consent and Estoppel Certificate – LCRA and LegacyTexas Bank (McHargue re Hamilton Pool Rd)		LegacyTexas Bank	Other
Utility Facilities Construction and Conveyance Agreement (Lone Star Bank)		Lone Star Bank	
Utility Facilities Construction and Conveyance Agreement (Masonwood 71, Ltd.)		Masonwood 71, Ltd.	Retail
Utility Facilities Const. & Water Svc Agr (McHargue re Hamilton Pool Rd)	5994	McHargue Family II, Ltd	Retail
Amend 1 Utility Fac. Const. & Water Svc Agr (McHargue re Hamilton Pool Rd)	5995	McHargue Family II, Ltd	Retail
Amend 2 Utility Fac Const & Water Svc Agr (McHargue re Hamilton Pool Rd)	5996	McHargue Family II, Ltd	Retail
Bill of Sale and Assignment from McHargue to KD Rocky Creek LP		McHargue Family II, Ltd - KD Rocky Creek LP	Retail
Consent and Release Agreement		McHargue Family II, Ltd – KD Rocky Creek LP	Other
Utility Facilities Construction and Conveyance Agreement (Appaloosa Run)		McMeans, Inc.	
Utility Facilities Construction and Conveyance Agreement (Stoneridge)		Miguel & Jo-Iris Guillen	
Customer Service Agreement (Moondance Investments; Irrigation Water-Chilis 620)	199	Moondance Investments, Ltd.	Raw/Effluent
April 29, 2009, Voluntary Relinquishment to LCRA of 250 LUEs from N-Hays Investors I, L.P., successor in interest to Cypress-Hays, L.P., and Rock Creek Holdings, L.P., relative to the Water Services Agreement with LCRA dated March 23, 2003; the Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch		N-Hays Investors, L.P.	

Title/Name	CAS ID	Parties	Customer Type
Road Pipeline, dated January 5, 2005; and the Agreement for Construction and Conveyance of, and Reimbursement for Phases One and Three of Sawyer Ranch Darden Hill Water Line, dated May 4, 2005			
March 4, 2011, Voluntary Relinquishment to LCRA of 250 LUEs from N-Hays Investors I, L.P., successor in interest to Cypress-Hays, L.P., and Rock Creek Holdings, L.P., relative to the Water Services Agreement with LCRA dated March 23, 2003; the Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch Road Pipeline, dated January 5, 2005; and the Agreement for Construction and Conveyance of, and Reimbursement for Phases One and Three of Sawyer Ranch Darden Hill Water Line, dated May 4, 2005		N-Hays Investors, L.P.	
Utility Facilities Construction and Conveyance Agreement (Nitro Swim Center)		Nitro Swimming Bee Cave, LLC	
Utility Facilities Construction and Conveyance Agreement (Trudy's Texas Star Restaurant)		Nofalia, Inc.	
Amend 1 Util Facil Acquisition Agr (Palisades/LCRA-re Spillman) 03	6545	Palisades Developers, Ltd.	Retail
Utility Fac Acq & Const. Agr Potable (Palisades/LCRA-spillman) 2002 AGR	7024	Palisades Developers, Ltd.	Retail
Treated Effluent Disposal EASEMENT (Spillman/Palisades/LCRA) 02	7019	Palisades Developers, Ltd.; Spillman Development Group, Ltd.	Effluent
Ladera Ranch Utility Facilities Construction Conveyance Agreement	12225	PCG Summit, Ladera Ranch, L.P.	Retail
290 LUE Reservation Commitment – 256 LUEs		Polo Country Club/Rooster Springs	LUE
Partial Assignment & Assumption of Util Facilities Acquisition Agrmt- Highpointe	16175	Pulte Homes of Texas, L.P.	Retail
Water Facilities Lease and Services Agreement (RC Travis LP, Travis County MUD 16 re Rocky Creek)	17345	RC Travis LP, Travis County MUD 16	Retail
Assignment of Water Services Agreement from Hays Reunion Ranch LP to Reunion Ranch WCID		Reunion Ranch WCID	Retail
Utility Facilities Construction and Conveyance Agr (Riverwild)	216	Riverwild, L.P.	Retail
Utility Facilities Construction and Conveyance Agreement (Tangleridge West)		Robert Marincic	

Title/Name	CAS ID	Parties	Customer Type
Utility Facilities Construction and Conveyance Agreement (Galeana Trace)		RSS Office Partners	
Utility Facilities Construction and Conveyance Agreement (Buck Eye Trail)		Sabbia Ltd./Mike Young	
Water Services Agreement (Senna Hills MUD)	4061	Senna Hills MUD #1	Wholesale
Meter & Bill Methods Agrmt Ltr - Bypass Line Bee Cave Road	6732	Senna Hills MUD #1	Wholesale
Utility Facilities Construction & Water Service (WTC- Signor)	6050	Signor, Lee F and Beth Ann	Retail
Utility Fac. Const. & Conveyance Agr. -(S. Madrone Trail re: Village of Bear Creek)	5788	South Madrone Trail Water, Inc	Retail
Utility Facilities Acquisition Agr. (SWTC re: WTC MUD 3&5 & Lake Pointe)	5793	Southwest Travis County, LTD	Retail
Amend 3 Treated Effluent Disposal EASEMENT (Spillman)	7020	Spillman Development Group, Ltd.	Retail
Treated Effluent Disposal EASEMENT (Spillman Dev/LCRA) 00	7012	Spillman Development Group, Ltd.; Spillman Investment Group, Ltd.	Retail
Restated & Amended Lease Agreement (Spillman) 01	7009	Spillman Development Group, Ltd.; Spillman, Frank; Spillman, Harry J., Jr.	Retail
Amend 2 Treated Effluent Disposal EASEMENT (Spillman Dev/individ's/LCRA)	7018	Spillman Development Group, Ltd.; Spillman, Frank; Spillman, Harry J., Jr.	Retail
Amend 1 Restated & Amended Lease Agreement (Spillman)	7010	Spillman Development Group, Ltd.; Spillman, Frank; Spillman, Harry J., Jr.	Other
Amend 1 Treated Effluent Disposal EASEMENT(Spillman) SDG/LCRA/Indiv's	7015	Spillman Development Group, Ltd.; Spillman, Frank; Spillman, Harry J., Jr.	Other
W/WW Service Commitment (Spillman INVESTMENT, re Spillman Ranch proj)	6461	Spillman Investment Group, Ltd.	Retail
Raw Water & Effluent Agreement (Spillman Ranch) 02	5535	Spillman Ranch Community, Inc.	Retail
Bee Cave Storage Utility Facilities Construction Conveyance Agreement	12224	SSC Evergreen, LLC	Retail
Summit 56 Austin Utility Facilities Acquisition Conveyance Agreement	14011	Summit Austin 56, LTD	Retail
Utility Facilities Construction and Conveyance Agreement (Taylor Morrison of Texas)		Taylor Morrison of Texas (Ladera Ranch)	Retail
Utility Facilities Construction and Conveyance Agreement (Lone Oak Motors)		Terry Harrison	

Title/Name	CAS ID	Parties	Customer Type
Utility Facilities Construction & Conveyance Agreement- TRI Office Complex	16196	Texas Research International, Inc.	Retail
Wholesale Water Services Agreement- Travis County MUD No. 12	16593	Travis County MUD # 12	Wholesale
Agreement with Travis County WCID 17	15381	Travis County WCID # 17	Wholesale
Wholesale WW Service Agr (TCWCID17/LCRA re Falconhead West)	6134	Travis County WCID # 17	Wholesale
Wholesale WW Service Agr (TCWCID17/LCRA re Falconhead West) Amend 1	16158	Travis County WCID # 17	Wholesale
Agreement concerning Emergency Water Interconnect (TCWCID20)	269	Travis County WCID # 20	Interconnect
Emergency Interconnect Agreement		Travis County WCID #17	Other
Memorandum of Understanding (USFWS/LCRA re Surface Water for WTC & No. Hays Co.)	5984	U.S. Fish & Wildlife	Other
Village at Kirby Springs Utility Facilities Construction Conveyance Agmt.	12908	Village at Kirby Springs	Retail
License Agreement Between LCRA & Village of Bear Creek, TX	16513	Village of Bear Creek	Other
290 LUE Reservation Commitment – 85 LUEs		Vista Ranch	LUE
Raw Water Supply and Facilities Construction Agreement (WTC MUD 3)	283	West Travis County MUD #3	Raw/Eff
Delivery Agreement between LCRA & West Travis County MUD No. 3	16666	West Travis County MUD #3	Raw/Eff
Utility Facilities Construction & Conveyance Agreement- Westbank Library Dist.	15829	Westbank Community Library District	Retail
Util Facil Const & Conv Agr (Wilden Prop., re: Hwy 290/Baxter Ln Self Storage)	11785	Wilden Properties, Ltd.	Retail
Util Facil Const & Convey Agrmt- Wong (HEB Lift Sta)	15378	Wong, Mitchell & Rose	Retail

EXHIBIT A

ASSETS

SCHEDULE 3 – PROPERTY

See attached lists.

**West Travis County Water and Wastewater
Fee Owned Properties
January 12, 2012**

Prop_ID	COUNTY	OWNER	LEGAL_DESC	SITUS_ADDR	INSTRUMENT	VOLUME	PAGE	ACRES	LCRA_DESC
422406	Travis	LCRA				12871	455	2.022	West Travis County Water System
R422727	Travis	LCRA	LOT 9 BLK G UPLANDS PHS 1 THE	12014 UPLANDS RIDGE DR	2002013293	NA	NA	0.69	West Travis County Wastewater System - Lake Pointe Lift Station #8
422730	Travis	LCRA		ABS 757 SUR 656 SEIFERT F ABS 692 SUR 15		12871	455	11.167	West Travis County Wastewater System - Lake Pointe Wastewater Treatment Plant
R17948	Hays	LCRA	A415 Smith, P SUR.			1700	578	1	West Travis County Tank Site
R375020	Travis	LCRA	A682 Joseph Rohmuller Sur., 23.8722 AC			12712	27	23.8722	West Travis County System
R118977	Travis	LCRA	A2675 CT & MC RR Sur., 35.8293 AC			12712	27	35.8293	West Travis County System
R375020	Travis	LCRA	A687 Joseph Rohmuller Sur., .052 AC			12712	27	0.052	West Travis County System
R422912	Travis	LCRA	A687 Joseph Rohmuller Sur., .791 AC			12712	27	0.791	West Travis County System
R118977	Travis	LCRA	A2675 CT & MC RR Sur., 87.2985 AC			12712	27	87.2985	West Travis County System
R96103	Hays	LCRA	A0245 WILLIAM S HOLTON SURVEY, ACRES 2.00 ..EXEMPT AS OF 5-3-00			1671	532	2	West Travis County Regional Water System - County Line Pump Station
R338732 (in travis cnty)	Hays	LCRA	A0245 WILLIAM S HOLTON SURVEY, ACRES 1.00,			2392	496	1	West Travis County Regional Water System - Zyle Road Pump Station
R15498	Hays	LCRA	A0245 WILLIAM S HOLTON SURVEY, ACRES 1.00, * EXEMPT AS OF 1-14- 04- RESEVOIR SITE			2392	496	1	West Travis County Regional Water System - County Line Pump Station
R335144(travis)	Hays	LCRA	ABS 326 SUR 64 GILLESPIE J ACR .165			2392	496	0	West Travis County Regional Water System - 1826 Receiving Pump Station
R335144(travis)	Hays	LCRA	ABS 326 SUR 64 GILLESPIE J ACR .165			2392	496	0	West Travis County Regional Water System - 1826 Receiving Pump Station
R96400	Hays	LCRA	SAWYER RANCH SEC 2, BLOCK A, LOT 9, ACRES .252 EXEMPT AS OF 9/11/00	TOM SAWYER RD DRIPPING SPRINGS, TX 78620		2392	479	0	West Travis County Regional Water System - Sawyer Ranch Hydroneumatic Pump Station

**West Travis County Water and Wastewater
Fee Owned Properties
January 12, 2012**

Prop_ID	COUNTY	OWNER	LEGAL_DESC	SITUS_ADDR	INSTRUMENT	VOLUME	PAGE	ACRES	LCRA_DESC
R495040	Travis	LCRA	ABS 557 SUR 525 MOORE W P ACR 12.268	W STATE HY 71	2001056302	NA	NA	12.27	West Travis County Southwest Regional
R438166	Travis	LCRA	LOT 2 BLK A LAKE POINTE PHS IV-A	3012 NAPA DR 78733	2000110518	NA	NA	0.23	West Travis County Wastewater System - Lake Pointe Wastewater Treatment Plant
R375107	Travis	LCRA	50% OF LOT 6 BLK B SEVEN OAKS SEC 2 PHS 2	9116 ATWATER CV	2001217965	NA	NA		West Travis County Regional Water System - Seven Oaks Hydroneumatic Pump Station
R473852	Travis	LCRA	LOT 2 BLK A LCRA-BEE CAVE SUBD NO 1	AVISPA BONITA 78738	199900253	NA	NA	1.49	West Travis County Regional Water System - Bee Caves Pump Station
R473851	Travis	LCRA	LOT 1 BLK A LCRA-BEE CAVE SUBD NO 1	W STATE HY 71 78738	2000110521	NA	NA	17.31	West Travis County Regional Water System - Bee Caves Pump Station
R374999	Travis	LCRA	LOT 12 BLK H LAKE POINTE PHS 1B	3204 SANTEE DR 78738	2000110521	NA	NA	2.93	West Travis County Wastewater System - Lake Pointe Wastewater Treatment Plant

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000059	Robert B. Baldwin, Baldwin Investments CO.	Volume 12431 Page 148	West_Travis_County	33.2327 AC Tract 2 Robert Baldwin III	Volume 11583 Page 749	5/5/1995	WW
WE0000059	Robert B. Baldwin, Baldwin Investments CO.	Volume 12431 Page 148	West_Travis_County	42.929 AC Baldwin Investments CO.	Volume 10846 Page 475	5/5/1995	WW
WE0000059	Robert B. Baldwin, Baldwin Investments CO.	Volume 12431 Page 148	West_Travis_County	.52 AC Robert B. Baldwin	Volume 8228 Page 994	5/5/1995	WW
WE0000065	The Nature Conservancy of Texas, Inc.	2000185921	West_Travis_County	The Nature Conservancy of Texas, Inc.	Volume 12122 Page 1031	11/21/2000	W
WE0000067	Lake Travis Youth Assocoiation	Volume 13011 Page 0352	West_Travis_County	5.207 Acres Lake Travis Youth Association	Volume 12685 Page 1291	9/3/1997	WWW
WE0000067	Lake Travis Youth Assocoiation	Volume 13011 Page 0352	West_Travis_County	Lot 2 Bee Cave-LTYA 71 West Addition	Volume 94 Page 43	9/3/1997	WWW
WE0000068	Austin Hills & Lakes Developmentt, Inc. Et. AL	2006202659	West_Travis_County	Seven Oaks Section Five	N/A	10/18/2006	W
WE0000069	Armstrong Holden Family, L.C.	2000149990	West_Travis_County	Called 18.285 Acres Shannon H. Armstrong & Carol H. Holden	Volume 12083 Page 352	9/19/2000	W
WE0000070	Cherie Jo Alexander	2000096028	West_Travis_County	Callled 1.98 Allie Alexander	Volume 6207 Page 192	6/21/2000	W
WE0000071	George & Patsy Acevedo	2000129414	West_Travis_County	Called Charles & Charles Jr. Goodnight	Volume 7003 Page 2253	8/15/2000	W
WE0000072	William & Venus Strawn	Volume 12629 Page 0301	West_Travis_County	9.684 Acres William Strawn	Volume 12450 Page 1390	2/23/1996	W
WE0000074	SPC Bee Caves Partners, Ltd.	2007048209	West_Travis_County	Lot 1 Block A HEB/Bee Cave # 2	Volume 99 Page 374	5/19/2007	W
WE0000075	LCRA	04026412	West_Travis_County	Lot 6 Sunset Canyon Sec II-C	NA	9/10/2004	R
WE0000076	Robert & Jill McAlister	Volume 1695 Page 437	West_Travis_County	Called 35.02 Acres William Michaelis	Volume 1626 Page 748	7/20/2000	W
WE0000077	John & Camilla Bordie	Volume 1674 Page 134	West_Travis_County	Called 135.92 Acres John Brydson Berkley	Volume 1293 Page 842	5/26/2000	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000078	Wilna S. Thomas	Volume 1674 Page 111	West_Travis_County	Lot 5 Sunset Canyon Section II-C	Volume 3 Page 397	5/26/2000	W
WE0000079	James & Linda Brown	Volume 1674 Page 128	West_Travis_County	Lot 3 Sunset Canyon Section II-C	Volume 1173 Page 552	5/26/2000	W
WE0000080	Philip A. Rhodes Jr.	Volume 1686 Page 289	West_Travis_County	Called 1.170 Acres Tract II Dripping Springs National Bank	Volume 865 Page 517	7/27/2000	W
WE0000081	Mary & Ronnie Wilson	2000108982	West_Travis_County	Lot 1-3 The 290 West Addition	Volume 86 Page 23C	7/13/2000	W
WE0000082	The City of Austin	2000181121	West_Travis_County	Called 361.939 Acres Federal deposit Insurance Corporation	Volume 11840 Page 1485	11/13/2000	W
WE0000083	Gloria Jean Jackson	2000080267	West_Travis_County	Called 5.014 Acres William A. Jackson	Volume 12560 Page 755	5/25/2000	W
WE0000084	Gloria Jean Jackson	2000096031	West_Travis_County	Called .411 Acre Tract 2 Douglas & Gail Beckley	Volume 12799 Page 188	6/21/2000	W
WE0000085	Alma Schnautz & Joseph A., Federick, James, Thomas, William Jackson	2000096030	West_Travis_County	Called 4.747 Acres Donald J. Jackson	Volume 13186 Page 577	6/21/2000	W
WE0000086	Ronald & Helen Forbes	2000096029	West_Travis_County	Called Tract 1& 2 George & Madeline Rohrer	Volume 12272 Page 1280	8/21/2000	W
WE0000087	Kenneth Ray Sanders	2000103714	West_Travis_County	Called Rosemary Lentzen Tract 1 .29 Acres	Volume 12720 Page 653	7/5/2000	W
WE0000088	The Ferguson Family Limited Partnership	2000174139	West_Travis_County	Called 12.563 Acres Tract 2 Russell & Tonie Ferguson	Volume 12529 Page 328	10/30/2000	W
WE0000089	Elmer Reinhardt	2000080269	West_Travis_County	Lot 7 Glen-Ledge Park	Volume 69 Page 18	5/25/2000	W
WE0000090	Edmund & Lora Kunz	2001016840	West_Travis_County	Glen-Ledge Park	Volume 69 Page 18	2/2/2001	W
WE0000091	Healthcare Living Centers, Inc.	2000080268	West_Travis_County	Lot 7 Glen-Ledge Park Section 2-A	Volume 82 Page 77	5/25/2000	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000092	MDM Partnerdhip No. 1, Ltd.	2000096024	West_Travis_County	Lot 4 Glen-Ledge Park	Volume 69 Page 18	5/21/2000	W
WE0000093	ERA BC Partners, Ltd.	2005184188	West_Travis_County	36.171 Acres Kenneth C. Margolis	Volume 8730 Page 729	10/4/2005	W
WE0000093	ERA BC Partners, Ltd.	2005184188	West_Travis_County	36.171 Acres Kenneth C. Margolis	Volume 8730 Page 729	10/4/2005	W
WE0000094	The Nature Conservancy of Texas, Inc.	2007051408	West_Travis_County	LCRA 2.022 Acres	Volume 12871 Page 455	3/23/2007	W
WE0000094	The Nature Conservancy of Texas, Inc.	2007051408	West_Travis_County	Commercial Lot 1 Block C The Uplands Phase One	Volume 96 Page 197	3/23/2007	W
WE0000094	The Nature Conservancy of Texas, Inc.	2007051408	West_Travis_County	The NAture Conservancy of Texas, Inc. Tract 1 2463.08 Acres	Volume 12122 Page 1031	3/23/2007	W
WE0000095	Dorothy Taylor Moore	2006210983	West_Travis_County	Lot 17 Block A The Homestead	Volume 75 Page 132	10/31/2006	W
WE0000096	Ian & Ann Molineux	2007010543	West_Travis_County	Lot 4A & Lot 3	N/A	1/22/2007	W
WE0000097	Meritage Homes of Texas, L.P.	2006232454	West_Travis_County	Kss Subdivision	Volume 92 Pge 352	12/5/2006	WW
WE0000097	Meritage Homes of Texas, L.P.	2006232454	West_Travis_County	Charles Kullenberg Addition	Volume 80 Pge 218	12/5/2006	WW
WE0000098	Marcia H. Patterson	2002054052	West_Travis_County	Lot 1 Patterson Place Section One	Volume 91 Page 338	3/22/2002	W
WE0000099	Kaye Dunn	Volume 3404 Page 440	West_Travis_County	Ann L. Dunn, William R. Dunn & Kaye Dunn 3.62 Acres	Volume 1200 Page 115	5/23/2008	W
WE0000100	Tadeusz, Elizabeth, Barbara, Wieslaw Kaspro	2000108980	West_Travis_County	Called 26.9326 Acres Albert Henry Willie & Alice Beatrice Willie	Volume 9313 Page 957	7/13/2000	W
WE0000100	Tadeusz, Elizabeth, Barbara, Wieslaw Kaspro	2000108980	West_Travis_County	Called 1.98 Acres Allie Alexander	Volume 7779 Page 467	7/13/2000	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000101	J.F.L., Inc.	2000103716	West_Travis_County	Lot 34-36 Called 51.383 Acres Johnson Communities	Volume 13192 Page 700	7/5/2000	W
WE0000101	J.F.L., Inc.	2000103716	West_Travis_County	Lot 32 Called 51.383 Acres Johnson Communities	Volume 13192 Page 700	7/5/2000	W
WE0000102	Ingas, Inc.	2000149991	West_Travis_County	Called 19 Acres Robert E. Denman & Dorris Ann Denman	Volume 4078 Page 1269	9/16/2000	W
WE0000103	Bobby N. & Kathey J. Hawley	00017496	West_Travis_County	Called 5.023 AC Gordon Everett Jamison	Volume 933 Page 838	7/27/2000	W
WE0000104	Hawkins Family Partnership, L.P.	2000174138	West_Travis_County	Lot 33 Called 2 Acres W. Hugh Looney III	Volume 13223 Page 1141	10/30/2000	W
WE0000106	Mary Gebert	2000103715	West_Travis_County	Called 23.705 Acres Raymond E. Sloan	Volume 12162 Pge 229	7/5/2000	W
WE0000107	John Thomas	2007171625	West_Travis_County	The Marjorie Bowers Anderson Family Trust	Volume 2143 Page 824	9/14/2007	W
WE0000108	Jeff E. Geeslin, Trustee	Volume 12992 Page 0425	West_Travis_County	25.179 Acres tract 2 Jeff Geeslin	Volume 9592 Page 308	8/6/1997	WWW
WE0000108	Jeff E. Geeslin, Trustee	Volume 12992 Page 0425	West_Travis_County	Lot A The Cedar Yard	Volume 77 Page 290	8/6/1997	WWW
WE0000109	John Emory Forbis & Leslie Forbis Prather	00012130	West_Travis_County	Orie Lester Forbis, Jr. & Annie M. forbis	Volume 765 Page 166	5/26/2000	W
WE0000110	Charles A. Farrell	2000080271	West_Travis_County	Lot 1 Glen-Ledge Park	Volume 69 Page 18	5/25/2000	W
WE0000111	Timothy & Terry Decker		West_Travis_County	Lot 23 Sunset Canyon Section II-C	Volume 3 Page 397	5/26/2000	W
WE0000111	Timothy & Terry Decker		West_Travis_County	Lot 12, 24, 25 Sunset Canyon Section II-C	Volume 3 Page 397	5/26/2000	W
WE0000112	Chet & Tara Cunningham	2007010542	West_Travis_County	Lot 4A & 3	N/A	1/22/2007	W
WE0000113	Crphyh, L.P.	2000129416	West_Travis_County	Called 18.75 Acre Peter & Pearl Wu	Volume 12702 Page 621	8/15/2000	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000114	Corp. of the Presiding Bishop of the Church of Jesus Christ of Latter Day Saints	00014827	West_Travis_County	Called 2055.9 Acres Partion Deed	Volume 317 PAge 167	6/27/2000	W
WE0000115	CCNG Development Company, L.P.	2002128786	West_Travis_County	5.276 Acre Jeff Geeslin	Volume 9592 Page 308	7/12/2002	WW
WE0000116	BRSJ, LTD	2007119905	West_Travis_County	Madrone Ranch Subdivision Lot 10 Block B	N/A	6/29/2007	W
WE0000117	Glenda Lynn Brownson	2000108983	West_Travis_County	Called .1807 Tract 2 Vacation Order	Volume 57 Page 976	7/13/2000	W
WE0000118	Joseph W. Bell, Jr. & Rhonda M. Lane	2000196964	West_Travis_County	Called 30.963 Acres Keith Crozier & Helen Crozier	Volume 13294 Page 1807	12/12/2000	W
WE0000119	Troublemaker Studios, L.P.	2001213404	West_Travis_County	Troublemaker Section 1 Subdivision	Volume 103 Page 75	3/8/2002	WW
WE0000120	Spillman Investment Group, LTD.	2002128811	West_Travis_County	234.807 Acre Spillman Investment Group	N/A	7/12/2002	WW
WE0000121	Bee Caves Oaks Deelopment, Inc.	Volume 13311 Page 310	West_Travis_County	Lot 8 Seven oaks Section 2 Phase 2	N/A	11/16/1998	W
WE0000122	Bee Cave Oaks Development, Inc.	Volume 13311 Page 306	West_Travis_County	Seven Oaks Section 2 Phase 2	Vol 95 Page 264	3/18/1997	W
WE0000123	Third Church of Christ Scientist, Austin	2003073261	West_Travis_County	Lot 2 Third Church of Christ Scientist Austin	Volume 12755 Page 2824	4/3/2003	WW
WE0000124	Jack Hurt D/B/A Hill Country Food Mart	2002094904	West_Travis_County	Resubdivision of Lot 1 of the H.S.T. Subdivision	Volume 96 Page 189	5/22/2002	WW
WE0000125	Jack & Ruby Hurt	2002094903	West_Travis_County	HST Subdivision	Volume 75 Page 232	5/22/2002	WW
WE0000126	Bee Caves Oaks Development, LTD.	2007192514	West_Travis_County	Lot 1-A Amended Plat of Seven Oaks Section 3 Phase 1 27.208 Acres	N/A	10/19/2007	W
WE0000127	Richard & Dora Bohls	2005214848	West_Travis_County	Richard A. Bohls Second Tract 30 Acres	Volume 3105 Page 1788	11/17/2005	W
WE0000128	Jesse R. Blann & Richard W. Pearce	2002053525	West_Travis_County	1.015 Acre Jesse R. Blann & Richard W. Pierce	Volume 12867 Page 732	3/21/2002	WW

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000129	D & D Interests Partnership	2002128223	West_Travis_County	Lot 2 Bee cave Commercial Subdivision 1	Volume 99 Page 182	7/12/2002	WW
WE0000130	CWT Bee Caves, Ltd.	2005054609	West_Travis_County	Replat of the Home Depot Addition Lot 2-3	N/A	3/31/2005	W
WE0000131	Home Depot USA	2000203847	West_Travis_County	36.171 Acres Kenneth C. Margolis	Volume 8730 Page 729	12/28/2000	W
WE0000132	Bee Cave Oaks Development, Ltd.	2004091774	West_Travis_County	Seven Oaks Section 2 Phase 2 Lot 17 Block B	Volume 95 Page 264-267	5/14/2004	WWW
WE0000133	Falconhead West, L.P.	2008085849	West_Travis_County	Lot 1 Charles Kullenberg Addition	Volume 80 Page 218	5/21/2008	WW
WE0000134	Daniel B. Porter	2001005609	West_Travis_County	135.7205 AC CCNG Development Company, LP	Volume 13212 Page 92	1/11/2001	WW
WE0000135	Central Monitoring, LLC.	2002174459	West_Travis_County	Lot 1 KSS Subdivision	Volume 92 Page 352	9/18/2002	WWW
WE0000136	Townes G. Pressler GS Trust Et. AL	00014831	West_Travis_County	Called 583.83 Acres Donna Lou Townes	Volume 1437 Page 541	6/27/2000	W
WE0000138	Robert B. Baldwin, Baldwin Investments CO.	Volume 12463 Page 83	West_Travis_County	Tract A Travis County Subdivision #2	Volume 74 Page 75	6/21/1995	WW
WE0000139	Derick & Lori Wristers	2005011789	West_Travis_County	Lot 3B	N/A	1/24/2005	W
WE0000140	Bee Caves Investors, LTD	2000052712	West_Travis_County	The Uplands Phase 1 Lot 8 & 9 Block G	Volume 12122 Page 1031	4/10/2000	WWW
WE0000141	CCNG Properties, L.P.	2006111998	West_Travis_County	CCNG Properties 3.3 Acres	Volume 13325 Page 2020	6/14/2006	W
WE0000142	Spanish Oaks Commercial Partnership, L.P.	2001021869	West_Travis_County	Lot 1 Park Place	Volume 94 Page 46	7/12/2002	WW
WE0000143	Bee Cave Road Associates	2000002817	West_Travis_County	Bee Caves Road Assoc.	Volume 9215 Page 283	1/7/2000	WWW
WE0000145	Bee Caves Oaks Development, Inc.	2000002818	West_Travis_County	Seven Oaks Section 2 Phase 2	Volume 95 Page 264-267	1/7/2000	WWW

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000145	Bee Caves Oaks Development, Inc.	2000002818	West_Travis_County	Seven Oaks Section 2 Phase 2	Volume 95 Page 264-267	1/7/2000	WWW
WE0000147	Mary Sue Schmidt & Circle Reality, Ltd.	00016884	West_Travis_County	Called 20.54 Richard W. Schmidt & Kathryn Schmidt	Volume 1283 Page 249	7/20/2000	W
WE0000148	John & Sandra Hatchett	2007088925	West_Travis_County	261.179 Acres John & Sandra Hatchett	Volume 13161 Page 1746	5/16/2007	W
WE0000148	John & Sandra Hatchett	2007088925	West_Travis_County	261.179 Acres John & Sandra Hatchett	Volume 13161 Page 1746	5/16/2007	W
WE0000148	John & Sandra Hatchett	2007088925	West_Travis_County	261.179 Acres John & Sandra Hatchett	Volume 13161 Page 1746	5/16/2007	W
WE0000149	James Tschirhart	Volume 12428 Page 2413	West_Travis_County	3.019 AC Tract 2 James L. Tschirhart	Volume 11271 Page 842	5/2/1995	WW
WE0000150	James T.O' Connor, Jr.	Volume 13019 Page 0799	West_Travis_County	.76 Acre Robert R. Emerson DBA Barbara Ellens	Volume 8425 Page 955	9/15/1997	WWW
WE0000151	LCRA	2004091775	West_Travis_County	Seven Oaks Section 2 Phase 2	Volume 95 Page 264-267	5/14/2004	R
WE0000152	Robert E. Peerman	00016885	West_Travis_County	Lot A Oak Run West	Volume 3 Page 77-79	7/20/2000	W
WE0000153	The Qubain Family Trust	2000129415	West_Travis_County	Lot 1 Block A Best Technologies Center	Volume 97 Page 255	8/15/2000	W
WE0000154	Jill M. Ryan	2000096027	West_Travis_County	Lot 4 Block A Signal Hill Subdivision Phase 2	Volume 85 Page 38 A	6/21/2000	W
WE0000155	Thomas R. Sawyer & Norma Jean S. Cleveland	00014826	West_Travis_County	Called 2055.9 Acres Partioned Deed	Volume 317 Page 167	6/27/2000	W
WE0000155	Thomas R. Sawyer & Norma Jean S. Cleveland	00014826	West_Travis_County	Called 10 Acres Norma S. Cleveland & Thomas R. Sawyer	N/A	6/27/2000	W
WE0000155	Thomas R. Sawyer & Norma Jean S. Cleveland	00014826	West_Travis_County	Called 2055.9 Acres Partioned Deed	Volume 317 Page 167	6/27/2000	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000156	Tim & Brenda Skaggs	2002092191	West_Travis_County	44.611 Acres Tim Skaggs ET UX	Volume 12007 Page 1764	5/17/2002	WW
WE0000156	Tim & Brenda Skaggs	2002092191	West_Travis_County	Lot 1 1.144 Acres Jack & Ruby Hurt	Volume 4657 Page 1767	5/17/2002	WW
WE0000157	The Spillman Ranch Community, Inc.	2008085847	West_Travis_County	Charles Kullenberg Addition	Volume 80 Page 218	5/21/2008	WW
WE0000158	The Uplands Village Ltd.	Volume 13060 Page 103	West_Travis_County	Lot 1 Block A	NA	11/12/1997	WW
WE0000160	Theravada Dhamma Society of America	2008057385	West_Travis_County	Levbarg Estates	Volume 82 Page 24	4/9/2008	WW
WE0000161	Theravada Dhamma Society of America	2007173562	West_Travis_County	16.174 Acres Theravada Dhama Society of America	Volume 12661 Page 1679	9/18/2007	W
WE0000164	Charles A. Farrell	2000080270	West_Travis_County	Lot 3 Glen-Ledge Park	Volume 69 Page 18	5/25/2000	W
WE0000165	Gary & Debi Halbert	Volume 13019 Page 0813	West_Travis_County	Lot A The Cedar Yard	Volume 77 Page 390	9/15/1997	WWW
WE0000167	The Uplands Village Ltd.	Volume 13060 Page 93	West_Travis_County	Lot 2-12 Block A Uplands Village	NA	11/12/1997	WW
WE0000168	Highlands Hills Post 4443, Vetrans of Foreign Wars of the United States	2002080883	West_Travis_County	Remainder of 5.5 acres Highland Hills Post 4443 VFW	Volume 8218 Page 501	4/30/2002	WW
WE0000169	Don Lentzen	2000080266	West_Travis_County	Don Lentzen	Volume 12720 Page 653	5/25/2000	W
WE0000172	Gary & Debi Halbert	20002044887	West_Travis_County	Lot 3 2.62 Acres Lake Travis Plaza Subdivision	Volume 97 Page 396	2/14/2002	WW
WE0000173	Nettie, Robert M., Robby, Rhonda, Robert R. Guinn & Margaret, Caroline, Robert McDuff	Volume 13011 Page 0369	West_Travis_County	3.29 Acres Elderedge L. robinson Living Trust	Volume 12835 Page 526	9/3/1997	WWW

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000174	Lake Travis Independent School District	Volume 13061 Page 0633	West_Travis_County	7.870 Acres Lake Travis Independent School District	Volume 12334 Page 1148	11/13/1997	WWW
WE0000175	Lake Travis Independent School District	Volume 13061 Page 0627	West_Travis_County	8.26 Dripping Springs Independent School District	Volume 3086 Page 2244	11/13/1997	WWW
WE0000176	Willie Investment, Ltd.	00012123	West_Travis_County	Called 160 Acres Tom Shelby	Volume 92 Page 418	8/24/2000	W
WE0000177	Ronald & Brenda Klein	00021604	West_Travis_County	Lot 2 Caliche Hill section 2	Volume 1479 Page 876	9/8/2000	W
WE0000178	David & Martha Watson	2000108981	West_Travis_County	Called .2398 Acre Vaction Order	Volume 61 Page 392	7/13/2000	W
WE0000179	Reese Commercial Properties, Ltd.	2002035362	West_Travis_County	56.628 Acres Pamela & Michael reese	Volume 12467 Page 1535	2/25/2002	WW
WE0000180	Rose Mercado Arriaga D/B/A Rosie's Tamale House	2003206874	West_Travis_County	1.638 Acre Rose Mercado Arriga	Volume 9381 Page 670	9/2/2003	WW
WE0000182	William & Candy McCray	2001202787	West_Travis_County	Remainder of 3.71 Acre William McCray	Volume 10850 page 656	12/3/2001	WW
WE0000183	Daniel A. Miles & Cecilia M. Mulvihill	2002044690	West_Travis_County	2.884 Acre The Richard H. Bequelin Family Trust	Volume 13164 Page 474	3/8/2002	WW
WE0000184	George & Marilyn Shashoua	2002180367	West_Travis_County	Lot 6 Rollingwood Section 1	Volume 7 Page 57	9/26/2002	WW
WE0000185	Shirley Thurman Grumbles & Darrel Thurman	2002011400	West_Travis_County	2.095 Acres Shirley Thurman Grumbles & Darrel Thurman	Volume 13323 Page 16	1/17/2002	WW
WE0000186	Kenneth C. Margolis	2002152780	West_Travis_County	36.171 Acre Kenneth C. Margolis	Volume 8730 Page 729	8/19/2002	WW
WE0000187	Duke & Mary Garwood	2003231454	West_Travis_County	Duke C. Garwood & Mart D. Garwood	Volume 12983 Page 1856	9/29/2003	WWLS
WE0000187	Duke & Mary Garwood	2003231454	West_Travis_County	Duke C. Garwood & Mart D. Garwood	Volume 12983 Page 1856	9/29/2003	WWLS

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000187	Duke & Mary Garwood	2003231454	West_Travis_County	Duke C. Garwood & Mart D. Garwood	Volume 12983 Page 1856	9/29/2003	WWLS
WE0000189	William & Doris Hudson	2001213405	West_Travis_County	2.454 Acre Hudson Family	Volume 13377 Page 620	12/19/2001	WW
WE0000190	Key Enterprises, Inc. & Ted L. Stewart	2002098643	West_Travis_County	2.454 Acre Hudson Family	Volume 13377 Page 620	5/29/2002	WW
WE0000191	Billy & Kathy Stewart	2002043190	West_Travis_County	Billy Stewart, ET UX	Volume 12294 Pge 1099	3/6/2002	WW
WE0000192	AG&M Bee Cave Investment, Ltd.	2002094905	West_Travis_County	2.77 Acres Lot 1 Block A AG&M Bee Cave investment	Volume 12485 Page 1535	5/22/2002	WW
WE0000193	William & Doris Hudson	2002044686	West_Travis_County	2 Acre William A. Hudson. ET UX	Volume 6609 Page 1828	3/8/2002	WW
WE0000194	SPC Bee Cave Partners, Ltd.	Volume 13360 Page 0188	West_Travis_County	Lot 1 Block A HEB Bee Cave Subdivision 2	Volume 99 Page 374	2/1/1999	WW
WE0000195	Karen S. Whatley	2000096025	West_Travis_County	Lot 2 Glen-Ledge Park	Volume 69 Page 18	6/21/2000	W
WE0000196	Barry & Michele Whites	2000080265	West_Travis_County	Lot 1 Block A Best Technologies Center	Volume 97 Page 255	5/25/2000	W
WE0000197	Mitchel & Rose Wong	2007147092	West_Travis_County	Commercial Lot 1 Block C The Uplands Phase One	Volume 96 Page 197	8/7/2007	W
WE0000198	Lemuel & Bettye Rathbone	2000096026	West_Travis_County	Called 5.26 Acres Tract A Bettye Rathbone	Volume 12968 Page 3296	6/21/2000	W
WE0000201	Glen Rose Development Corp.	Volume 13403 Page 274	West_Travis_County	Lake Point Section 9 Block A Lot 8	Volume 103 page 76	4/2/1999	IDE
WE0000204	Reliance Industries International, Inc.	00021603	West_Travis_County	Called 2055.90 Acres Partionm Deed First National Bank	Volume 317 Page 167	9/8/2000	W
WE0000205	Gary Moutain Limited Partnership	00020206	West_Travis_County	Called 14.49 Acres Mary Mansola Key	Volume 561 Page 850	8/24/2000	W
WE0000206	James M. Easterling	00014829	West_Travis_County	Lots 7,8,9 Sunset Canyon Section II-C	Volume 3 Page 397	6/27/2000	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000207	Lamar & Amber Crossland	00014830	West_Travis_County	Lot 10 Sunset Canyon Section II-C	Volume 3 Page 397	6/27/2000	W
WE0000209	Cannon Family Limited Partnership	00016882	West_Travis_County	Tract 1 Called 14.3372 Acres Cannon Family Ltd.	Volume 1641 Page 427	7/20/2000	W
WE0000210	Cannon Family, LTD	00018103	West_Travis_County	Called 69.91 Acres Dennis Cannon	Volume 211 Page 177	8/2/2000	W
WE0000213	Falconhead West, L.P.	2006238213	West_Travis_County	377.46 Acres Falsonhead West, L.P.	NA	12/14/2006	E
WE0000214	Travis County	Volume 13074 Page 0547	West_Travis_County	18.647 Acres Travis County Texas	Volume 9129 Page 713	12/4/1997	WWW
WE0000215	Travis County	Volume 13020 Page 0140	West_Travis_County	17.022 Acre Tract 1 Travis County Texas	Volume 9129 Page 716	9/16/1997	WWW
WE0000216	Lanelle Kahlbau & Patricia Jo Overton	2000074009	West_Travis_County	Tract 1 Called 125.56 Acres Florence A. Turck	Volume 429 Page 751	5/15/2000	W
WE0000217	Lanelle Kahlbau & Patricia Jo Overton	2002127136	West_Travis_County	First Tract Called 37.5 acres Remainder Elizabeth Foster	Volume 2882 Page 226	7/10/2002	W
WE0000246	Marianne Alida Ruicci Tucker	2005205779	West_Travis_County	5 AC Eric B. Tucker	Volume 11898 Page 343	11/3/2005	W
WE0000251	The Uplands Village Ltd.	Volume 13060 Page 98	West_Travis_County	Lot 9 Block A Uplands Village	NA	11/12/1997	A
WE0000254	Bon Terre-B, Ltd.	Volume 13114 Page 612	West_Travis_County	Lake Pointe Phase IV-A Block A Lot 26	Volume 100 Page 180	2/5/1998	PUE
WE0000255	Bon Terre-B, Ltd.	Volume 13114 Page 616	West_Travis_County	Lake Pointe Phase IV-A Block A Lot 52	Volume 100 Page 180	2/5/1998	PUE
WE0000256	CCNG Development Company, LP	2002136989	West_Travis_County	122.41 AC Spanish Oaks Commercial Partnership, LP	NA	7/25/2002	WW
WE0000263	Reese Commercial Properties, Ltd.	2006009777	West_Travis_County	Lot 1 Reese Acres Subd.	Volume 94 Page 81	1/19/2006	W
WE0000263	Reese Commercial Properties, Ltd.	2006009777	West_Travis_County	Lot 2 Reese Acres Subd.	Volume 94 Page 81	1/19/2006	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000263	Reese Commercial Properties, Ltd.	2006009777	West_Travis_County	Access Easement for Lot 1 & 2	Volume 94 Page 81	1/19/2006	W
WE0000271	Carolyn Jeane Grumbles ETAL	2006051502	West_Travis_County	109.98 Acres Alfred Grumbles ETAL	Volume 4413 Page 369	3/22/2006	W
WE0000276	Carolyn Jeane Grumbles ETAL	2006051501	West_Travis_County	1 AC Alfred Grumbles	Volume 2774 Page 424	3/22/2006	W
WE0000277	Aubrey Eldon & Robert Weldon Grumbles	2006051500	West_Travis_County	78.04 Artie & Ferrell Grumbles	Volume 2774 Page 424	3/22/2006	W
WE0000278	Aubrey Eldon & Robert Weldon Grumbles	2006051499	West_Travis_County	75 AC Artie C. Grumbles	Volume 1951 Page 246	3/22/2006	W
WE0000299	Nellie Hampe Partnership I, LTD.	2000068477	West_Travis_County	Nellie Hampe Partnership, LTD 377.5 Acres	Volume 13080 Page 427	5/2/2000	WW
WE0000300	CCNG Development Company, L.P.	2000178157	West_Travis_County	134.7205 AC CCNG Dev.	Volume 13212 Page 2535	11/5/2000	WW
WE0000300	CCNG Development Company, L.P.	2000178157	West_Travis_County	134.7205 AC CCNG Dev.	Volume 13212 Page 92	11/5/2000	WW
WE0000301	Limestone Springs Properties, L.P.	2000021673	West_Travis_County	Limestone Springs Properties Tract 1 47.81 AC	Volume 12661 Page 42	2/14/2000	PUE
WE0000302	LCRA	2007115634	West_Travis_County	4.029 Terry Boothe	NA	6/25/2007	R
WE0000304	Bee Cave Oaks Development, Ltd.	2004182982	West_Travis_County	Seven Oaks Section 2 Phase 2	Volume 95 Page 264	9/27/2004	IDE
WE0000311	David & Lynda Degroot	2007215086	West_Travis_County	David & Lynda Degroot Lot 15 Tract B	NA	11/29/2007	W
WE0000311	David & Lynda Degroot	2007215086	West_Travis_County	David & Lynda Degroot Lot 15 Tract B	NA	11/29/2007	W
WE0000321	The Uplands Village Ltd.	Volume 13119 Page 169	West_Travis_County	Lot 9 Block A Uplands Village	NA	2/12/1998	PUE
WE0000326	The Uplands Company	Volume 12207 Page 1062	West_Travis_County	Barton Creek West Block 5 Lot 38	Volume 95 Page 41-42D	6/14/1994	PUE

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000328	Bee Cave Galleria I LP	2007115629	West_Travis_County	Lot 9 Block A Proposed Shops at the Galleria	NA	6/25/2007	W
WE0000329	Bee Cave Galleria I LP	2007115630	West_Travis_County	Lot 3 Block B Shops at the Galleria	NA	6/25/2007	WW
WE0000332	Southwest Travis County, Ltd.	Volume 12400 Page 933	West_Travis_County			3/23/1995	WW
WE0000332	Southwest Travis County, Ltd.	Volume 12400 Page 933	West_Travis_County	Tract 1 Southwest Travis County Ltd.	Volume 11383 Page 379	3/23/1995	WW
WE0000332	Southwest Travis County, Ltd.	Volume 12400 Page 933	West_Travis_County			3/23/1995	WW
WE0000338	The Uplands Company	Volume 12207 Page 1047	West_Travis_County	Robert Baldwin, III 925. 74 Acres	Volume 7041 Page 896	6/14/1994	WI
WE0000349	Bee Cave Galleria I LP	2007115631	West_Travis_County	Lot Block A Proposed Shops at the Galleria	NA	6/25/2007	W
WE0000353	The Nature Conservancy of Texas, Inc.	2000009424	West_Travis_County	Commercial Lot 1 The Uplands Phase 1	Volume 96 Page 200	1/21/2000	PUE
WE0000354	CCNG Development Company, L.P.	2001005608	West_Travis_County	135.7205 AC CCNG Development Company	Volume 99 Page 135	1/11/2001	WWW
WE0000354	CCNG Development Company, L.P.	2001005608	West_Travis_County	135.7205 AC CCNG Development Company	Volume 99 Page 135	1/11/2001	WWW
WE0000356	LCRA	2007115633	West_Travis_County	Remainder of 87.620 AC HCS Holding Comp.	NA	5/25/2007	R
WE0000356	LCRA	2007115633	West_Travis_County	Remainder of 87.620 AC HCS Holding Comp.	NA	5/25/2007	R
WE0000368	H.E. Butt Grocery Co.	Volume 13247 Page 14	West_Travis_County	Lot 1 Block A HEB/Bee Cave Subdivision #2	Volume 99 Page 374	8/14/1998	PUE
WE0000370	LCRA	2007115632	West_Travis_County	.763 Acre Center 71, Inc.	2007115632	6/25/2007	R
WE0000389	Bon Terre-B Ltd.	Volume 13234 Page 450	West_Travis_County	Lake Pointe Phase IV-B Block B Lot 15-17	Volume 100 Page 180	7/28/1998	WW
WE0000402	Joe W. & Alma Ruth McDaniel	2006009778	West_Travis_County	10 AC Joe W. & Alma Ruth McDaniel	Volume 4738 Page 2375	1/19/2006	W

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000409	West Travis County Municipal Utility District #3	Volume 12712 Page 27	West_Travis_County	23.8722 AC West Travis County Municipal District #3	Volume 12307 Page 511	6/20/1996	WW
WE0000409	West Travis County Municipal Utility District #3	Volume 12712 Page 27	West_Travis_County	23.8722 AC West Travis County Municipal District #3	Volume 12307 Page 511	6/20/1996	WW
WE0000410	West Travis County Municipal Utility District # 5	Volume 12771 Page 1293	West_Travis_County	23.8722 AC West Travis County Municipal District # 3	Volume 12307 Page 511	9/13/1996	WW
WE0000431	Forest City Sweetwater Limited Partnership	2006017739	West_Travis_County	2259.122 AC Forest City Sweetwater LP	Volume 1951 Page 246	2/1/2006	W
WE0000444	Bee Cave Ventures, L.P.	2008177850	West_Travis_County	Lot 2 Freitag-Burton Subdivision	NA	10/28/2008	WW
WE0000445	Blake & Judy Brown	2006107795	West_Travis_County	The Homestead Sec. 3 Lot 21	Volume 78 Page 165	7/8/2006	W
WE0000446	The Spillman Ranch Community, Inc.	2007068109	West_Travis_County	Spillman Ranch Phase 1 Section 1 Lot 10 Block 1	NA	4/17/2007	WW
WE0000449	The Uplands Company	Volume 12207 Page 1068	West_Travis_County	NA	NA	6/14/1994	D
WE0000450	The Spillman Ranch Community, Inc.	2007068108	West_Travis_County	Spillman Ranch Phase 1 Section 1 Lot 10 Block 1	NA	4/17/2007	WW
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	36.171 Acres Kenneth C. Margolis, Trustee	Volume 8730 Page 729	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	196.5 Acre Tract 1	Volume 403 Page 341	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	196.5 Acre Tract 1	Volume 403 Page 341	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	3/5/2007	E

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	Mrs. O.H. Davenport	Volume 1221 Page 112	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	160 Acre Tract 3	Volume 403 Page 341	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	234 Acre	Volume 13196 Page 3010	3/5/2007	E
WE0000452	Spillman Development Group, Ltd.	2007038306	West_Travis_County	NA	NA	3/5/2007	E
WE0000454	City of Austin	2008203086	West_Travis_County	The City of Austin Third Tract	Volume 144 Page 99A	12/23/2008	WI
WE0000454	City of Austin	2008203086	West_Travis_County	The City of Austin Third Tract	Volume 144 Page 99A	12/23/2008	WI
WE0000455	Bon Terre-B Ltd.	Volume 13184 Page 5	West_Travis_County	Lake Pointe Phase IV-A Block A Lot 24-26	Volume 100 Page 180	5/15/1998	PUE
WE0000457	Senna Hills, Ltd.	Volume 12571 Page 1259	West_Travis_County	Lot 1 Senna Hills Section 1 P.U.D.	Volume 86 Page 121A-121B	11/27/1995	W
WE0000459	Robert B. Baldwin III, Trusee	Volume 12629 Page 0278	West_Travis_County	2.206 Acres Robert B. Baldwin III	Volume 12418 Page 357	2/23/1996	W
WE0000460	Hartland Bank, N.A.	Volume 12629 Page 0285	West_Travis_County	Bee Caves Plaza Lot 1	Volume 12530 Page 1746	2/23/1996	W
WE0000461	Robert B. Baldwin, III ET. AL	Volume 12629 Page 0270	West_Travis_County	2.206 Acres Robert B. Baldwin, TR.	Volume 12418 Page 357	2/23/1996	W
WE0000462	Estate of Dorthy Geiselman Baldwin	Volume 12629 Page 0291	West_Travis_County	Estate of Dorthy G. Baldwin	Volume 12487 Page 818	2/23/1996	W
WE0000463	Bee Cave Investor, LTD	Volume 12963 Page 0268	West_Travis_County	The Nature Conservancy of Texas, Inc. 11.167 Acres	Volume 12122 Page 1031	6/25/1997	R
WE0000463	Bee Cave Investor, LTD	Volume 12963 Page 0268	West_Travis_County	The Nature Conservancy of Texas, Inc. 11.167 Acres	Volume 12122 Page 1031	6/25/1997	WWW

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000464	William & Ann Moltz	1999156727	West_Travis_County	Lot 2 Angelwylde Section 1	Volume 96 Page 176	12/17/1999	W
WE0000467	Angelwylde, LTD.	1999114079	West_Travis_County	135.96 AC	NA	9/29/1999	W
WE0000469	Estate of Dorthy Geiselman Baldwin	Volume 13040 Page 0380	West_Travis_County	Lot 2 Bee Caves Commons Section 1	Volume 88 Page 325	10/14/1997	W
WE0000469	Estate of Dorthy Geiselman Baldwin	Volume 13040 Page 0380	West_Travis_County	Lot 2 Bee Caves Commons Section 1	Volume 88 Page 325	10/14/1997	W
WE0000470	Baldwin Investment Company, a Texas Corporation	Volume 13040 Page 0365	West_Travis_County	377.59 Acres Nellie HampePartnership 1 LTD	Volume 12617 Page 402	10/14/1997	W
WE0000473	Limestone ET. Al	Volume 13002 Page 0185	West_Travis_County	.763 Acre Center 71, Inc.	Volume 10538 Page 199	8/20/1997	WWW
WE0000474	Limestone ET. Al	Volume 13002 Page 0174	West_Travis_County	295.78 Acres Limestone ET. AL	Volume 12710 Page 81	8/20/1997	WWW
WE0000474	Limestone ET. Al	Volume 13002 Page 0174	West_Travis_County	6.5 Acres Lot 1 Park Place	Volume 94 Page 47	8/20/1997	WWW
WE0000474	Limestone ET. Al	Volume 13002 Page 0174	West_Travis_County	.763 Acre Center 71, Inc.	Volume 10538 Page 199	8/20/1997	WWW
WE0000475	Village of Bee Cave	Volume 13002 Page 0194	West_Travis_County	6.5 Acres Lot 1 Park Place	Volume 94 Page 47	8/20/1997	WWW
WE0000480	Robert B. Baldwin, III Trustee	2000096022	West_Travis_County	Called 1.633 Acres Robert B. Baldwin, III	Volume 12301 Page 1017	6/21/2000	W
WE0000481	Alvin & Lucille Gaddy	Volume 13061 Page 0621	West_Travis_County	1.125 Acres Tract 1 Twin Acres Subdivision Lucille & Alvin Gaddy	Volume 12987 Page 220	11/13/1997	WWW
WE0000482	LCRA	Volume 13089 Page 458	West_Travis_County	Tract 2 Twin Acres Subdivision 1.25 AC	Volume 4136 Page 314	7/22/1997	R
WE0000483	Dorthy Geiselman Baldwin	2000096023	West_Travis_County	Called 36 Acres Baldwin Holdings, Ltd.	Volume 13193 Page 732	6/21/2000	W
WE0000483	Dorthy Geiselman Baldwin	2000096023	West_Travis_County	Called 36 Acres Baldwin Holdings, Ltd.	Volume 13193 Page 732	6/21/2000	W
WE0000484	Hank Madeley & Scott Pargin	Volume 13061 Page 0614	West_Travis_County	2.48 Acres Hank Madeley & Scott Pargin	Volume 6169 Page 2229	11/13/1997	WWW

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000485	JED Industries, Inc.	2000096021	West_Travis_County	42.929 AC	NA	6/21/2000	SCE
WE0000485	JED Industries, Inc.	2000096021	West_Travis_County	42.929 AC	NA	6/21/2000	SCE
WE0000486	Maudie Figer	Volume 12981 Page 0291	West_Travis_County	18.77 Acres Maudie Figer	Volume 2300 Page 39	7/22/1997	WWW
WE0000487	LCRA	Volume 13089 Page 456	West_Travis_County	8.88 Acres F.M. & Ella Myers	Volume 1147 Page 17	12/29/1997	R
WE0000489	Jay-Reese Contractors, Inc.	Volume 13061 Page 0607	West_Travis_County	4.764 Acres Jay-Reese Contractors, Inc.	Volume 12887 Page 1362	11/13/1997	WWW
WE0000490	Cedar Valley Plaza, Inc.	00012124	West_Travis_County	Lot 6 Sunset Canyon Section II-C	Volume 3 Page 397	5/26/2000	W
WE0000491	The Estate of Andrew Alvin & Nellie Moore, Trustee	Volume 12981 Page 0298	West_Travis_County	18.77 Acres Nellie F. Moore	Volume 2300 Page 45	7/22/1997	WWW
WE0000492	LCRA	Volume 13089 Page 460	West_Travis_County	3.29 AC Eldredge L. Robinson	Volume 12835 Page 526	7/22/1997	R
WE0000494	David & Karen Mitchell	Volume 13011 Page 0362	West_Travis_County	.404 Acre Tract 2 Travis County, TX	Volume 9129 Page 716	9/3/1997	WWW
WE0000498	Southwestern Bell Wireless, Inc.	2000185922	West_Travis_County	NA	NA	11/21/2000	WST
WE0000500	Mitchel Wong ET. AL	2000174140	West_Travis_County	Called 8.747 Acres Steven A. Maddox	Volume 11595 Page 5	10/30/2000	W
WE0000513	West Travis County Municipal Utility District 3	2000110523	West_Travis_County	Lake Pointe Phase II Block B Lot 25	Volume 97 Page 84- 87	7/17/2000	WW
WE0000513	West Travis County Municipal Utility District 3	2000110523	West_Travis_County	Lake Pointe Phase II Block B Lot 25	Volume 97 Page 84- 87	7/17/2000	WW
WE0000514	West Travis County Municipal Utility District 3	2000110528	West_Travis_County	Lake Pointe Phase II	Volume 97 Page 84- 87	7/17/2000	WW
WE0000515	West Travis County Municipal Utility District 3	2000110524	West_Travis_County	Lot 1 Block E Lake Pointe Phase II	Volume 97 Page 84- 87	7/17/2000	WW
WE0000516	West Travis County Municipal Utility District 3	2000186108	West_Travis_County	Lake Pointe Phase IV-A & IV - B Block 14	Volume 100 Page 180	11/21/2000	WW
WE0000516	West Travis County Municipal Utility District 3	2000186108	West_Travis_County	Lake Pointe Phase IV-A & IV - B Block 26	Volume 100 Page 180	11/21/2000	WW

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000518	West Travis County Municipal Utility District 5	2000110527	West_Travis_County	Strawn Subdivison Block A 2'	NA	7/17/2000	WW
WE0000519	West Travis County Municipal Utility District 5	2000110526	West_Travis_County	Lake Pointe Section 5 Block A 83	Volume 100 Page 177-79	7/17/2000	WW
WE0000520	West Travis County Municipal Utility District 5	2000186109	West_Travis_County	Lake Pointe Section 7 Block A 20	NA	11/21/2000	WW
WE0000521	Bon Terre-B, Ltd.	Volume 13114 Page 620	West_Travis_County	Lake Pointe Phase IV-A Block A Lot 31	Volume 100 Page 180	2/5/1998	PUE
WE0000522	CCNG Properties, L.P.	2001133002	West_Travis_County	NA	NA	8/8/2001	E
WE0000523	CCNG Properties, L.P.	2001133001	West_Travis_County	CCNG Development Company, L.P. 10.5 Acres	NA	8/8/2001	WW
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	Mrs. O.H. Davenport	Volume 1221 Page 112	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	36.171 Acres Kenneth C. Margolis, Trustee	Volume 8730 Page 729	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	196.5 Acre Tract 1	Volume 403 Page 341	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	196.5 Acre Tract 1	Volume 403 Page 341	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	Tract II 55 Acres to Lake Travis ISD	Volume 7941 Page 395	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County		Volume 7941 Page 395	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	Mrs. O.H. Davenport	Volume 1221 Page 112	6/11/2002	E

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	177 Acre Tract 2	Volume 403 Page 341	6/11/2002	E
WE0000530	Palisades Developers, Ltd.	2002108123	West_Travis_County	160 Acre Tract 3	Volume 403 Page 341	6/11/2002	E
WE0000534	Start, LP.	2004191402	West_Travis_County	Lot 2 Block A Angelwylde Section 1	Volume 96 Page 175-76	10/6/2004	W
WE0000535	J. Mark Lawless & Sandra J. Seaman	2004191403	West_Travis_County	Lot 8 Block A Angelwylde Section 3	NA	10/6/2004	W
WE0000536	Charles & Troylyn Ball	2004191398	West_Travis_County	Lot 10 Block A Angelwylde Section 3	NA	10/6/2004	W
WE0000537	Charles E. Ball	2004191399	West_Travis_County	Lot 8 Block A Angelwylde Section 3	NA	10/6/2004	W
WE0000538	Charles E. Ball	2004191401	West_Travis_County	Lot 6 Block A Angelwylde Section 2	NA	10/6/2004	W
WE0000539	Charles E. Ball	2004191400	West_Travis_County	Lot 6 Block A Angelwylde Section 2	NA	10/6/2004	W
WE0000541	Lake Hills Church	2004176524	West_Travis_County	Lot 92 The Uplands Phase 2	Volume 98 Page 69-72	9/15/2004	W
WE0000543	Rose M. Arriaga	2006009775	West_Travis_County	8.77 AC Rose Arriaga	NA	1/19/2006	W
WE0000544	Daniel B. Porter	2000178156	West_Travis_County	230.92 Acre Daniel B. Porter	Volume 13212 Page 2535	11/6/2000	WW
WE0000545	Estate of Dorthy Geiselman Baldwin	Volume 13040 Page 0375	West_Travis_County	Lot 1 Bee Cave Commons Section 1	Volume 88 Page 325	10/14/1997	W
WE0000567	Summit Austin 56, LTD	2010114634	West_Travis_County	Lot 1-7 Block A	NA	8/9/2010	WW
WE0000567	Summit Austin 56, LTD	2010114634	West_Travis_County	Lot 7 Block A	NA	8/9/2010	WW
WE0000567	Summit Austin 56, LTD	2010114634	West_Travis_County	Lot 1-7 Block A	NA	8/9/2010	WW
WE0000568	Henry & John Spillman; Golda Garnett	2004038178	West_Travis_County	Spilliman Ranch Phase 1 Section 2 Block C Lot 24	NA	3/2/2004	WWLS

**West Travis County Water and Wastewater
Easement List
January 10, 2012**

Ease_ID	Grantor	Vol_Page	WWW_System	Subdiv	PLAT_VP	Date_Rec	EASE_TYPE
	N-Hays Investors I, L.P.	2011036552	West_Travis_County	rights to water line facilities and appurtenances thereto constructed under that certain "Facilities Construction Agreement" between N-Hays Investors I, L.P., N-Hays Investors II, L.P. WFCRW, L.L.C., and LSM Ranch, Ltd., dated on or about March 2, 2007		2/24/2011	
	N-Hays Investors I, L.P.	2011036552	West_Travis_County	rights to Internal Water System and appurtenances thereto constructed under that certain "Water Utilities Acquisition Agreement between Lower Colorado River Authority, LSM Ranch, Ltd., Wilson Family Communities, Inc., and Greenhawe WCID No. 2" dated on or about March 26, 2008, as amended and assigned.		2/24/2011	

EXHIBIT A

ASSETS

SCHEDULE 4—REQUIRED CONSENTS

EXHIBIT A

ASSETS

SCHEDULE 4—REQUIRED CONSENTS

Wholesale Water Services Agreement between LCRA and the City of Dripping Springs for Headwaters MUD, dated Sept. 15, 2008; CAS ID: 15863

Wholesale Water Supply Agreement between LCRA and City of Dripping Springs, dated Mar. 11, 2003
CAS ID: 96

Revised and Restated Water Services Agreement between LCRA and Dripping Springs WSC, dated Dec. 1, 2006; CAS ID 8553

Utility Facilities Acquisition Agreement between LCRA and CCNG Development Company, L.P., dated Nov. 19, 1999; CAS ID: 63

- First Amendment to Utility Facilities Acquisition Agreement between LCRA and CCNG Development Company, L.P., dated Nov. 24, 2003; CAS ID: 63

Water Services Agreement between LCRA and Senna Hills MUD, dated Sept. 2, 1994; CAS ID: 4061

- Letter Agreement between LCRA and Senna Hills MUD dated Oct. 16, 2001
- Water Pass-Through Agreement between LCRA, Senna Hills, Ltd., and Senna Hills MUD dated May 28, 1998; CAS ID: 6705

Water Services Agreement between LCRA and Crystal Mountain Home Owners' Association, Inc., dated June 1, 1998; CAS ID: 81

Wholesale Water Services Agreement between LCRA and Travis County MUD No. 12, dated Oct. 22, 2009; CAS ID: 16593

Wholesale Water Services Agreement between LCRA and Lazy Nine MUD, assigned to Lazy Nine MUD 1A, dated Oct. 13, 2005 assigned Feb. 20, 2008; CAS ID: 165

Water Utility Facilities Acquisition Agreement between LCRA, LSM Ranch, Ltd., Wilson Family Communities, Inc., and Greenhawe WCID No. 2 dated Mar. 26, 2008; CAS ID: 13717

- Partial Assignment from Wilson Family Communities, Inc. to Graham Mortgage Corporation, dated Feb. 11, 2010

Utility Facilities Acquisition Agreement between LCRA and 156 Sawyer Ranch, Ltd., dated Feb. 11, 2003; CAS ID: 2

- Amendment to Utility Facilities Acquisition Agreement between LCRA and 156 Sawyer Ranch, Ltd. and Partial Assignment and Assumption to Pulte Homes of Texas, L.P., effective June 22, 2004; CAS ID: 2
- Partial Assignment and Assumption of Utility Facilities Acquisition Agreement between LCRA, Pulte Homes of Texas, L.P. and BHM Highpointe, Ltd., dated Dec. 18, 2008; CAS ID: 16175

Water Services Agreement between LCRA and Hays County WCID No. 1 (Belterra), dated Mar. 26, 2003; CAS ID: 131

- First Amendment to Water Services Agreement between LCRA and Hays County WCID No. 1, dated April 1, 2004; CAS ID: 3842
- Assignment of Certain Rights to Water Services by Hays County WCID No. 1 to Hays County WCID No. 2, dated Aug. 23, 2007

Water Utility Facilities Acquisition Agreement between LCRA, 290 East Bush, Inc., and Hays County MUD No. 4 (Bush Ranch/Ledgestone), dated Oct. 19, 2006; CAS ID: 6033

Utility Facilities Construction and Water Services Agreement between LCRA and McHargue Family II, Ltd., assigned to KD Rocky Creek, LP, and LegacyTexas Bank, dated Dec. 7, 2004, assigned Sept. 15, 2006; CAS ID: 5994

- First Amendment to Utility Facilities Construction and Water Services Agreement between LCRA and McHargue Family II, Ltd., dated Nov. 14, 2005; CAS ID: 5995
- Second Amendment to Utility Facilities Construction and Water Services Agreement between LCRA and McHargue Family II, Ltd., dated Sept. 15, 2006; CAS ID: 5996
- Bill of Sale and Assignment from McHargue Family II, Ltd. to KD Rocky Creek, L.P., dated Sept. 15, 2006
- Consent and Release Agreement between LCRA, McHargue Family II, Ltd., and KD Rocky Creek, L.P., dated Sept. 15, 2006
- Assignment of Rights, KD Rocky Creek, L.P. to LegacyTexas Bank, dated Sept. 15, 2006
- Consent and Estoppel Certificate between LCRA and LegacyTexas Bank, dated Sept. 15, 2006

- Third Amendment to Utility Facilities Construction and Water Services Agreement between LCRA and KD Rocky Creek, L.P.; dated Dec. 4, 2007; CAS ID: 5994
- Assignment of Rights between KD Rocky Creek, L.P. and RC Travis, L.P., dated Aug. 27, 2010; CAS ID 5994
- Consent and Estoppel Certificate between KD Rocky Creek, L.P. and RC Travis, L.P., dated Aug. 27, 2010; CAS ID 5994
- Water Facilities Lease and Services Agreement with RC Travis, L.P., and Travis County MUD 16 re Rocky Creek; CAS ID 17345

Utility Facilities Construction and Water Services Agreement between LCRA and William L. Formby, dated Dec. 7, 2004; CAS ID: 125

- Assignment of Contract from William Formby to Hamilton Bee Cave, L.P., dated March 30, 2005; CAS ID 125
- First Amendment to Utility Facilities Construction and Water Services Agreement, dated March, 30, 2005; CAS ID: 125
- Second Amendment to Utility Facilities Construction and Water Services Agreement, dated Nov. 16, 2005; CAS ID 125
- Third Amendment to Utility Facilities Construction and Water Services Agreement, dated Nov. 16, 2005; CAS ID: 125

Water Facilities Lease and Services Agreement between LCRA, Belvedere MUD, and Hamilton Bee Cave, LP, dated Jul. 18, 2006; CAS ID: 42

Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch Road Pipeline between LCRA, Pulte Homes of Texas, L.P., Rock Creek Holdings (assigned to N-Hays Investors), LSM Ranch Ltd., SGL Investments Ltd. (assigned to WFCRW, LLC), Hays Reunion Ranch LP, and Greenhawe WCID No. 2, dated Jan. 5, 2005; CAS ID: 4739

Agreement for Construction and Conveyance of, and Reimbursement for Phases One and Three of Sawyer Ranch/Darden Hill Water Line between LCRA, Rock Creek Holdings (N-Hays Investors), LSM Ranch Ltd., SGL Investments Ltd., Hays Reunion Ranch LP, and Greenhawe WCID No. 2, dated May 4, 2005; CAS ID: 6600

- Assignment by SGL Investments Ltd. to WFCRW, LLC, dated Dec. 12, 2005; CAS ID 6600
- Assignment by WFCRW, LLC to Wilson Family Communities, Inc., dated April 8, 2009

Wholesale Wastewater Service Agreement between LCRA and Travis County WCID No. 17, dated May 17, 2007; CAS ID: 6134

Utility Facilities Acquisition Agreement between LCRA and Bee Cave Road Associates, a California limited partnership, dated January 28, 2000; CAS ID 7430

Treated Effluent Disposal Easement granted by Falconhead West, L.P., and recorded as Instrument no. 2006238213 in the Official Public Records of Travis County, Texas.

First Revised and Amended Water Services Agreement between the Uplands Company (LCRA as successor) and Barton Creek West Water Supply Corporation, dated June 11, 2003; CAS ID: 21

Agreement Concerning Emergency Water Interconnect between LCRA, Barton Creek West WSC, and Travis County MUD No. 4, dated Feb. 11, 1997; CAS ID: 453

Agreement Concerning Emergency Water Interconnect between LCRA and Travis County Water Control and Improvement District No. 20, dated May 2003; CAS ID 269

Delivery Agreement between LCRA and West Travis County MUD No. 3, dated Sept. 30, 2009; CAS ID: 16629

Agreement Regarding Provision of Water and Wastewater Service between LCRA and Hays County, Texas, dated Sept. 5, 2000; CAS ID: 473

Wholesale Water Services Agreement between LCRA and Deer Creek Ranch, LLC dated Sept. 7, 2006; CAS ID: 90

- First Amendment to Wholesale Water Services Agreement between LCRA and Deer Creek Ranch, LLC, dated June 19, 2007; CAS ID: 6043
- Second Amendment to Wholesale Water Services Agreement between LCRA and Deer Creek Ranch, LLC, dated Feb. 6, 2009; CAS ID: 6043
- Consent and Estoppel Agreement between LCRA and Frost National Bank, dated Aug. 24, 2010; CAS ID 90

Utility Facilities Construction and Water Services Agreement between LCRA and BRSJ, Ltd., dated Dec. 7, 2004; CAS ID: 54

- First Amendment to Utility Facilities Construction and Water Services Agreement between LCRA and BRSJ, Ltd., dated Nov. 16, 2005; CAS ID: 54

Utility Facilities Acquisition Agreement between LCRA and Glen Rose Development

Corporation, dated July 14, 2000; CAS ID: 5790

Utility Facilities Acquisition Agreement between LCRA and Southwest Travis County, Ltd., dated July 14, 2000; CAS ID: 5793

Water Services Agreement between LCRA and Hays Reunion Ranch, LP, dated effective March 31, 2003; CAS ID: 3845

- Assignment from Hays Reunion Ranch, L.P. to Reunion Ranch WCID, dated Aug. 28, 2006; CAS ID 3845

Cost Sharing and Reimbursement for Phase IV of the Sawyer Ranch Road Pipeline between LCRA and Hays Reunion Ranch, LP, dated Dec. 14, 2006; CAS ID: 13

Agreement for Interim Water Service between LCRA, 6D Ranch, Ltd., and City of Austin, dated November 26, 2001; CAS ID 18

Utility Facilities Construction and Water Services Agreement between LCRA and Lee F. and Beth Ann Signor, dated Dec. 4, 2004; CAS ID: 6050
HDC Utility Facilities Construction Conveyance Agreement dated 2008 with HDC, Inc.; CAS ID 12906

Utility Facilities Construction & Convey Agreement dated 2007 with Bryan Joseph Jamail re Cedar Ridge Estates; CAS ID 4727

Utility Facilities Construction & Conveyance Agreement dated 2008 with Kratzer Family Trust; CAS ID 15827

Utility Facilities Acquisition Conveyance Agreement dated 2008 with Summit Austin 56, Ltd.; CAS ID 14011

Utility Facilities Acquisition Conveyance Agreement dated 2009 with Texas Research International, Inc.; CAS ID 16196

Utility Facilities Acquisition Conveyance Agreement dated 2008 with Village at Kirby Springs, L.P.; CAS ID 12908

Utility Facilities Acquisition Conveyance Agreement dated 2008 with The Westbank Community Library District; CAS ID 15829

Utility Facilities Acquisition Conveyance Agreement dated 2008 with Mitchell Wong, M.D., and Rose T. Wong; CAS ID 15378

Utility Facilities Acquisition Conveyance Agreement dated 2008 with AT&T Services, Inc.; CAS ID 16123

Utility Facilities Acquisition Conveyance Agreement dated April 29, 2009, with CCNG Real Estate Investors, II, L.P.; CAS ID 16190

License Agreement Between LCRA and Village of Bear Creek, Texas, dated July 20, 2009; CAS ID 16513

Restated and Amended Agreement for Use of Public Places for Construction of Water Supply System with City of Bee Cave; CAS ID 39

Restated and Amended Wastewater Service Agreement with City of Bee Cave; CAS ID 38

Wastewater Easement and Right-of-Way granted on April 30, 2002, from CCNG Development Co., L.P., and recorded as Instrument No. 2002128786 in the Official Public Records of Travis County, Texas.

Wastewater Easement and Right-of-Way granted on July 6, 2001, from CCNG Properties, L.P., and recorded as Instrument No. 2001133001 in the Official Public Records of Travis County, Texas.

Wastewater Easement and Right-of-Way granted on November 3, 2000, from CCNG Development Co., L.P., and recorded as Instrument No. 2000178157 in the Official Public Records of Travis County, Texas.

Wastewater Easement and Right-of-Way granted on November 3, 2000, from CCNG Development Co., L.P., and recorded as Instrument No. 2000178156 in the Official Public Records of Travis County, Texas.

Water and Wastewater Easement and Right-of-Way granted on November 8, 2000, from Daniel B. Porter and recorded as Instrument No. 2001005609 in the Official Public Records of Travis County, Texas.

Water and Wastewater Easement and Right-of-Way granted on November 8, 2000, from CCNG Development Co., L.P., and recorded as Instrument No. 2001005608 in the Official Public Records of Travis County, Texas.

Water Intake Easement and Right of Way granted on December 23, 2008, from City of Austin, Texas, and recorded as Instrument No. 2008203086 in the Official Public Records of Travis County, Texas.

Easement granted by GTE Mobilnet of Austin, LLC, on November 10, 2000, and recorded as Instrument No. 2000185922 in the Official Public Records of Travis County, Texas.

Emergency Water Interconnect Agreement between LCRA and Travis County WCID No. 17, dated June 18, 2009

EXHIBIT A

ASSETS

SCHEDULE 5—REQUIRED APPROVALS

EXHIBIT A

ASSETS

SCHEDULE 5—REQUIRED APPROVALS

TCEQ approval of transfer of Certificate of Convenience and Necessity no. 11670 as it pertains to the Assets

TCEQ approval of transfer of TCEQ TLAP Permit No. WQ0013594001 (30 Tex. Admin. Code sec. 305.64) in addition to transfer of any TCEQ effluent disposal authorizations issued under 30 Tex. Admin. Code chap. 210 related to the Assets

United States Environmental Protection Agency approval of Risk Management Plan Facility ID number 1000 0005 7582 or issuance of a new Facility ID number.

City of Austin approval of the following Barton Spring Zone Operating Permits:

<u>Site</u>	<u>CoA I.D. Number</u>
11100 FM 1826	OP-00-0524A2
9409 Morning Hill Drive	OP-00-0524A1
12118 West Hwy. 290	OP-00-0524A3

EXHIBIT B

EXCLUDED ASSETS

EXHIBIT B

EXCLUDED ASSETS

- A. all facilities owned by LCRA other than those Facilities identified on Schedule 1 of Exhibit A;
- B. all Intangible Assets of LCRA that do not relate to the Facilities identified on Schedule 1 of Exhibit A;
- C. all real property interests owned by LCRA other than those identified on Schedule 3 of Exhibit A;
- D. all cash, financial accounts, financial investments and debt of LCRA unless expressly identified in the Intangible Assets described on Schedule 2 of Exhibit A;
- E. any and all benefits and assets held in trust for the benefit of the participants and beneficiaries of LCRA's eligible defined benefit and contribution plans;
- F. all personnel records and other records that LCRA is required by law to retain in its possession or transfer to the Texas State Library; and,
- G. all motor vehicles owned by LCRA unless expressly identified in the Facilities described on Schedule 1 of Exhibit A.

EXHIBIT C
OPERATIONS TO BE TRANSFERRED ON OPERATIONS TRANSFER DATE

EXHIBIT C
OPERATIONS TO BE TRANSFERRED ON OPERATIONS TRANSFER DATE

Operations to be assumed and provided by Buyer by or on the Operations Transfer Date shall include, but not be limited to:

1. Facility Operation and Maintenance, including, but not limited to:
 - a. Daily operations, inspections and routine, preventative and predictive maintenance for all Assets;
 - b. Payment of costs associated with all utilities (electric, telephone, etc.), outside services, materials and supplies, transportation and vehicle costs, leases, permits, licenses, communication equipment, chemicals, and fees necessary for operation and maintenance of all Assets;
 - c. Repair, rehabilitation, replacement and decommissioning as necessary of all Assets;
 - d. Flushing, leak repair;
 - e. Effluent storage pond monitoring and reporting; and,
 - f. Reading, maintenance, calibration and replacement, as necessary, of all retail and wholesale meters.
2. Customer service activities for all retail and wholesale customers, including, but not limited to:
 - a. Billing and collection;
 - b. Response to customer complaints, inquiries, requests for service;
 - c. New connects, disconnects and service transfers; and,
 - d. Line locates, line extensions and customer service inspections.
3. Regulatory reporting including, but not limited to:
 - a. Monthly operating reports;
 - b. Annual conservation and unaccounted for water reports required by Texas Water Development Board;
 - c. Annual consumer confidence reports, including the 2011 report due to retail customers by July 1, 2012, provided that the Operations Transfer Date has occurred by this date; and,
 - d. Permit monitoring and compliance.
4. System development and contract compliance, including but not limited to:
 - a. Engineering plan review for new developments, line extensions and existing contractual commitments;
 - b. Construction inspection;
 - c. Monitoring for compliance with the Memorandum of Understanding between U.S. Department of the Interior, U.S. Fish and Wildlife Service and LCRA For Providing Surface Water for Residents in Western Travis and Northern Hays Counties; and,
 - d. Collection and payment of all contractually required franchise and/or right-of-way use fees.

EXHIBIT D
CLAIMS AGAINST LCRA AFFECTING ASSETS

EXHIBIT D
CLAIMS AGAINST LCRA AFFECTING ASSETS

Letter from David Armbrust on behalf of CCNG Development Company, L.P., dated December 19, 2011, RE: Request for Reimbursement According to the Facilities Acquisition Agreement (“Agreement”) between LCRA and CCNG Development Company, L.P. (“CCNG”), dated November 19, 1999

EXHIBIT E
DISCLOSURES REGARDING LCRA ASSETS

EXHIBIT E
DISCLOSURES REGARDING LCRA ASSETS

Letter from Donald C. Walden on behalf of Palisades Developers, Ltd., dated September 15, 2011, RE: Utility Facilities Acquisition and Construction Agreement, as amended, by and between Lower Colorado River Authority (“LCRA”) and Palisades Developers, Ltd. (“Palisades”), dated effective as of June 7, 2002; Notice of Annual Internal Facilities Reimbursement Obligation

Letter from Stephen W. Gurasich, Jr. on behalf of Southwest Travis County Ltd., dated September 15, 2011, RE: Utility Facilities Acquisition and Construction Agreement, as amended, by and between Lower Colorado River Authority (“LCRA”) and Southwest Travis County Ltd. (“SWTC”), dated effective as of July 14, 2000; Notice of Annual Internal Facilities Reimbursement Obligation

Letter from Brad Philp, President, Travis County Municipal Utility District No. 16, dated September 29, 2011, RE: Travis County Municipal Utility District No. 16 – Lower Colorado River Authority

Asset ID 4005108 in the wastewater facilities is listed as 1.0 acres of land associated with the 620 WW Interceptor Project, but search for associated easement is pending.

Easement granted by GTE Mobilnet of Austin, LLC, on November 10, 2000, and recorded as Instrument No. 2000185922 in the Official Public Records of Travis County, Texas.

EXHIBIT F
OPINION LETTER OF LCRA COUNSEL



January 17, 2012

West Travis County Public Utility Agency
c/o Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Avenue, Suite 1900
Austin, Texas 78701

Re: Utility Installment Purchase Agreement dated January 17, 2012 between Lower Colorado River Authority and West Travis County Public Utility Agency

Ladies and Gentlemen:

In my capacity as General Counsel for the Lower Colorado River Authority ("LCRA"), I am delivering this opinion in connection with the sale of certain water and wastewater utility system assets to the West Travis County Public Utility Agency pursuant to that certain "Utility Installment Purchase Agreement" dated January 17, 2012 entered into by LCRA and Buyer (the "Asset Purchase Agreement").

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Asset Purchase Agreement.

Assumptions and Bases for Opinions and Assurances

For purposes of rendering the opinions set forth herein, I have examined originals or copies, certified or otherwise identified to my satisfaction, of the following (collectively, the "Documents"):

- (a) The Asset Purchase Agreement;
- (b) All creation and organization documents of LCRA as such are in effect as of the date hereof ("LCRA's Organizational Documents"); and
- (c) Such other documents, records, agreements and certificates of LCRA and such other parties as I have deemed necessary or appropriate to render the opinions expressed below.

In basing the opinions and other matters set forth herein on "my knowledge," the words "my knowledge" signify that, in the course of representing LCRA in regard to the Asset Purchase Agreement, I do not have actual knowledge or actual notice that any such opinions or other matters are not accurate or that any of the documents, certificates, reports and information on which I have relied are not accurate and complete. Except as otherwise stated herein, I have undertaken no independent investigation or certification of such matters.

In rendering the opinions set forth herein, I have assumed, without independent investigation, that (i) all persons other than LCRA have duly and validly executed and delivered each instrument, document, and agreement executed in connection with the Documents to which

such party is a signatory, and each such party's obligations set forth therein are its legal, valid, and binding obligations, enforceable in accordance with the terms thereof; (ii) each person executing any such instrument, document, or agreement other than is duly authorized and has the legal power to do so; (iii) each natural person executing any such instrument, document, or agreement is legally competent to do so; (iv) all representations of fact set forth in the Documents are complete and accurate, insofar as such facts pertain to the subject matter of the opinions rendered hereby; and (v) all documents submitted to us as originals are complete and authentic, all documents submitted to us as certified, conformed or photostatic copies conform to the original documents, all signatures on all documents submitted to us for examination are genuine, and all public records and certificates of public officials are accurate and complete.

I assume, except where I have received written disclosure regarding same, that none of the parties to the Documents (excluding LCRA) is a party to any court or regulatory proceeding relating to or otherwise affecting the Documents or is subject to any order, writ, injunction or decree of any court or federal, state or local governmental agency or commission that would prohibit the execution and delivery of the Documents, or the consummation of the transactions therein contemplated in the manner therein provided, or impair the validity or enforceability thereof. I assume that each of the parties to the Documents (excluding LCRA) has full authority to close this transaction in accordance with the terms and provisions of the Documents.

I assume that no party upon whom we have relied for purposes of this opinion letter has perpetrated a fraud.

Opinions and Assurances

Based solely upon the foregoing, and subject to the assumptions and limitations set forth herein, I am of the opinion that:

1. LCRA is existing and in good standing under the laws of the State of Texas.
2. LCRA is a duly created conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution, and has the full legal right, power and authority to execute, deliver and perform its obligations under each of the Documents to which it is a party and has taken all necessary actions to authorize the execution, distribution and delivery by it of such Documents and the performance by it of such obligations.
3. The execution, delivery and performance by LCRA of the Documents to which it is a party, and compliance and performance by LCRA with the terms and provisions thereof and obligations thereunder, will not:
 - (i) to my knowledge, violate or conflict with any provision of any existing law, statute, rule or regulation applicable to LCRA by reason of the general conduct of its business and operation of its assets;

(ii) based solely upon my knowledge, conflict with or result in the breach of any court decree or order of any governmental body binding upon or affecting LCRA, the conflict with which or breach of which would have a material, adverse effect on the ability of LCRA to perform its obligations under the Documents to which it is a party; or

(iii) contravene or conflict with LCRA's Organizational Documents.

4. To my knowledge, no consent, approval, authorization or other action by, or filing with, any governmental authority is required for the execution and delivery by LCRA of the Documents to which LCRA is a party or the performance of its obligations thereunder except for those "Required Consents" and "Required Approvals" identified in the Documents.

5. LCRA has duly executed and delivered each of the Documents to which it is a party, and each of such Documents constitutes the legal, valid and binding obligation of LCRA, enforceable against LCRA in accordance with its terms, subject to applicable law.

6. To my knowledge after reasonable inquiry, there are no actions, suits or proceedings pending against LCRA in any court of law or equity, or before or by any governmental instrumentality with respect to (i) its organization or existence; (ii) its authority to execute or deliver the Documents to which it is a party; (iii) the validity or enforceability against it of such Documents or the transactions contemplated thereby; (iv) the titles of its officers executing the Documents; or (v) the execution and delivery of the Documents on behalf of LCRA.

7. To my knowledge, and subject to the "Required Consents" and "Required Approvals" identified in the Documents and limited to "Property" (or portions thereof) that relates to "Material Facilities" (as those terms are defined in the Asset Purchase Agreement), the execution and delivery of the Documents do not, and the transactions contemplated thereby may be consummated and the terms and conditions thereof may be observed and performed in a manner that does not conflict with or constitute a breach of or default under any loan agreement, indenture, bond note, resolution, or any other agreement to which LCRA is a party or is otherwise subject, which violation, breach or default would materially adversely affect LCRA or the transactions contemplated by the Documents; nor will any such execution, delivery, adoption, fulfillment, or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of LCRA, except as expressly contemplated by the Documents.

Qualifications

In addition to any assumptions, qualifications and other matters set forth elsewhere herein, the opinions set forth above are subject to the following assumptions and qualifications:

(a) I have not examined any court dockets, agency files or other public records regarding the entry of any judgments, writs, decrees or orders or the pendency of any actions, proceedings, investigations or litigation.

(b) The opinions expressed herein are based upon and limited to the applicable laws of the State of Texas, excluding the principles of conflicts of laws thereof, as in effect as of the date hereof, and my knowledge of the facts relevant to such opinions on such date. In this regard, I am a member of the Bar of the State of Texas, I do not express any opinion herein as to matters governed by the laws of any other jurisdiction, I do not purport to be expert in any other laws and I can accept no responsibility for the applicability or effect of any such laws. In addition, I assume no obligation to supplement the opinions expressed herein if any applicable laws change after the date hereof.

(c) This letter is strictly limited to the matters expressly set forth herein and no statements or opinions should be inferred beyond such matters.

(d) Notwithstanding anything contained herein to the contrary, I express no opinion whatsoever concerning the status of title to any real or personal property.

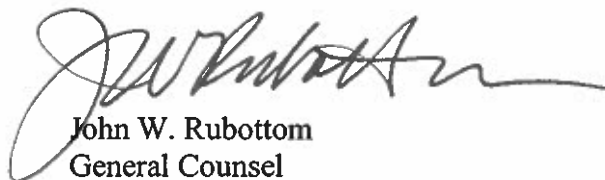
(e) I assume no obligation to supplement this opinion if any applicable laws change after the date of this opinion, or if I become aware of any facts that might change the opinions expressed above after the date of this opinion.

(g) The opinion expressed herein as to the enforceability of the Documents is specifically subject to the qualification that enforceability of the Documents is limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, liquidation, probate, conservatorship and other laws applicable to creditors' rights or the collection of debtors' obligations generally.

(h) I express no opinion as to whether a court would grant specific performance or any other equitable remedy with respect to the enforcement of the Document.

This opinion is furnished to you solely in connection with the transactions, for the purposes, and on the terms described above and may not be relied upon by you for any other purpose or by any other person in any manner or for any purpose.

Very truly yours,



John W. Rubottom
General Counsel

EXHIBIT G
OPINION LETTER OF BUYER'S COUNSEL

Ms. Kalisek's Direct Line: (512) 322-5847
lkalisek@lglawfirm.com

January 17, 2012

Lower Colorado River Authority
P.O. Box 220
Austin, Texas 78767-0220

RE: Utilities Installment Purchase Agreement dated January 17, 2012 between Lower Colorado River Authority and West Travis County Public Utility Agency

Ladies and Gentlemen:

We have acted as legal counsel for the West Travis County Public Utility Agency ("Buyer") in connection with the purchase of certain water and wastewater utility system assets from the Lower Colorado River Authority ("LCRA") pursuant to that certain "Utilities Installment Purchase Agreement" dated January 17, 2012 entered into by LCRA and Buyer (the "Asset Purchase Agreement"). This opinion is being delivered pursuant to Section 8.4(C) of the Asset Purchase Agreement.

All capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Asset Purchase Agreement.

Assumptions and Bases for Opinions and Assurances

In our capacity as legal counsel to Buyer, and for purposes of rendering the opinions set forth herein, we have examined originals or copies, certified or otherwise identified to our satisfaction, of the following (collectively, the "Documents"):

- (a) The Asset Purchase Agreement;
- (b) All creation and organization documents of Buyer as such are in effect as of the date hereof ("Buyer's Organizational Documents"); and
- (c) Such other documents, records, agreements and certificates of Buyer and such other parties as we have deemed necessary or appropriate to enable us to render the opinions expressed below.

In basing the opinions and other matters set forth herein on "our knowledge," the words "our knowledge" signify that, in the course of our representation of Buyer, the principal attorneys in this firm involved in the current actual transaction do not have actual knowledge or actual

notice that any such opinions or other matters are not accurate or that any of the documents, certificates, reports and information on which we have relied are not accurate and complete. Except as otherwise stated herein, we have undertaken no independent investigation or certification of such matters. The words "our knowledge" and similar language used herein are intended to be limited to the knowledge of the attorneys within our firm who have worked on the matters contemplated by our representation as legal counsel to Buyer.

In rendering the opinions set forth herein, we have assumed, without independent investigation, that (i) all persons other than Buyer have duly and validly executed and delivered each instrument, document, and agreement executed in connection with the Documents to which such party is a signatory, and each such party's obligations set forth therein are its legal, valid, and binding obligations, enforceable in accordance with the terms thereof; (ii) each person executing any such instrument, document, or agreement other than the Buyer is duly authorized and has the legal power to do so; (iii) each natural person executing any such instrument, document, or agreement is legally competent to do so; (iv) all representations of fact set forth in the Documents are complete and accurate, insofar as such facts pertain to the subject matter of the opinions rendered hereby; and (v) all documents submitted to us as originals are complete and authentic, all documents submitted to us as certified, conformed or photostatic copies conform to the original documents, all signatures on all documents submitted to us for examination are genuine, and all public records and certificates of public officials are accurate and complete.

We assume, except where we have received written disclosure regarding same, that none of the parties to the Documents (excluding Buyer) is a party to any court or regulatory proceeding relating to or otherwise affecting the Documents or is subject to any order, writ, injunction or decree of any court or federal, state or local governmental agency or commission that would prohibit the execution and delivery of the Documents, or the consummation of the transactions therein contemplated in the manner therein provided, or impair the validity or enforceability thereof. We assume that each of the parties to the Documents (excluding Buyer) has full authority to close this transaction in accordance with the terms and provisions of the Documents.

We assume that no party upon whom we have relied for purposes of this opinion letter has perpetrated a fraud.

Opinions and Assurances

Based solely upon the foregoing, and subject to the assumptions and limitations set forth herein, we are of the opinion that:

1. Buyer is existing and in good standing under the laws of the State of Texas.
2. Buyer is a duly created public utility agency under Chapter 572, Texas Local Government Code, and has the full legal right, power and authority to execute, deliver and perform its obligations under each of the Documents to which it is a party and has taken all

necessary actions to authorize the execution, distribution and delivery by it of such Documents and the performance by it of such obligations.

3. The execution, delivery and performance by Buyer of the Documents to which it is a party, and compliance and performance by the Buyer with the terms and provisions thereof and obligations thereunder, will not:

- (i) to our knowledge, violate or conflict with any provision of any existing law, statute, rule or regulation applicable to Buyer by reason of the general conduct of its business and operation of its assets;
- (ii) based solely upon our knowledge, conflict with or result in the breach of any court decree or order of any governmental body binding upon or affecting Buyer, the conflict with which or breach of which would have a material, adverse effect on the ability of Buyer to perform its obligations under the Documents to which it is a party; or
- (iii) contravene or conflict with Buyer's Organizational Documents.

4. To our knowledge, no consent, approval, authorization or other action by, or filing with, any governmental authority is required for the execution and delivery by Buyer of the Documents to which Buyer is a party or the performance of its obligations thereunder, except for those "Required Consents" and "Required Approvals" identified in the Documents.

5. Buyer has duly executed and delivered each of the Documents to which it is a party, and each of such Documents constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, subject to applicable law.

6. To our knowledge after reasonable inquiry, there are no actions, suits or proceedings pending against Buyer in any court of law or equity, or before or by any governmental instrumentality with respect to (i) its organization or existence; (ii) its authority to execute or deliver the Documents to which it is a party; (iii) the validity or enforceability against it of such Documents or the transactions contemplated thereby; (iv) the titles of its officers executing the Documents; (v) the execution and delivery of the Documents on behalf of Buyer; or (vi) the operations or financial condition of Buyer that would materially adversely affect those operations or the financial condition of Buyer.

7. To our knowledge, and subject to the "Required Consents" and "Required Approvals" identified in the Documents, the execution and delivery of the Documents do not, and the transactions contemplated thereby may be consummated and the terms and conditions thereof may be observed and performed in a manner that does not conflict with or constitute a breach of or default under any loan agreement, indenture, bond note, resolution, or any other agreement to which Buyer is a party or is otherwise subject, which violation, breach or default would materially adversely affect Buyer or the transactions contemplated by the Documents; nor will any such execution, delivery, adoption, fulfillment, or compliance result in the creation or

imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of Buyer, except as expressly contemplated by the Documents.

Qualifications

In addition to any assumptions, qualifications and other matters set forth elsewhere herein, the opinions set forth above are subject to the following assumptions and qualifications:

- (a) We have not examined any court dockets, agency files or other public records regarding the entry of any judgments, writs, decrees or orders or the pendency of any actions, proceedings, investigations or litigation.
- (b) The opinions expressed herein are based upon and limited to the applicable laws of the State of Texas, excluding the principles of conflicts of laws thereof, as in effect as of the date hereof, and our knowledge of the facts relevant to such opinions on such date. In this regard, we note that we are members of the Bar of the State of Texas, we do not express any opinion herein as to matters governed by the laws of any other jurisdiction, we do not purport to be experts in any other laws and we can accept no responsibility for the applicability or effect of any such laws.
- (c) This letter is strictly limited to the matters expressly set forth herein and no statements or opinions should be inferred beyond such matters.
- (d) Notwithstanding anything contained herein to the contrary, we express no opinion whatsoever concerning the status of title to any real or personal property.
- (e) We assume no obligation to supplement this opinion if any applicable laws change after the date of this opinion, or if we become aware of any facts that might change the opinions expressed above after the date of this opinion.
- (f) The opinion expressed herein as to the enforceability of the Documents is specifically subject to the qualification that enforceability of the Documents is limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium, liquidation, probate, conservatorship and other laws applicable to creditors' rights or the collection of debtors' obligations generally.
- (g) We express no opinion as to whether a court would grant specific performance or any other equitable remedy with respect to the enforcement of the Document.

Lower Colorado River Authority

January 17, 2012

Page 5

This opinion is furnished to you solely in connection with the transactions, for the purposes, and on the terms described above and may not be relied upon by you for any other purpose or by any other person in any manner or for any purpose.

Sincerely,



Lauren Kalisek

LJK/jgb

1708969_4.docx

cc West Travis County Public Utility Agency
Board of Directors

EXHIBIT H
ARBITRATION PROCEDURES

EXHIBIT H
ARBITRATION PROCEDURES

Absent further agreement of the parties, the arbitration shall be conducted pursuant to the Commercial Finance Rules of the American Arbitration Association (“Rules”). Notwithstanding the foregoing: (1) a three-party arbitration panel shall be selected as follows: each party shall select an arbitrator from a list supplied by the American Arbitration Association after each party has stricken from the list any names to which they object, and then the two panel-members selected by the parties shall select a third arbitrator; and, (2) any arbitration shall be conducted in Travis County, Texas. Finally, to the extent not in conflict with any of the provisions above or the Commercial Finance Rules of the American Arbitration Association, any arbitration shall be conducted pursuant to Chapter 171, Texas Civil Practice and Remedies Code.

APPENDIX G

ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT

ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT

THIS ACQUISITION, WATER SUPPLY, WASTEWATER TREATMENT AND CONDITIONAL PURCHASE AGREEMENT (this "Agreement") is dated and entered into to be effective as of March 19, 2012 ("Effective Date"), by and among the West Travis County Public Utility Agency (the "PUA"), a public utility agency and political subdivision of the State of Texas (the "State"), created and existing under the laws of the State, including Chapter 572, Texas Local Government Code, as amended; the City of Bee Cave, Texas, a Type A general law municipality of the State (the "City"); Hays County, Texas, a political subdivision of the State (the "County"); and West Travis County Municipal Utility District No. 5, a municipal utility district and political subdivision of the State ("MUD 5").

RECITALS

WHEREAS, Subchapter C of Chapter 572, Local Government Code, as amended (the "PUA Act"), authorizes certain public entities to create a public utility agency for the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water for such public entities; and

WHEREAS, the governing bodies of the City, the County and MUD 5 (collectively, the "Participants") have created the PUA as their constituted authority, instrumentality and agent to plan, finance, acquire, construct, own, operate, or maintain facilities necessary for the collection, transportation, treatment, and disposal of sewage and the conservation, storage, transportation, treatment, and distribution of water for the Participants pursuant to the PUA Act; and

WHEREAS, the Participants expect to pursue legislative changes to the PUA Act for the purpose of enabling the PUA to serve end users directly, with the goal of creating a combined utility system owned and operated by the PUA and providing water supply and wastewater treatment services from the PUA directly to the current customers of the Participants; and

WHEREAS, the Participants are entering into this Agreement to provide for water supply and wastewater treatment services to the Participants and their customers until such time as such legislative changes to the PUA Act are accomplished, with the intent that at such time all outstanding Bonds (as defined herein) of the PUA will be paid in full and this Agreement will terminate; and

WHEREAS, pursuant to Section 572.058, Local Government Code, and that certain Utilities Installment Purchase Agreement (the "Purchase Contract"), dated as of January 17, 2012, by and between the PUA and the Lower Colorado River Authority (the "LCRA"), the PUA has agreed to purchase and the LCRA has agreed to sell certain water supply and wastewater treatment facilities (the "Supply and Treatment Components") and water distribution and sanitary sewer collection facilities (the "Distribution and Collection Components") and, together with the Supply and Treatment Components, the "System") and to operate the System as a single system for the purpose of providing water and wastewater services to the Participants; and

WHEREAS, pursuant to the PUA Act, the PUA will (i) own the Supply and Treatment Components, (ii) convey by conditional sale the Distribution and Collection Components within the service area of each Participant to each such Participant, and (iii) operate the System, all for the benefit of the Participants; and

WHEREAS, the Participants wish to enter into this Agreement to (i) obtain water services for the City, the County and MUD 5 (collectively, the “Water Participants”) pursuant to Sections 552.018 and 562.016, Local Government Code, and Section 49.213, Water Code, respectively; (ii) obtain wastewater treatment services for the City and MUD 5 (together, the “Wastewater Participants”) both pursuant to Section 791.026, Local Government Code; and (iii) acquire by conditional sale the Distribution and Collection Components of the System within the service area of each Participant pursuant to Sections 552.001 and 562.016, Local Government Code, and Section 49.213, Water Code, respectively; and

WHEREAS, it is expected by the PUA and the Participants that from time to time the PUA will issue its Bonds (as hereinafter defined), payable from and secured solely by payments to be made by the Participants under this Agreement for water and wastewater services and for the acquisition of the Distribution and Collection Components of the System; and

WHEREAS, the PUA, to the best of its ability, shall do or cause to be done all such things as may be required for the financing, acquisition, maintenance and operation of the System;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the sufficiency of which are hereby acknowledged, and upon and subject to the terms and conditions hereinafter set forth, the Participants and the PUA mutually undertake, promise, and agree as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01 Definitions. In addition to the terms defined above, the following terms shall have the meanings assigned to them below wherever they are used in this Agreement, unless the context clearly requires otherwise:

“Accountant” means a nationally recognized independent certified public accountant, or an independent firm of certified public accountants, selected by the PUA.

“Annual Payments” means the amount of money, constituting the sum of the Installment Payments, the Bond Payment and the Operation and Maintenance Expenses, to be paid to the PUA by the Participants, on a several basis, as described in Section 4.04 hereof.

“Authorized Representative” means any person to whom has been delegated the authority to act on behalf of a Participant or the PUA, as the case may be, which (i) for the City shall be the City Administrator of the City or such other officers or employees of the City authorized to act during his absence or incapacity, (ii) for the County shall be Hays County Commissioner,

Precinct 4, or such other officers or employees of the County authorized to act during his absence or incapacity, (iii) for MUD 5 shall be the President of the Board of Directors of MUD 5 or such other officers or employees of MUD 5 authorized to act during his absence or incapacity, and (iv) for the PUA shall be the President of the Board of Directors of the PUA or such other officer or employee of the PUA authorized to act on behalf of the PUA during the President's absence or incapacity, unless a party notifies the other party in writing of a change in its Authorized Representative.

“Bond Payment” means the portion of the Annual Payments calculated by reference to the Bonds, including payments of principal of and interest on the Bonds and deposits to funds related thereto.

“Bond Resolution” means any resolution adopted by the Board of Directors of the PUA authorizing the issuance of and securing the Bonds and all amendments and supplements thereto.

“Bonds” means all bonds, notes, or other obligations hereafter issued by the PUA, whether in one or more series or issues, to acquire the System and to pay other costs of the System (including any bonds or notes issued to repair, replace, or improve the System) or to refund any Bonds or to refund any such refunding Bonds.

“City” means the City of Bee Cave, Texas.

“Claim,” as used in Section 10.13 of this Agreement, means claims, demands, and expenses, including reasonable attorney's fees.

“Code” means the Internal Revenue Code of 1986, and any amendments thereto, as in force and effect on the date of delivery of any series of Bonds.

“County” means Hays County, Texas.

“Delivery Point” means the place, whether one or more, to which the PUA will deliver water to each Water Participant pursuant to this Agreement, as more fully described in Exhibit B.

“Distribution and Collection Components” means the facilities, lines, booster pumps, and other appurtenances sufficient to deliver the water to the Water Participants and collect the Wastewater from the Wastewater Participants pursuant to this Agreement, all as more fully described in Exhibit B, and any improvements, additions, or extensions to such components.

“Facilities Fund” means the fund established by the PUA to which amounts may be transferred from the Rate Stabilization Fund from time to time for payment of capital additions and improvements to the System.

“Fiscal Year” means the Participants' fiscal years, which currently begin on October 1 of each year, as may be changed from time to time with notice to the PUA.

“Force Majeure” means such term as it is defined in Section 10.03 of this Agreement.

“Installment Payments” has the meaning given such term in the Purchase Contract.

“LCRA” means the Lower Colorado River Authority, a conservation and reclamation district and political subdivision of the State.

“Local Government Code” means Texas Local Government Code, as amended.

“MSRB” means the Municipal Securities Rulemaking Board and any successor to its duties.

“MUD 5” means West Travis County Municipal Utility District No. 5.

“Operation and Maintenance Expenses” means all costs and expenses of operation and maintenance of the System, including (for greater certainty but without limiting the generality of the foregoing) amounts payable under any contract with any person, including, but not limited to any federal, state, or local agency for the right to any source of water; any contribution or payment in lieu of taxes or any fee or charge by any government authority relating to the PUA’s production of water or sale of treated water hereunder; fees and charges to be paid to TCEQ or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the System; Overhead Expenses; costs of operating, repairing, maintaining, and replacing equipment for proper operation and maintenance of the System; and payments made in satisfaction of judgments resulting from claims not covered by insurance arising in connection with the acquisition, operation and maintenance of the System. The term “Operation and Maintenance Expenses” does not include depreciation charges or such portion of the above-described costs to the extent such costs are paid pursuant to an agreement other than this Agreement.

“Operations Transfer Date” means March 19, 2012.

“Outstanding” means, as of a particular date, all Bonds theretofore and thereupon delivered pursuant to the Bond Resolution except: (a) any Bonds canceled by or on behalf of the PUA at or before such date; (b) any Bonds defeased pursuant to the defeasance provisions of the Bond Resolution or otherwise defeased as permitted by applicable law; and (c) any Bonds in lieu of or in substitution for which a replacement Bond shall have been delivered pursuant to the Bond Resolution.

“Overhead Expenses” means the PUA’s reasonable and necessary costs and expenses incurred at any time directly related to the issuance and servicing of the Bonds, the permitting, financing, acquisition and ownership of the System and any other activities required of or involving the PUA in connection with or attributable to the System or the Bonds, including, but not limited to:

- (a) per diem and reimbursable expenses incurred by the Directors of the PUA for special meetings of the PUA’s Board of Directors related to the System;

(b) services of the professional, technical, skilled and unskilled persons and firms engaged by or associated with the PUA, other than PUA staff personnel, together with their reimbursable expenses paid or required to be paid by the PUA;

(c) salaries of the PUA's staff attributable to the System or the Bonds based on time expended, as documented or reasonably estimated by the President of the Board of Directors of the PUA;

(d) the costs of preparing applications for and obtaining all approvals and authorizations required for the System or the Bonds from the regulatory authorities having jurisdiction;

(e) the cost of property casualty and public liability insurance, including any insurance deductible charged to or required to be paid by the PUA;

(f) all costs incurred in litigation involving or relating to the System; and

(g) any and all other costs and expenses, including out-of-pocket expenses, incurred by the PUA attributable to the System or the Bonds, whether enumerated above or not.

"Participant's Account" shall mean the account held by the PUA on behalf of each Participant for deposit of payments received from such Participant's customers.

"Participants" means any public entities that may participate in the PUA from time to time, after adoption of the Concurrent Ordinance or Order in accordance with Section 572.053, Local Government Code, including the City, the County and MUD 5.

"Participant's System" means and includes (i) a Water Participant's waterworks distribution system or combined water distribution and wastewater collection system, (ii) a Wastewater Participant's wastewater collection system or combined water distribution and wastewater collection system, and (iii) all future extensions, improvements, enlargements, and additions thereto, including, to the extent permitted by law, reclaimed water systems within such Participants' waterworks distribution system or wastewater disposal system, and all replacements thereof; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term Participant's System shall not include any waterworks distribution facilities or wastewater collection facilities which are hereafter acquired or constructed by such Participant with the proceeds from the issuance of "special facilities obligations" and which are declared by a Participant not to be a part of such Participant's System, which are hereby defined as being special revenue obligations of such Participant which are not secured by or payable from the net revenues of the Participant's System, but which are secured by and are payable solely from special contract revenues, or payments received by the Participant, or any combination thereof, in connection with such facilities; and such revenues or payments shall not be considered as or constitute gross revenues of the Participant's System, unless and to the extent otherwise provided in the order, ordinance or resolution authorizing the issuance of such "special facilities obligations;" and provided further that, except with the prior

approval of the Board of Directors of the PUA, no such facilities may be connected to the System.

“Participant’s Utility Bonds” means the appropriate Participant’s bonds and notes outstanding from time to time, if any, secured by a lien on and pledge of the net revenues of the Participant’s System or any part thereof, regardless of lien priority.

“Permitted Liens” means:

(a) the rights reserved to LCRA in the System and its revenues in the Purchase Contract;

(b) minor irregularities, charges, liens, encumbrances, defects, easements, licenses, rights-of-way, servitudes, restrictions, mineral rights, and clouds on title which, in the opinion of counsel to the PUA, a copy of which shall be forwarded to each of the Participants, do not materially impair the use of the System for the purposes for which it is designed;

(c) easements for roads (as used in this Agreement, the term “roads” shall include, without limitation, streets, curbs, gutters, drains, ditches, sewers, conduits, canals, mains, aqueducts, aerators, connections, ramps, docks, viaducts, alleys, driveways, parking areas, walkways, and trackage), utilities (which for purposes of this Agreement shall include, without limitation, water, sewer, electricity, gas, telephone, pipeline, railroad, and other collection, transportation, light, heat, power, and communication systems) and similar easements and other easements, rights-of-way, rights of flowage, flooding, diversion or outfall, licenses, restrictions, and obligations relating to the operation of the System which, in the opinion of counsel to the PUA, a copy of which shall be forwarded to each of the Participants, do not materially impair the use of the System for the purposes for which it is designed; and

(d) rights of the United States or any state or political subdivision thereof, or other public or governmental authority or agency or any other entity vested with the power of eminent domain to take or control property or to terminate any right, power, franchise, grant, license, or permit previously in force.

“Point(s) of Entry” means the point(s) designated in Exhibit B to this Agreement where wastewater will be received from Wastewater Participants into the System.

“Proportionate Share of the Annual Payment” shall be determined in accordance with the procedures described in Exhibit A hereto.

“Prudent Utility Practice” means any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the

optimum practice, method, or act at the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in a Participant's System which is owned in common with one or more other entities, the term "Prudent Utility Practice," as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

"PUA" means the West Travis County Public Utility Agency and its lawful successors and assigns.

"PUA Act" means Chapter 572, Texas Local Government Code, as amended, or any successor statute.

"Purchase Contract" means that certain Utilities Installment Purchase Agreement, dated as of January 17, 2012, by and between the PUA and the LCRA, and any authorized amendments thereto.

"Rate Stabilization Fund" means the fund described in Section 4.05.

"Rule" means SEC Rule 15c2-12, as amended from time to time.

"Sale and Offering Documents" means any official notice of sale, official bid form, preliminary official statement, official statement, or other offering document for the Bonds.

"SEC" means the United States Securities and Exchange Commission and any successor to its duties.

"Supply and Treatment Components" means the portions of the System other than the Distribution and Collection Components.

"System" means the Supply and Treatment Components and the Distribution and Collection Components purchased from LCRA pursuant to the Purchase Contract, and all future extensions, improvements, enlargements, and additions thereto approved by the PUA Board.

"TCEQ" means the Texas Commission on Environmental Quality or its successors or assigns.

"Trustee" means any trustee named under a trust indenture or the paying agent/registrars named in a paying agent/registrars agreement entered into by the PUA securing the payment of the Bonds and authorized by a Bond Resolution.

"Wastewater" means liquid and water-carried waste discharged from sanitary conveniences of dwellings, business buildings, institutions and the like including garbage which has been shredded to such degree that all particles will be carried freely under flow conditions normally prevailing in public sewers, with no particle greater than one-half (1/2) inch in any dimension and the liquid wastes from industrial processes, and includes any infiltration of water

that has migrated from the ground into the System, or inflow water from above the ground entering the System.

“Wastewater Participants” means any Participant who contracts with the PUA for treatment of wastewater, initially the City and MUD 5.

“Water Code” means Texas Water Code, as amended.

“Water Participants” means any Participant who contracts with the PUA for water service, initially the City, the County and MUD 5.

Section 1.02 Interpretation. The table of contents and caption headings of this Agreement are for reference purposes only and shall not affect its interpretation in any respect. Unless the context otherwise requires, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. This Contract and all the terms and provisions shall be liberally construed to effectuate the purpose set forth herein and to sustain the validity of this Agreement.

ARTICLE II

ACQUISITION OF THE SYSTEM; FINANCING OF INSTALLMENT PAYMENTS

Section 2.01 General. Subject to the terms and provisions of this Agreement, the PUA agrees to acquire the System pursuant to the terms of the Purchase Contract and to issue the Bonds to finance the Installment Payments due thereunder. It is expressly understood and agreed that any obligations on the part of the PUA to acquire the System and issue its Bonds to finance the Installment Payments, to provide water to the Water Participants and treat wastewater of the Wastewater Participants, and to conditionally sell the Distribution and Collection Components to the Participants shall be (i) conditioned upon the PUA’s ability to obtain all necessary permits, material, labor, and equipment, and upon the ability of the PUA to (A) finance the cost of the System through the actual sale of the Bonds, (B) provide water to the Water Participants and (C) treat wastewater of the Wastewater Participants, and (ii) subject to all present and future valid laws, orders, rules, and regulations of the United States of America, the State, and any regulatory body having jurisdiction.

Section 2.02 Acquisition. The PUA has executed the Purchase Contract to effect the acquisition of the System and shall, as soon as possible, undertake to make, execute, deliver, and prosecute such other contracts, orders, receipts, writings, and instructions with or to other persons, and in general do or cause to be done all such other things, as may be required for the proper acquisition of the System. If such other contracts, orders, receipts, writings and instructions with or to other persons would cause a material modification to the terms and conditions of this Agreement, then this Agreement shall be modified pursuant to Section 10.06 below prior to the effectiveness of such other contracts, orders, receipts writings or instructions.

Section 2.03 Obligation to Pay Annual Payments. It is acknowledged and agreed that payments to be made under this Agreement will be the sole source of revenue available to the

PUA to provide the money necessary for the PUA to satisfy its payment obligations with respect to the Purchase Contract and the Bonds. Each Participant therefore agrees to pay, on a several basis, its Proportionate Share of the Annual Payments in full when due as provided in this Agreement; **provided, however, that each Participant's obligation to make such payments shall be limited solely to the extent of revenues of each such Participant's System.**

Section 2.04 Liens. Neither the Participants nor the PUA will create or permit or suffer to exist any lien, encumbrance, or charge upon the System or any interest therein at any time, except Permitted Liens.

Section 2.05 Approvals. Unless otherwise required by law, each consent, approval, or other official action required of the Participants or the PUA by any provision of this Agreement shall be deemed in compliance with this Agreement when written evidence of such action, signed by the respective Authorized Representative, is delivered to the party who is to receive evidence of such action. All contracts to be entered into by the PUA shall be authorized by the PUA's Board of Directors. The Participants will cooperate with the PUA in the acquisition, financing, maintenance and operation of the System and, following the adoption of each Bond Resolution by the PUA's Board of Directors, will take all such actions as are necessary to effect the acquisition of the System and any other purpose for which Bonds may be issued and will not take any action or fail to take any action (including, without limitation, any exercise or denial of its consent or approval of any action proposed to be taken by the PUA or any of its agents hereunder), if taking or failing to take such action, respectively, would unreasonably delay or obstruct the acquisition of the System by the PUA or any other purpose for which Bonds may be issued.

Section 2.06 Issuance of Bonds. (a) The PUA's payment of the Installment Payments pursuant to the Purchase Contract will be financed by the PUA through the issuance of one or more series or issues of its Bonds payable from and secured solely by an assignment of the Annual Payments made under this Agreement. In consideration of the covenants and agreements set forth in this Agreement, and to enable the PUA to carry out the intents and purposes hereof, including the issuance of the Bonds, this Agreement is executed to assure the acquisition of the System and the issuance of the Bonds and to provide for and guarantee the due and punctual payment by the Participants to the PUA, or to the Trustee under the trust indenture (or paying agent/registrars agreement) securing the Bonds, of the Annual Payments. Each of the Participants hereby agrees to make, or cause to be made, its Proportionate Share of the Annual Payment, as and when due, for the benefit of the owners of the Bonds, as provided in the Bonds and the Bond Resolution.

(b) Except for Bonds issued pursuant to Section 10.22 hereof, the proceeds from the sale of the Bonds will be used for (i) payment of the Installment Payments as defined in and payable by the PUA pursuant to the Purchase Contract, (ii) funding capital improvements to the System; and (iii) funding any required funds and paying any expenses related to the Bonds and the System described in the Bond Resolution, as determined by the Board of Directors of the PUA. The Bonds will be issued by the PUA in the amounts required to pay the Installment Payments and to fund debt service reserve or other funds, costs of issuance of the Bonds and any other expenses related to the Bonds, to the extent deemed advisable by the PUA.

- (c) (1) Each Bond Resolution of the PUA shall specify the maximum principal amount of the Bonds to be issued thereunder. The Bonds shall mature not more than forty (40) years from the date of such Bonds and shall bear interest at not to exceed the maximum legal rate then permitted by law, and the Bond Resolution may create and provide for the maintenance of a revenue fund, an interest and sinking fund, a debt service reserve fund, and any other funds deemed prudent by the PUA, all in the manner and amounts as provided in such Bond Resolution.
- (2) All covenants and provisions in the Bond Resolution affecting, or purporting to bind, the Participants shall, upon the delivery of the Bonds, become absolute, unconditional, valid, and binding covenants and obligations of the Participants so long as the Bonds and interest thereon are Outstanding, and may be enforced as provided in this Agreement and the Bond Resolution. Particularly, the obligation of each of the Participants to pay, promptly when due, all Annual Payments specified in this Agreement shall be absolute and unconditional, and said obligation may be enforced as provided in this Agreement.

Section 2.07 Proceeds of Bonds. Subject to the terms and provisions of this Agreement (and excluding Bonds issued in accordance with Section 10.22), the proceeds of the Bonds shall be used by the PUA for the purposes described in Section 2.06. The PUA shall use its best efforts to issue its Bonds, in one or more series, in amounts which will be sufficient to accomplish such purpose. A trust indenture may be entered into between the PUA and a corporate trustee for the purpose of securing the payment of the Bonds. It is anticipated that the Bonds will be issued pursuant to the Bond Resolution and that a paying agent/registrars agreement will be executed between the PUA and/or the Trustee concerning the payment procedures with respect to the Bonds.

Section 2.08 Refunding of Bonds. The PUA reserves the right to issue refunding bonds in accordance with the laws of the State.

Section 2.09 Redemption of Bonds. The PUA, in its sole discretion or upon the written request of all of the Participants (and provided that the affected Bonds are subject to redemption or prepayment prior to maturity at the option of the PUA, and provided that such request is received in sufficient time prior to the date upon which such redemption or prepayment is proposed), forthwith shall take or cause to be taken all action that may be necessary under the applicable redemption provisions of affected Bonds to redeem such Bonds or any part thereof, to the full extent of funds that are either made available for such purpose by the Participants or already on deposit under the Bond Resolution and available for such purpose. The redemption of any outstanding Bonds prior to maturity at any time shall not relieve the Participants of their absolute and unconditional obligation to pay each remaining Annual Payment with respect to any remaining Outstanding Bonds, as specified in the Bond Resolution.

Section 2.10 PUA Rights Assigned to Trustee. The Participants are advised and recognize that as security for the payment of the Bonds, the PUA may assign to the Trustee,

pursuant to one or more trust indentures (or paying agent/registrars agreements) to be authorized by the Bond Resolution, the PUA's rights under this Agreement to receive the Annual Payments hereunder. The Participants herewith consent to such assignment and will make the Annual Payments directly to the Trustee without defense or set-off by reason of any dispute between one or both of the Participants and the PUA or the Trustee. All rights against the Participants arising under this Agreement or the Bond Resolution and assigned to the Trustee may be enforced by the Trustee, or the owners of the Bonds, to the extent provided in the Bond Resolution, and the Trustee, or the owners of the Bonds, shall be entitled to bring any suit, action, or proceeding against the Participants, to the extent provided in the Bond Resolution, for the enforcement of this Agreement, and it shall not be necessary in any such suit, action, or proceeding to make the PUA a party thereto.

Section 2.11 Tax-Exempt Bonds. The parties hereto understand and agree that the PUA will use its best efforts to provide for, but will not be liable for a failure to produce, the lowest overall debt service cost for the Bonds. In connection therewith, the parties intend that the PUA will issue Bonds the interest on which is excludable from the gross income of the owners thereof for federal income tax purposes. The parties hereto acknowledge their understanding that the federal income tax laws impose certain restrictions on the use and investment of proceeds of such tax-exempt bonds and on the use of the property financed therewith and the output produced therefrom. Accordingly, the parties agree and covenant that if the Bonds are offered to investors with the understanding that the interest will be exempt from federal income taxation, then the parties, their assigns and agents, will take such action to assure, and refrain from such action which will adversely affect the treatment of such Bonds as obligations described in section 103 of the Code. Should any party fail to comply with such covenant, the effect of which being that the Bonds no longer qualify as obligations described in the Code, such defaulting party shall be liable for all costs resulting from the loss of the tax-exempt status of the Bonds. The parties hereby agree and covenant to comply with all of the representations and covenants relating to such exemption which are set out in any Bond Resolution. The parties further agree and covenant that in the event the Bonds issued are to be tax-exempt, they will modify such agreements, make such filings, restrict the yield on investments, and take such other action necessary to fulfill the applicable provisions of the Code. For these purposes, the parties may rely on the opinion of any firm of nationally-recognized bond attorneys selected by them.

Section 2.12 Payment to Rebate Fund. In the event that tax-exempt Bonds are issued as provided in Section 2.11, the PUA hereby covenants and agrees to make the determinations and to pay any deficiency into a rebate fund at the times and as described in the Bond Resolution to comply with the provisions of section 148(f)(2) of the Code. In any event, if the amount of cash held in the rebate fund shall be insufficient to permit the Trustee to make payment to the United States of America of any amount due on any date under section 148(f)(2) of the Code, each of the Participants forthwith shall pay its proportionate share of the amount of such insufficiency (calculated in the same proportion as each such Participant's Proportionate Share of the Annual Payment is calculated) on such date to the Trustee in immediately available funds for such purpose. The obligations of the Participants under this Section 2.12 are direct obligations of each Participant, acting under the authorization of, and on behalf of, the PUA and the PUA shall have no further obligation or duty with respect to the rebate fund.

Section 2.13 Sale and Offering Documents. At the request of the PUA, each of the Participants shall provide to the PUA current and historical information concerning the Participants' Systems, the financial conditions, results, and prospects of the Participants, and such other information concerning the Participants as the PUA shall deem advisable for inclusion in the Sale and Offering Documents for the Bonds of each series and shall certify to the PUA and the underwriters of any offering of Bonds to be made by means of such Sale and Offering Documents when and if the Participant deems such Sale and Offering Documents to be complete and final for purposes of the Rule. Each of the Participants represents and warrants that all statements concerning it (including, without limitation, its financial condition, results, and prospects, its portion of the Participants' Systems, and any demographic and economic information concerning the area served by its portion of the Participants' Systems) that are contained in any Sale and Offering Document shall be true in all material respects and shall not omit to state any material fact necessary to make the statements made in such Sale and Offering Document, in the light of the circumstances in which they are made, not misleading.

Section 2.14 Right of Participants to Prepay. The Participants shall have the right at any time to prepay all or any portion of its Proportionate Share of the Annual Payments. Subject to the provisions of Section 2.11, such prepaid Proportionate Share of the Annual Payments shall be used by the PUA as directed by the Participant which prepaid (i) as a credit against future Proportionate Share of the Annual Payment obligations of such Participant, (ii) to redeem Bonds pursuant to the provisions of Section 2.09, or (iii) to provide for the defeasance of Bonds pursuant to the provisions of the Bond Resolution. Such prepaid amounts shall be invested by the PUA with the concurrence of the prepaying Participant. Any such prepayment shall not cause a termination of this Agreement with respect to such Participant until all other amounts owed or to be incurred by the PUA or any other person under the provisions of the Bond Resolution and hereunder (including Section 10.05 hereof) have been paid in full or waived by such person.

ARTICLE III

CONDITIONAL PURCHASE AND SALE OF DISTRIBUTION AND COLLECTION COMPONENTS

Section 3.01 Conditional Purchase and Sale. The PUA hereby sells to the Participants, and the Participants hereby purchase from the PUA, each Participant's respective Distribution and Collection Components; provided, however, that in the event that a Participant shall for any reason fail to fully discharge its pecuniary obligations to the PUA throughout the term of this Agreement, then title to such Participant's Distribution and Collection Components shall immediately and automatically revert to the PUA without any requirement of further action.

ARTICLE IV

OPERATION AND MAINTENANCE OF SYSTEM; PAYMENT COLLECTION

Section 4.01 Operation and Maintenance of System. The PUA covenants to operate and maintain the System, including the Distribution and Collection Components, on behalf of the

Participants, in accordance with Prudent Utility Practices and in accordance with applicable regulatory requirements. The PUA will establish and set customer service rules and policies for customers served by the System, wholesale and retail rates for service, and other related fees and charges necessary for the proper management and operation of the System and as necessary to make the Annual Payments by each Participant under this Agreement and allow for the repayment of the Bonds. In setting wholesale and retail rates for service, and other related fees and charges as necessary to comply with the terms of this Agreement, the PUA is acting as agent of each of the Participants. Each Participant hereby agrees that, if the PUA shall fail, for any reason, to set rates and charges necessary to comply with the terms hereof, it will take immediate action to set such rates and charges in its service area as necessary to comply with the terms hereof.

Section 4.02 Impact Fees. To the extent allowed by law, the Participants agree to adopt and assess impact fees, if necessary, in accordance with Chapter 395 of the Local Government Code to fund capital expansions of the System provided that such Participant approves the land use assumptions, ten year capital improvements plan, and impact fee calculations supporting the adoption of such fees. Any impact fees adopted and assessed for the System shall be collected by the PUA and used only for the purposes as authorized by Chapter 395 of the Local Government Code.

Section 4.03 Billing. The PUA will render bills to, and collect and receive payments from, the customers of the Participants not more than once each month, for service commencing on the Operations Transfer Date. As such term is defined in the Purchase Agreement. All payments received shall be deposited in the appropriate Participant's Account.

Section 4.04 Deductions for Proportionate Share of Annual Payments. On the 15th day of each month, commencing as of the Operations Transfer Date, the PUA shall debit each Participant's Account in the amount of one-twelfth of its Proportionate Share of the Annual Payment.

Section 4.05 Disbursement of Additional Revenues. On the 15th day of each month, commencing as of the Operations Transfer Date, the PUA shall transfer from each Participant's Account to the Rate Stabilization Fund all amounts remaining therein after all deductions therefrom pursuant to Sections 4.03 and 4.04 for such month. Funds in the Rate Stabilization Fund may be used at the discretion of the PUA for any lawful purpose, including capital additions and improvements to the System and to enable the PUA to manage rates and charges recommended to the Participants pursuant to Section 7.03(b); provided, however, that such funds shall be used in the following order of priority:

(a) First, for funding of operating and maintenance reserves and payment of principal of and interest on the Bonds, in accordance with Prudent Utility Practice;

(b) Second, for redemption or defeasance of outstanding Bonds, if economically advantageous in the discretion of the Board of the PUA; and

(c) Third, for transfer to the Facilities Fund for payment of costs of any capital additions and improvements to the System, including reimbursement of any Participant for payment of such costs, upon request of such Participant and at the discretion of the Board of the PUA. At the discretion of the Board of the PUA, amounts on deposit in the Facilities Fund may be transferred to the Rate Stabilization Fund from time to time and used for any lawful purpose.

ARTICLE V

WATER MATTERS

Section 5.01 Title to Water. Title to the water delivered by the System shall be in the PUA.

Section 5.02 Access to Water Participants. Should any facilities, pipelines, or appurtenances owned by the PUA be installed in any street, alley, or public way within the jurisdiction of the Water Participants, as same are now constituted or as may hereafter be extended, the Water Participants hereby grant to the PUA the right, privilege and franchise of using such streets, alleys and public ways for the purposes of maintaining, operating, laying, repairing, or removing such facilities, pipelines, and appurtenances.

Section 5.03 Easements. The Water Participants hereby agree to grant to the PUA such easements as may be reasonably necessary for the purposes of placing, constructing, operating, repairing, maintaining, rebuilding, replacing, relocating, and removing water facilities upon, over, across and through the Water Participants' property and giving to the PUA, and its successors and assigns, all of the rights and benefits necessary or appropriate for the full enjoyment and use of the easement, including but without limiting the same to the free right of ingress and egress to and from the Water Participants' property. Such rights shall be subject to applicable ordinances and regulations of the Participants.

Section 5.04 Lake Pointe Preserve. Notwithstanding anything to the contrary contained herein, access, use, placement, construction, operation, repair, maintenance, rebuilding, replacement, relocation, or removal of any PUA facilities (collectively the "Preserve Work") within the habitat conserved for the Golden-cheeked Warbler ("GCW") owned or managed by MUD 5 (the "Lake Pointe Preserve") must comply with Permit, PRT-782186, and the following related permit documents: Agreement with Respect to the Lake Pointe Habitat Conservation Plan (the "Implementing Agreement"), the Habitat Conservation Plan for the Lake Pointe Development ("HCP"), and the biological opinion issued by the U.S. Fish and Wildlife Service. Prior to any Preserve Work, the PUA shall receive written authorization from MUD 5 that the proposed Preserve Work is covered by the terms and conditions of the PRT-782186, the related permit documents, and the operation and maintenance provision of the Implementing Agreement, Section V.D.

Section 5.05 Cross-Utilization of Lines. Each Water Participant acknowledges that it may be necessary for certain of its transmission lines to be utilized in order for the PUA to transmit treated water to another Water Participant or other entity and each Water Participant hereby agrees to permit the PUA to so utilize its transmission lines in accordance with Section

5.02 and Section 5.03. In such case, the Water Participant involved agrees to inform the PUA of any special requirements with respect to pressure or other matters relating to the transmitting Water Participant's lines.

Section 5.06 Delivery Points. The PUA will deliver water to the Delivery Point(s) for each Water Participant at the location(s) depicted in Exhibit B.

Section 5.07 Quantity. During any period of time that the treated water produced by the System is insufficient to satisfy 100% of the needs of all Water Participants, then each Water Participant's proportionate share of the available treated water produced by the System shall be equal to each Participant's Proportionate Share of the Annual Payment as determined in Exhibit A.

Section 5.08 Other Contracts. The PUA shall not enter into contracts with other persons for the supply of water outside of its service area (as more fully described in Exhibit C) without the prior consent of Water Participants and any Water Participant may withhold its consent in its sole and absolute discretion. The Water Participants may not resell water that they purchase from the PUA to third party wholesalers without obtaining the written consent of the PUA and the other Water Participants. The Water Participants shall not enter into contracts with any entity other than the PUA for supply of water during the term of this Agreement.

Section 5.09 Quality. The water to be delivered by the PUA and received by the Water Participants shall be surface water produced from and treated by the System. Each of the Water Participants has satisfied itself that such water is suitable for its needs. The PUA and each of the Water Participants shall cooperate, each within its legal powers, in preventing possible pollution and contamination of the sources from which the water is obtained.

ARTICLE VI

WASTEWATER MATTERS

Section 6.01 Wastewater Flow. The PUA agrees to receive, transport and treat Wastewater of each Wastewater Participant, respectively, at its Point(s) of Entry in accordance with this Article. The PUA agrees to provide adequate facilities and processes to meet volume and peaking requirements of the Wastewater Participants as provided herein.

Section 6.02 Flow Rates.

A. Each Wastewater Participant agrees that during each Fiscal Year while the System is in operation, it shall be obligated to transport and discharge into the System at its respective Point(s) of Entry, all of the Wastewater which is generated and collected within its service area, subject to the restrictions hereinafter stated.

B. The total quantity of Wastewater discharge into the System shall never exceed the amount which the System is capable of receiving, treating, and disposing, unless approved by the PUA, subject to the terms and conditions to be established by the PUA. Notwithstanding the foregoing, no Wastewater Participant shall ever make any discharge into the System which

would cause the System to be overloaded or be in violation of its permits from the State and/or the United States of America.

C. Wastewater will be received into the System at the Point(s) of Entry for each respective Wastewater Participant, as shown on Exhibit B attached hereto and incorporated herein for all purposes, or at such other points of entry that may be established by mutual agreement between the PUA and Wastewater Participant, if such other points of entry are determined by the PUA to be economical and beneficial to the System.

Section 6.03 Access.

A. Each Wastewater Participant agrees to provide ingress and egress for PUA employees and agents to all its premises inside Wastewater Participants' service area to install, operate, inspect, test, and maintain facilities owned or maintained by PUA within corporate or jurisdictional limits of Wastewater Participant or to make such inspections or tests authorized by this Agreement.

B. The PUA agrees to provide ingress and egress for Wastewater Participant employees and agents to all premises under control of the PUA to install, operate, inspect, test, and maintain facilities, and read meters owned or maintained by Wastewater Participant.

Section 6.04 Resale. Wastewater Participants hereby agree not to accept and transport to their respective Point(s) of Entry any Wastewater from outside such Wastewater Participant's corporate boundaries or prescribed service area (as may be adjusted from time to time).

Section 6.05 Other Contracts. The PUA shall not enter into contracts with other persons for the treatment of Wastewater outside of its service area (as more fully described in Exhibit D) without the prior consent of Wastewater Participants and any Wastewater Participant may withhold its consent in its sole and absolute discretion. The Wastewater Participants shall not enter into contracts with any entity other than the PUA for treatment of Wastewater during the term of this Agreement.

ARTICLE VII

ANNUAL PAYMENTS COVENANTS

Section 7.01 Annual Estimate of Annual Payments. Not less than ninety (90) days prior to the beginning of each Fiscal Year, the PUA shall furnish to the Participants an estimate and schedule of the Annual Payments required to be paid by the Participants in such Fiscal Year.

Section 7.02 Annual Payments by the Participants. (a) Each of the Participants hereby agrees that it will make payments of its Proportionate Share of the Annual Payments to the PUA, or to the Trustee on behalf of the PUA, as provided in the Bond Resolution and in accordance with the procedures established in Section 4.03 hereof. If a Participant at any time disputes the amount to be paid by it to the PUA, deductions shall nevertheless promptly be made from such Participant's Account, but if it is subsequently determined by agreement or court decision that such disputed payments should have been less, or more, the PUA shall promptly revise the

charges for such Participant in such manner that a Participant will recover its overpayment or the PUA will recover the amount due it. The PUA shall pursue all legal remedies against the Participants to enforce and protect the rights of the PUA and the owners of the Bonds, and the Participants shall not be relieved of the liability to the PUA for the payment of all amounts which are due by them hereunder.

(b) The PUA shall redetermine the estimate and schedule of Annual Payments due in any Fiscal Year at any time during such Fiscal Year, as and to the extent deemed necessary or advisable by the PUA to accurately forecast the amount and date of Annual Payments to be made by the Participants, if (i) the PUA issues Bonds to refund any Bonds, (ii) actual interest rates on any variable interest rate Bonds differ from those projected by the PUA, or (iii) any other event occurs which results in an increase or decrease in the Annual Payments required to be made by the Participants in such Fiscal Year.

(c) If, during any Fiscal Year, the Annual Payment is redetermined in any manner as provided or required in this Section, the PUA will promptly furnish the Participants with an updated schedule of payments reflecting such redetermination.

(d) Notwithstanding anything herein to the contrary, no failure of the PUA to estimate, and no mistake by the PUA in any estimate of, the amount of or schedule for Annual Payments due from the Participants in any Fiscal Year shall relieve the Participants from (or defer) their absolute and unconditional obligation to make all Annual Payments in full when due.

Section 7.03 Source of Payment. (a) Each of the Participants represents and covenants that all payments to be made by them under this Agreement shall constitute reasonable and necessary "operating expenses" (as defined in Section 572.061(c), Local Government Code) of the Participants' Systems, but only to the extent of each Participant's Proportionate Share of the Annual Payment, **and the Participants shall not be obligated to make any payments under this Agreement from any source other than the gross revenues of the Participants' Systems.** Each of the Participants further represents that the governing bodies of the Participants have determined that the services to be provided by the System are absolutely necessary and essential to provide the water to the Water Participants and, with respect to the Wastewater Participants to treat the wastewater of the Wastewater Participants, contemplated by this Agreement.

(b) Each of the Participants agrees throughout the term of this Agreement to (i) implement such rates and charges for services to be supplied by such Participant's System as shall be set by the PUA as will produce gross revenues at all times during the term of this Agreement in an amount at least equal to all of the expenses of operation and maintenance of such Participant's System, including specifically its payments under this Agreement and (ii) fix and collect such rates and charges for services to be supplied by such Participant's System all other amounts as required by law and the provisions of the ordinances or resolutions authorizing the Participant's Utility Bonds, if any, or other obligations now or hereafter outstanding payable, in whole or in part, from the net revenues of such Participant's System, including the amounts required to pay all principal of and interest on such Participants Utility Bonds, if any, and other obligations. Each of the Participants further agrees throughout the term of this Agreement to fix

and collect such rates and charges for services to be supplied by such Participant's System sufficient to satisfy clause (i) above if the PUA shall for any reason fail to do so.

(c) No ad valorem tax revenues of any of the Participants shall be pledged to the payment of any amounts to be paid by the Participants to the PUA under this Agreement, nor shall the PUA have the right to demand payment of any amounts to be paid by the Participants under this Agreement be paid from funds raised or to be raised from ad valorem taxation from the Participants and the obligations under this Agreement shall never be construed to be a debt or pecuniary obligation of the Participants of such kind as to require the Participants to levy and collect an ad valorem tax to discharge their obligations.

Section 7.04 Installment Payments. Each Participant hereby acknowledges and agrees that the Annual Payments due hereunder initially include the Installment Payments owed by the PUA to the LCRA pursuant to the Purchase Contract. Each Participant further acknowledges and agrees that upon issuance of each series of Bonds hereunder and application of the proceeds thereof by the PUA to payment of Installment Payments under the Purchase Contract, (i) the amount of the Annual Payments owed by the Participants hereunder will be reduced by the amount of the Installment Payments funded by such series of Bonds, and (ii) the amount of the Annual Payments owed by the Participants hereunder will be increased by the amount of the Bond Payment related to such series of Bonds.

Section 7.05 Annual Budgeting by the Participants. The Participants shall make provision in each of their annual budgets and shall appropriate an amount sufficient, at a minimum, for the payment of all amounts required to be paid by the Participants under this Agreement.

Section 7.06 Revenue Sources Pledged. Each of the Participants hereby pledges the gross revenues of such Participant's System to the payment of its obligations under this Agreement and recognizes that the PUA will, and authorizes the PUA to, pledge the Annual Payments owing to it by the Participants under this Agreement to the payment of the Installment Payments and the Bonds. The PUA agrees to make the payments for the Installment Payments and Bonds when and as required by the Purchase Contract, the Bond Resolution and this Agreement, from Annual Payments made by the Participants. The PUA and the Participants hereby agree and acknowledge that, pursuant to and in accordance with the PUA Act, the Installment Payments payable to LCRA pursuant to the Purchase Contract constitute an operating and maintenance expense of the PUA and a first lien on the revenues of the PUA, payable prior to payment of principal of and interest on the Bonds.

Section 7.07 General Covenants. Each Participant further represents, covenants and agrees that in accordance with and to the extent permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in each ordinance or resolution authorizing the issuance of its Participants Utility Bonds, if any; and it will, at the time and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the fund and accounts created by said ordinances or resolutions, but only

from and to the extent of the sources of funds and after satisfaction of all prior obligations described therein.

(b) Legal Formation and Existence. It is duly created and existing under the laws of the State and is duly authorized under the laws of the State to enter into this Agreement; that all action on its part for the execution and delivery of this Agreement has been duly and effectively taken; and that this Agreement is a valid and enforceable special obligation of the Participants in accordance with its terms.

(c) Title. It has or will obtain lawful title, whether such title is in fee or lesser interest, to the lands, buildings, structures, and facilities constituting such Participant's System; it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof against the claims and demands of all persons whomsoever, and it is lawfully qualified to pledge the gross revenues of such Participant's System to the payment of the payments required by this Agreement in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon such Participant's System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the lien granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the lien hereof might or could be impaired; provided however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by such Participant.

(e) Books, Records, and Accounts. The PUA shall keep proper books, records, and accounts separate and apart from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to each Participant's System, and shall cause said books and accounts to be audited annually as of the close of each Fiscal Year by the Accountant. Such annual audit report shall be open to the inspection of the Trustee, if any, and the owners of the Bonds at all reasonable times. At the request of a Participant, the PUA shall allow such Participant to audit such books, records, and accounts at any reasonable time and from time to time.

(f) Insurance.

(1) Except as otherwise permitted in clause (2) below, it shall cause to be insured such parts of the Participant's System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent

insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance shall also be carried unless counsel to the Participant gives a written opinion to the effect that the Participant is not liable for claims which would be protected by such insurance. At any time while any contractor engaged in construction work shall be fully responsible therefor, the Participants shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the PUA at all reasonable times.

(2) In lieu of obtaining policies for insurance as provided above, the Participants may self-insure against risks, accidents, claims, or casualties described in clause (1) above.

(3) The annual audit hereinafter required shall contain a section commenting on whether or not the Participant has complied with the requirements of this Section with respect to the maintenance of insurance, and listing the areas of insurance for which the Participant is self-insuring, all policies carried, and whether or not all insurance premiums upon the insurance policies to which reference is hereinbefore made have been paid.

(g) Governmental Agencies. It will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to such Participant's System, and which have been obtained from any governmental agency; and each Participant has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of such Participant's System.

(h) No Competition. To the extent permitted by law, it will not grant any franchise or permit for the acquisition, construction, or operation of any competing facilities which might be used as a substitute for such Participant's System's facilities, and, to the extent permitted by law, each Participant will prohibit any such competing facilities.

(i) Rights of Inspection. The PUA, the Trustee, and the owners of 10% or more in principal amount of the Bonds of any series shall have the right at all reasonable times to inspect each Participant's System and all records, accounts, and data of the Participant relating thereto, and upon request each Participant shall furnish to the PUA, the Trustee, and such owners of Bonds such financial statements, reports, and other information relating to the Participant and such Participant's System as any such person may from time to time reasonably request.

(j) Sale, Lease, or Disposal of Property by the Participants. No part of the Participant's System shall be sold, leased, mortgaged, demolished, removed, or otherwise disposed of, except as follows:

(1) To the extent permitted by law, a Participant may sell or exchange at any time and from time to time any property or facilities constituting such Participant's System only if (i) it shall determine such property or facilities are not useful in the operation of such Participant's System, or (ii) the proceeds of such are \$250,000 or less, or it shall have received a certificate executed by the Authorized Representative stating, in their opinion, that the fair market value of the property or facilities exchanged is \$250,000 or less, or (iii) if such proceeds or fair market value exceeds \$250,000 it shall have received a certificate executed by the Authorized Representative stating in their opinion, that the sale or exchange of such property or facilities will not impair the ability of such Participant to comply during the current or any future year with the provisions of this Agreement. The proceeds of any such sale or exchange not used to acquire other property necessary or desirable for the safe or efficient operation of such Participant's System shall forthwith, at the option of such Participant, be used as provided in the ordinances or resolutions its Participants Utility Bonds, if any.

(2) To the extent permitted by law, a Participant may lease or make arrangements for the use of, or grant easements or other rights with respect to, any part of its portion of the Participant's System, provided that any such arrangement, easement or right (i) does not impede the operation by the PUA of the System and (ii) does not in any manner impair or adversely affect the rights or security of the PUA under this Agreement; and provided, further, that if the depreciated cost of the property to be covered by any such arrangement, easement, or other right is in excess of \$500,000, the PUA shall have received a certificate executed by the Authorized Representative that the action of the Participant with respect thereto does not result in a breach of the conditions under this subsection (2). Any payments received by a Participant under or in connection with any such arrangement, easement or right in respect of the Participant's System or any part thereof shall constitute gross revenues of the Participant's System.

ARTICLE VIII

CONTINUING DISCLOSURE

Section 8.01 Annual Reports. Following the issuance of Bonds of any series, the offer or sale of which is not exempt from the Rule and, until the Participants are no longer obligated, contingently or otherwise, to make Annual Payments in respect of the Bonds of such series, the Participants undertake to and shall provide annually to the MSRB, within six months after the end of each Fiscal Year, (1) financial information and operating data of the general type included in the Sale and Offering Documents for the Bonds of such series, and (2) audited general purpose financial statements of the Participants, if then available. Any financial statements so to be

provided shall be (1) prepared in accordance with generally accepted accounting principles for governmental agencies or such other accounting principles as the Participants may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the Participants commission an audit of such statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within such period, then the Participants shall provide unaudited financial statements within the required period, and shall provide audited financial statements for the applicable Fiscal Year to the MSRB, when and if the audit report on such statements become available.

If the Participants change their Fiscal Year, they will notify the Trustee and the MSRB in writing of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Participants otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be incorporated by specific reference to any document or specific part thereby (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC. Copies of such information and operating data shall be furnished to the PUA at the same time the information and data are furnished to the MSRB.

Section 8.02 Certain Event Notices.

(a) The following are events which the PUA must agree to disclose in a timely manner (not to exceed ten (10) business days) pursuant to the Rule:

- (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 holders 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 PUA or a Participant;
- (13) The consummation of a merger, consolidation, or acquisition involving the PUA or a Participant or the sale of all or substantially all of the assets of the PUA or a Participant other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional Trustee or the change of name of Trustee, if material.

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

(c) The Participants shall, promptly after obtaining actual knowledge of the occurrence of any of the events enumerated in (a) above, notify the PUA of such event and provide all information in the format required to satisfy the requirements of the Rule. Further, the Participants shall provide, in a timely manner (not to exceed ten (10) business days), notice of any failure by the Participants to provide audited financial statements, financial information, and operating data in accordance with Section 8.01 hereof to the MSRB.

Section 8.03 Limitations, Disclaimers, and Amendments. The Participants shall be obligated to observe and perform the covenants specified in this Article in respect of the Bonds of any series for so long as, but only for so long as, the Participant remains an “obligated person” with respect to the Bonds of such series within the meaning of the Rule, except that the

Participants in any event will give notice of any deposit made in accordance with the Bond Resolution that causes Bonds of such series no longer to be outstanding.

The provisions of this Article are for the sole benefit of (and may be enforced by) the owners and beneficial owners of the Bonds, and nothing in this Article, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Participants undertake to provide only the financial information, operating data, financial statements, and notices which they have expressly agreed to provide pursuant to this Article and do not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the Participants' financial results, condition, or prospects or hereby undertake to update any information provided in accordance with this Article or otherwise, except as expressly provided herein. The Participants make no representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PARTICIPANTS BE LIABLE TO THE OWNER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PARTICIPANTS WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Participants in observing or performing its obligations under this Article shall comprise a breach of or default under this Agreement for purposes of any other provision of this Agreement.

Nothing in this Article is intended or shall act to disclaim, waive, or otherwise limit the duties of the PUA or the Participants under federal and state securities laws.

The provisions of this Article may be amended by the PUA and the Participants 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 PUA or the Participants, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds of the applicable series in the primary offering of the Bonds of such series in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Agreement that authorizes such an amendment) of the outstanding Bonds of each such series affected consent to such amendment or (b) an entity that is unaffiliated with the PUA or the Participants (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the owners and beneficial owners of the Bonds of such series and is permitted by the terms of the Article. If the PUA and the Participants so amend the provisions of this Article in connection with the financial or operating data which the Participants are required to disclose under Section 8.01 hereof, the Participants

shall provide a notice of such amendment to be filed in accordance with Section 8.02(b) hereof, together with an explanation, in narrative form, of the reason for the amendment and the impact of any change in the type of financial information or operating data to be so provided. The PUA and the Participants may also amend or repeal the provisions of this Article 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 from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

ARTICLE IX

COMPLIANCE WITH FEDERAL, STATE AND LOCAL LAWS

Section 9.01 Compliance with Federal, State and Local Laws. In addition to the provisions of Section 10.08 hereof, this Agreement is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders and regulations of any local, state or federal government authority having or asserting jurisdiction. This Agreement is specifically subject to the rules of the TCEQ and the PUA shall have the right to terminate this Agreement upon the Participants' noncompliance with the rules promulgated by the TCEQ. Pursuant to those rules the parties will comply with Section 9.02.

Section 9.02 Recordkeeping and Reporting. The Participants and the PUA shall maintain records on site for a period of five (5) years. Records to be maintained by the PUA include: (i) copies of notifications made to the TCEQ concerning water projects; (ii) as applicable, copies of contracts made with each Water Participant; (iii) records of volume of water delivered to each Water Participant per delivery; (iv) water quality analyses.

The foregoing requirements of this Article IX shall be amended as necessary to comply with the rules of the TCEQ.

All costs of compliance with the rules of the TCEQ shall be paid by the PUA, but such costs shall be considered an Operation and Maintenance Expense.

ARTICLE X

GENERAL PROVISIONS

Section 10.01 Participation by the Parties. The PUA and each of the Participants each represents to the others that it is empowered by law to participate in the acquisition and financing of the System, and to execute this Agreement and other agreements and documents as are or may hereafter be required to accomplish the same; and that its participation in the System and execution of this Agreement have been duly authorized by action of its governing body at a meeting conducted in accordance with the Texas Open Meetings Act, as amended, Chapter 551, Texas Government Code. The PUA and each of the Participants agree to furnish to the other such documentation or evidence of its authority to so participate and execute the contracts and other agreements as the other party may reasonably request, and to take and perform such other

and further actions and execute such other agreements and documents as may be reasonably required to carry out the provisions of this Agreement.

Section 10.02 Insurance. (a) The PUA agrees to carry public liability insurance on the System for purposes and in amounts which ordinarily would be carried by a privately owned utility company owning and operating such facilities, except that the PUA shall not be required to carry liability insurance except to insure itself against risk of loss due to claims for which it can, in the opinion of the PUA's legal counsel, be potentially liable considering relevant governmental immunities of the Participants and the PUA. The PUA shall also carry property casualty insurance in the amount of the replacement value of all improvements and personal property connected with the System (less a deductible comparable to the deductible on the Participants' property insurance for Participants property generally).

All premiums for such insurance shall constitute an Operation and Maintenance Expense of the System. In the event the PUA is required to pay a deductible with respect to a claim under any such policy, the amount of such deductible shall constitute an Operation and Maintenance Expense.

(b) The PUA shall require any contractor or contractors employed for construction of the System to carry insurance coverages throughout the construction period in at least the following amounts: (1) workers' compensation: State law limits; (2) general liability (including contractual liability) and automobile liability: one hundred thousand dollars (\$100,000) per person and per occurrence for bodily injury and one hundred thousand dollars (\$100,000) for property damage; (3) builder's risk: full replacement value of improvements; (4) performance and payment bond: full value of contract; (5) cost overrun insurance; and (6) timely completion insurance. The Participants shall be furnished with a certified copy of such effective policy of insurance prior to commencement of construction. Such insurance policies shall name the PUA and the Participants as additional insureds, and the PUA shall be provided with a certificate of insurance showing the required coverages and providing that the policies may not be canceled, changed, or not renewed until the PUA has been given thirty (30) days prior written notice of such event.

(c) The insurance required by this section may be modified by written agreement of the Participants and the PUA, in accordance with good business practice. The parties can agree to substitute an owner controlled insurance program for any of the above specified insurance requirements.

Section 10.03 Force Majeure. If by reason of Force Majeure any party hereto shall be rendered unable wholly or in part to carry out its obligations under this Agreement, other than the obligation of the Participants to make the payments required under Sections 4.03 and 4.04 of this Agreement, then if such party shall give notice and full particulars of such Force Majeure in writing to the other party within a reasonable time after the occurrence of the event or cause relied on, the obligation of the party giving such notice, so far as it is affected by such Force Majeure, shall be suspended during the continuance of the inability then claimed, but for no longer period, and any such party shall endeavor to remove or overcome such inability with all reasonable dispatch. The term "Force Majeure" as employed herein shall mean acts of God,

strikes, lockouts or other industrial disturbances, acts of public enemy, orders of any kind of the Government of the United States or the State of Texas, or any civil or military authority, insurrection, riots, epidemics, landslides, lightning, earthquake, fires, hurricanes, blue northerns, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply, inability on the part of the PUA to deliver water for any reason, or on account of any other causes not reasonably within the control of the party claiming such inability.

Section 10.04 Unconditional Obligation to Make Payment. Recognizing the fact that the Participants urgently require the facilities and services of the System, and that such facilities and services are essential and necessary for actual use and for standby purposes, and recognizing the fact that the Annual Payments to be received from each of the Participants will be the sole source of funds available to the PUA and the Trustee to pay the Bonds, and recognizing the fact that purchasers of Bonds will rely on the obligation of the Participants to make Annual Payments in accordance with the provisions of this Agreement, each of the Participants hereby waives all rights of set-off, recoupment, counterclaim, suspension, deferment, reduction, and amendment, with respect to making the Annual Payments against the PUA, the Trustee, and any other direct or indirect recipients of Annual Payments, and the Participants agree that, if the Bonds are issued, they shall be unconditionally obligated to pay the Annual Payments as provided and determined by this Agreement, regardless of whether or not the PUA actually acquires, the System or breaches any obligation on its part hereunder, and whether or not the Participants actually use the System, whether due to Force Majeure or any other reason whatsoever, regardless of any other provisions of this Agreement, any other contract or agreement between any of the parties hereto. This covenant by each of the Participants shall be for the benefit of and enforceable by the owners of the Bonds, the Trustee and/or the PUA.

By entering into this Agreement and performing its obligations under any Section of this Agreement, the Participants do not release any persons from or waive any claims against such persons that the Participants may have resulting from actions by such persons contrary to that person's legal obligations.

Section 10.05 Term of Contract. This Agreement shall be effective from and after its date, and shall continue in full force and effect until the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution (by legal defeasance or otherwise). When the principal of and interest on all Bonds shall have been paid or provision for the payment of all of the Bonds has been made in accordance with the terms of the Bond Resolution (by legal defeasance or otherwise) and all amounts owed to the PUA, the Trustee, or any other person hereunder have been paid, all money held by the Trustee or the PUA pursuant to the terms of the Bond Resolution shall be paid to the PUA.

Section 10.06 Modification. No change, amendment, or modification of this Agreement shall be made or be effective which will affect adversely the prompt payment when due of all money required to be paid by the Participants under the terms of this Agreement and no such

change, amendment, or modification shall be made or be effective which would cause a violation of any provisions of any Bond Resolution.

Section 10.07 Addresses and Notice. Unless otherwise provided herein, any notice, communication, request, reply, or advice (herein severally and collectively, for convenience, called “Notice”) herein provided or permitted to be given, made, or accepted by any party to the other parties must be in writing and may be given or be served by depositing the same in the United States mail postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same to an officer of such party, or by prepaid telegram when appropriate, addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be conclusively deemed to be effective, unless otherwise stated herein, from and after the expiration of three days after it is so deposited. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

- If to the PUA: West Travis County Public Utility Agency
12215 Bee Cave Road
Bee Cave, TX 78738
Attn: General Manager

- With a copy to: Lauren Kalisek
Lloyd Gosselink Rochelle & Townsend, P.C.
816 Congress Ave Suite 1900
Austin, Texas 78701

- If to the County: Judge Bert Cobb, M.D. (or successor)
Hays County Judge
111 E. San Antonio St., Suite 300
San Marcos, TX 78666

- with copy to: Mark Kennedy (or successor)
A.D.A. - Chief - Civil Division
712 S. Stagecoach Trail, Suite 2057
San Marcos, TX 78666

- If to the City: Frank Salvato, City Administrator
4000 Galleria Parkway
Bee Cave, Texas 78738

- If to MUD 5: President, Board of Directors
West Travis County Municipal Utility District No. 5
P.O. Box 150068
Austin, Texas 78715

The PUA and the Participants hereto shall have the right from time to time and at any time to change their respective addresses and each shall have the right to specify as its address any other address by at least fifteen (15) days' written notice to the other parties.

Section 10.08 State or Federal Laws, Rules, Orders, or Regulations. This Agreement is subject to all applicable federal and State laws and any applicable permits, ordinances, rules, orders, and regulations of any local, state, or federal governmental authority having or asserting jurisdiction but nothing contained herein shall be construed as a waiver of any right to question or contest any such law, ordinance, order, rule, or regulation in any forum having jurisdiction and the Participants and the PUA represent that, to the best of their knowledge, no provisions of any applicable federal or State law, nor any permit, ordinance, rule, order, or regulation of either party will limit or restrict the ability of either party to carry out their respective obligations under or contemplated by this Agreement.

Section 10.09 Severability. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses, or words of this Agreement or the application of such sections, subsections, provisions, clauses, or words to any situation or circumstance should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality, or contravention shall not affect any other sections, subsections, provisions, clauses, or words of this Agreement or the application of such actions, subsections, provisions, clauses, or words to any other situation or circumstance, and it is intended that this Agreement shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provision, clause, or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

Section 10.10 Remedies Upon Default. It is not intended hereby to specify (and this Agreement shall not be considered as specifying) an exclusive remedy for any default, but all such other remedies (other than termination) existing at law or in equity may be availed of by any party hereto and shall be cumulative. Recognizing that failure in the performance of the Participants' obligations hereunder could not be adequately compensated in money damages alone, each of the Participants agrees in the event of any default on its part that the PUA and the owners of the Bonds as third-party beneficiaries shall have available to them the remedies of mandamus and specific performance in addition to any other legal or equitable remedies (other than termination) which may also be available to them. Notwithstanding anything to the contrary contained in this Agreement, any right or remedy or any default hereunder, except the right of the PUA to receive the Annual Payments and the provisions of Section 2.11 hereof, which shall never be determined to be waived, shall be deemed to be conclusively waived unless asserted by a proper proceeding at law or in equity within two (2) years plus one (1) day after the occurrence of such default. No waiver or waivers of any breach or default (or any breaches or defaults) by any party hereto or of the performance by any other party of any duty or obligation hereunder shall be deemed a waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver of subsequent breaches or defaults of any kind, character or description, under any circumstances.

Section 10.11 Venue. All amounts due under this Agreement, including, but not limited to, payments due under this Agreement or damages for the breach of this Agreement, shall be paid and be due in Travis County, Texas, which is the County in which the principal administrative offices of the PUA are located. It is specifically agreed among the parties to this Agreement that Travis County, Texas, is the place of performance of this Agreement; and in the event that any legal proceeding is brought to enforce this Agreement or any provision hereof, the same shall be brought in Travis County, Texas.

Section 10.12 Statutory Authority. In entering into this Agreement and performing all duties and obligations hereunder, the Participants and the PUA exercise their authority under and in accordance with the State Constitution and laws including, but not limited to, the PUA Act, Chapters 552 and 562, Local Government Code; Chapters 791 and 1502, Texas Government Code, as amended, and all other laws which may authorize this Agreement, all of which provisions and laws, cited or not cited herein, shall cumulatively provide the authority for this Agreement.

Section 10.13 Indemnification. FOR SO LONG AS THE BONDS ARE OUTSTANDING AND UNPAID, AND ALSO WITH RESPECT TO ANY CLAIM THAT MAY ARISE OUT OF THE OFFER AND SALE OF THE BONDS OF ANY SERIES OR THE ALLEGED MISSTATEMENT OR OMISSION OF A MATERIAL FACT IN OR FROM ANY SALE AND OFFERING DOCUMENT RELATING TO ANY PARTICIPANT USED IN CONNECTION THEREWITH, TO THE EXTENT PERMITTED BY LAW, EACH PARTICIPANT AGREES TO INDEMNIFY AND SAVE AND HOLD HARMLESS THE PUA, AND THE OTHER PARTICIPANTS, ITS OFFICERS, DIRECTORS, AGENTS, FINANCIAL ADVISORS, ATTORNEYS, AND EMPLOYEES, AND THE UNDERWRITERS OF ANY SUCH OFFERING AND THEIR DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS, AND ALL PERSONS WHO CONTROL THE SAME WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS, FROM AND AGAINST ALL CLAIMS THAT MAY ARISE AS A RESULT OF ANY UNDERTAKING, ACT, OR OMISSION, WHETHER NEGLIGENT OR NOT, WHICH IS DONE OR OMITTED TO BE DONE BY THE PARTICIPANTS OR ANY OF THEIR OFFICERS, COUNCILMEN, AGENTS, ATTORNEYS, AND EMPLOYEES, RELATING TO THE SYSTEM OR PROVIDING INFORMATION FOR INCLUSION IN THE SALE AND OFFERING DOCUMENTS. IF ANY SUCH CLAIM IS BROUGHT AGAINST ANY SUCH INDEMNIFIED PERSON, THE PARTICIPANTS SHALL PAY ALL COSTS INCURRED BY SUCH PERSON IN DEFENDING AND (SUBJECT TO APPLICABLE RULES OF ATTORNEY CONDUCT) MAY CONTROL THE DEFENSE OF SUCH CLAIM.

Section 10.14 Agreement not for Benefit of Third Parties. This Agreement is made for the exclusive benefit of the Participants, the PUA, the Trustee, the owners of the Bonds, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, and their respective successors and assigns herein permitted, and not for any third party or parties other than the PUA (including its officers, directors, employees, agents, and attorneys), the Trustee, the owners of the Bonds, the Participants, the underwriters of any offering of and remarketing agent and tender agent, if any, for any Bonds, the other persons indemnified by

Section 10.13 hereof, and their respective successors and assigns herein permitted, any rights or remedies under or by reason of this Agreement.

Section 10.15 Succession and Assignment. This Agreement is binding on and inures to the benefit of the parties hereto and their respective successors, representatives, and assigns. This Agreement may not be assigned by either party hereto without (i) complying with any provisions relating to the right of the parties to assign this Agreement contained in the Bond Resolution and (ii) prior written notice to and approval by the other parties, which consent may be withheld without cause. The provisions of this Section do not affect the assignment of the PUA's rights under this Agreement to the Trustee pursuant to the Bond Resolution.

Section 10.16 Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Agreement for all purposes and are adopted as a part of the judgment and findings of the PUA and the Participants.

Section 10.17 PUA as Independent Contractor. As among the parties, the PUA shall be solely responsible for the operation of the System to produce, withdraw, divert, obtain, treat, and transport water to the Water Participants and to collect, transport, treat and dispose of sewage received from the Wastewater Participants pursuant to this Agreement (except to the extent the PUA and the Participants enter into agreements for the Participants to operate parts of the System); and the PUA shall be an independent contractor of the Participants in the operation of the System.

Section 10.18 Financing Statement. Each of the Participants agrees at the request of the PUA they shall execute a financing statement in a form satisfactory to the PUA and meeting the requirements of the Texas Uniform Commercial Code to perfect any security interest created hereby. The Participants further agree to execute such continuation statements or other documents as may be necessary to maintain any such security interest.

Section 10.19 Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the matters described herein.

Section 10.20 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State, and the obligations, rights, and remedies of the parties hereunder shall be determined in accordance with such laws without reference to the laws of any other state or jurisdiction, except for applicable federal laws, rules, and regulations.

Section 10.21 Counterparts. This Contract may be executed in counterparts, each of which shall be an original and all of which together shall constitute but one and the same instrument.

Section 10.22 Additional Bonds. In addition to the Bonds issued to finance the payment of the Installment Payments, the PUA may issue additional bonds from time to time for the benefit of the System at the discretion of the Board.

Section 10.23 PUA Rules and Regulations. The Participants hereby acknowledge and agree that the PUA will adopt rules and regulations from time to time for the efficient operation of the System in accordance with Prudent Utility Practice. The Participants shall be bound by all such rules and regulations and shall participate with the PUA as necessary to enforce such rules and regulations.

[The remainder of this page is intentionally left blank.]

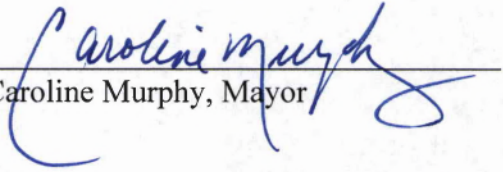
IN WITNESS WHEREOF, the parties hereto acting under authority of their respective governing bodies have caused this Agreement to be duly executed to be effective as of the Effective Date.

WEST TRAVIS COUNTY PUBLIC UTILITY
AGENCY

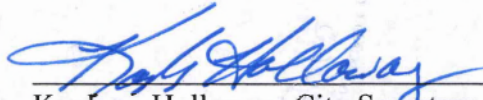
By: Larry Fox
Larry Fox, President
Board of Directors

Attest: Ray Whisenant
Ray Whisenant, Secretary
Board of Directors

CITY OF BEE CAVE, TEXAS

By: 
Caroline Murphy, Mayor

Attest:


Kaylynn Holloway, City Secretary



HAYS COUNTY, TEXAS

By: Bert Cobb
Bert Cobb, Hays County Judge

Attest:

Liz Q. Gonzalez
Liz Q. Gonzalez, Hays County Clerk

WEST TRAVIS COUNTY MUNICIPAL
UTILITY DISTRICT NO. 5

By: Larry Fox
Larry Fox, President
Board of Directors

Attest: [Signature]
Steve Leon, Secretary
Board of Directors

EXHIBIT A

DETERMINATION OF PROPORTIONATE SHARES OF ANNUAL PAYMENT

The PUA will budget the amount of the Annual Payment for each Fiscal Year. Each Participant's Proportionate Share of the Annual Payment shall be determined by multiplying such Participant's Proportionate Share by the budgeted Annual Payment.

Proportionate Share of Annual Payment

1. During the period commencing with the Operations Transfer Date and ending on the last day of the month during which audited financial statements for the Fiscal Year ending September 30, 2012 become available, each Participant's Proportionate Share of the Annual Payment shall be as follows:

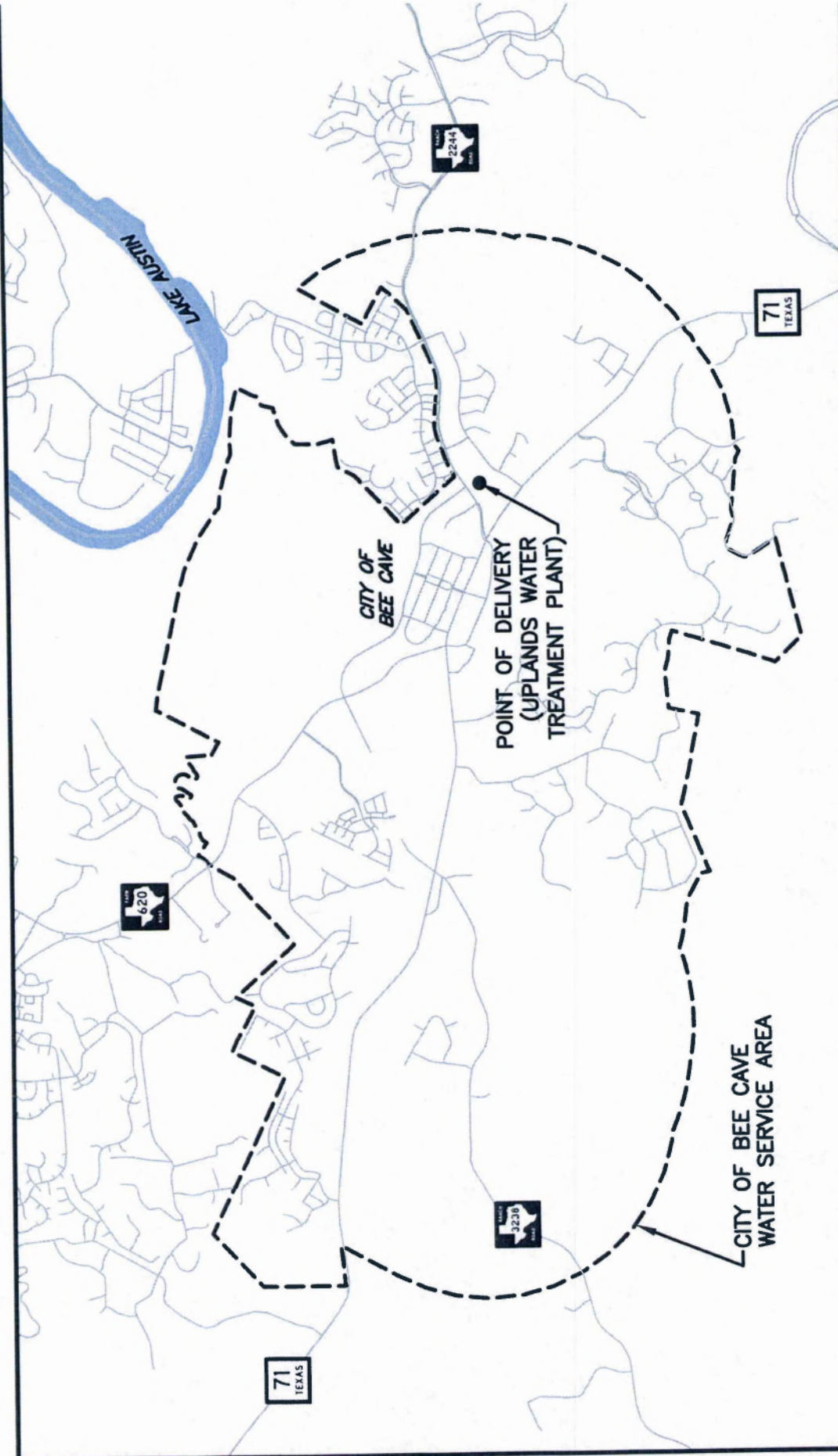
<u>Participant</u>	<u>Proportionate Share</u>
City of Bee Cave	27.3%
Hays County	35.1%
MUD 5	37.6%


2. Thereafter, each Participant's Proportionate Share of the Annual Payment shall be re-determined annually upon receipt of audited financial statements for the most recently completed Fiscal Year and shall be equal to each Participant's percentage of actual revenues of the System for the prior Fiscal Year, as follows:

$$\frac{\text{Actual Revenues collected on behalf of Participant for Prior Fiscal Year}}{\text{Actual Revenues collected on behalf of all Participants for Prior Fiscal Year}} = \text{Participant's Proportionate Share}$$

EXHIBIT B-1

**CITY OF BEE CAVE WATER DISTRIBUTION COMPONENTS
AND POINT OF DELIVERY**



	
Murree Engineering Company	
EXHIBIT B-1 CITY OF BEE CAVE WATER DISTRIBUTION COMPONENTS AND POINT OF DELIVERY	
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204	
Texas Registered Engineering Firm F-353	
FILE(LAYOUT): O:\1105\1EXH-81.dwg(B-1)	DATE: 2/12/2012
DRAWN: RV	

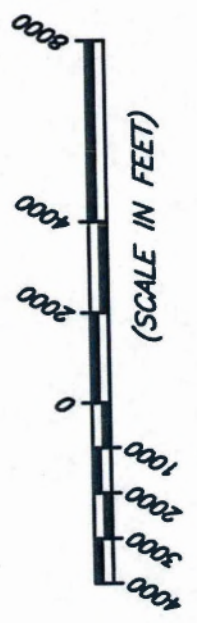
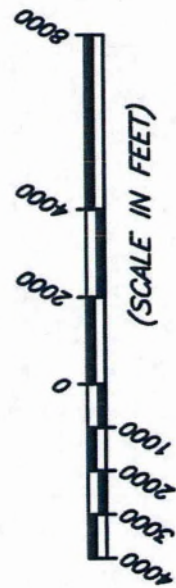
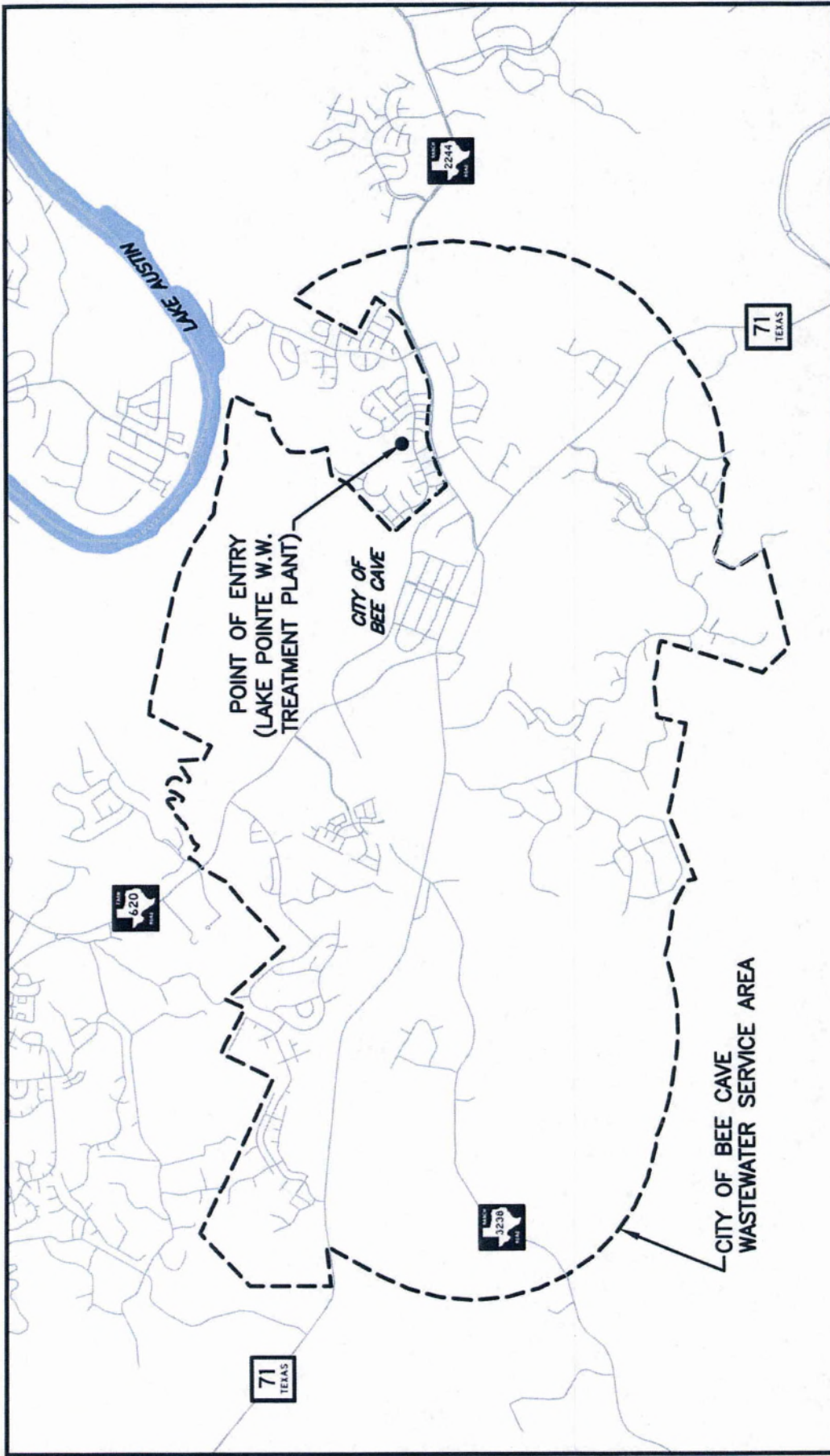


EXHIBIT B-2

**CITY OF BEE CAVE WASTEWATER COLLECTION COMPONENTS
AND POINT OF ENTRY**



Murfée Engineering Company

EXHIBIT B-2
CITY OF BEE CAVE WASTEWATER COLLECTION
COMPONENTS AND POINT OF ENTRY

1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204
 Texas Registered Engineering Firm F-353

FILE(LAYOUT): C:\11051\EXH-B1.dwg(B-2) DATE: 2/12/2012 DRAWN: RWH

EXHIBIT B-3

**WEST TRAVIS COUNTY MUD NO. 5 WATER DISTRIBUTION COMPONENTS
AND POINT OF DELIVERY**

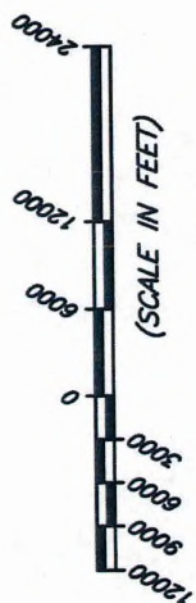
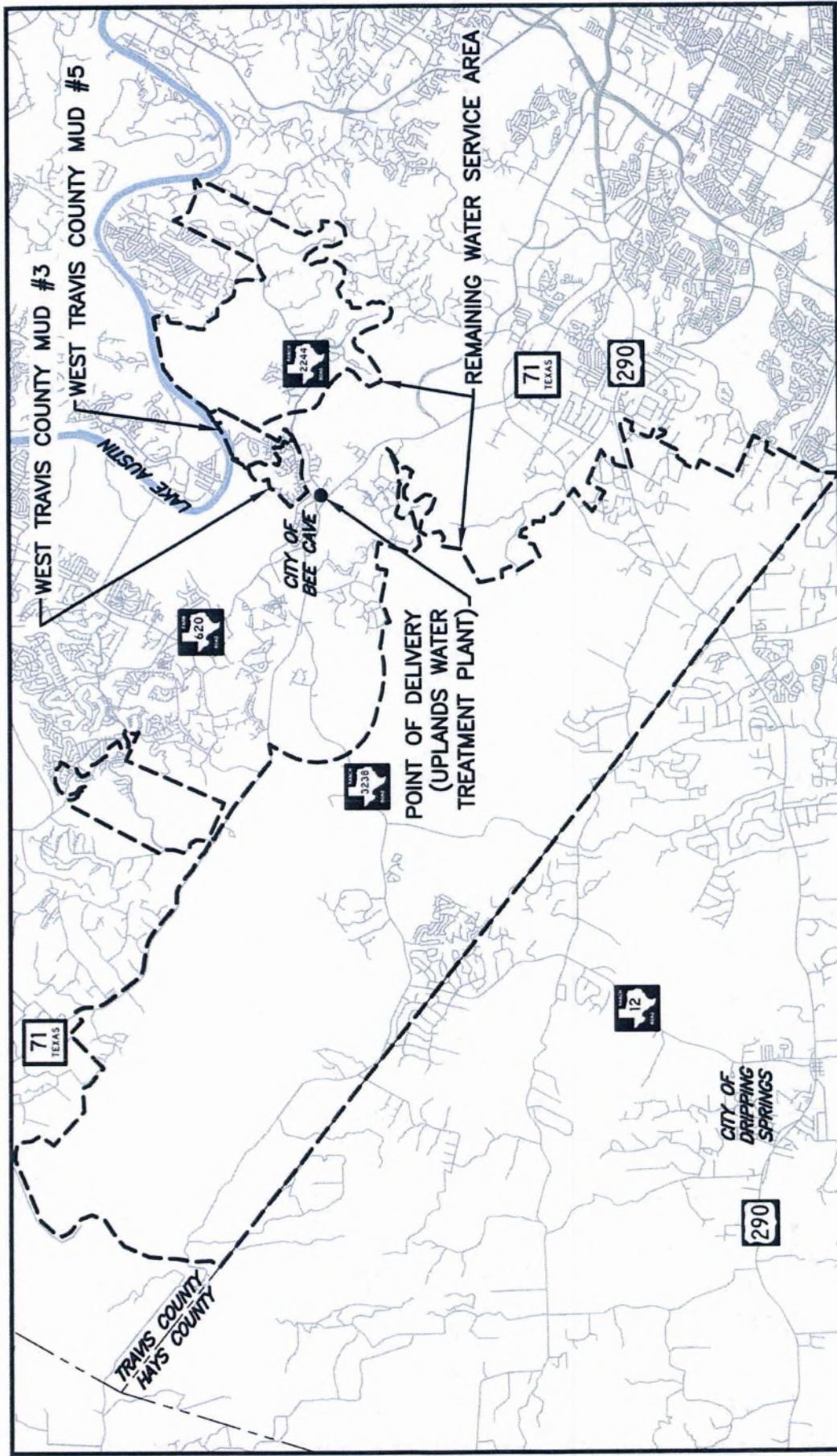


EXHIBIT B-3

WEST TRAVIS COUNTY MUD #5 WATER DISTRIBUTION COMPONENTS AND POINT OF DELIVERY

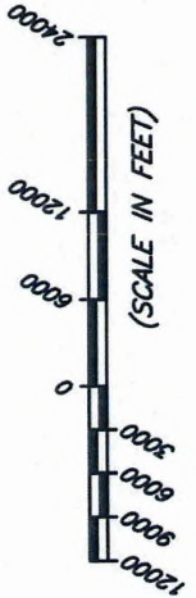
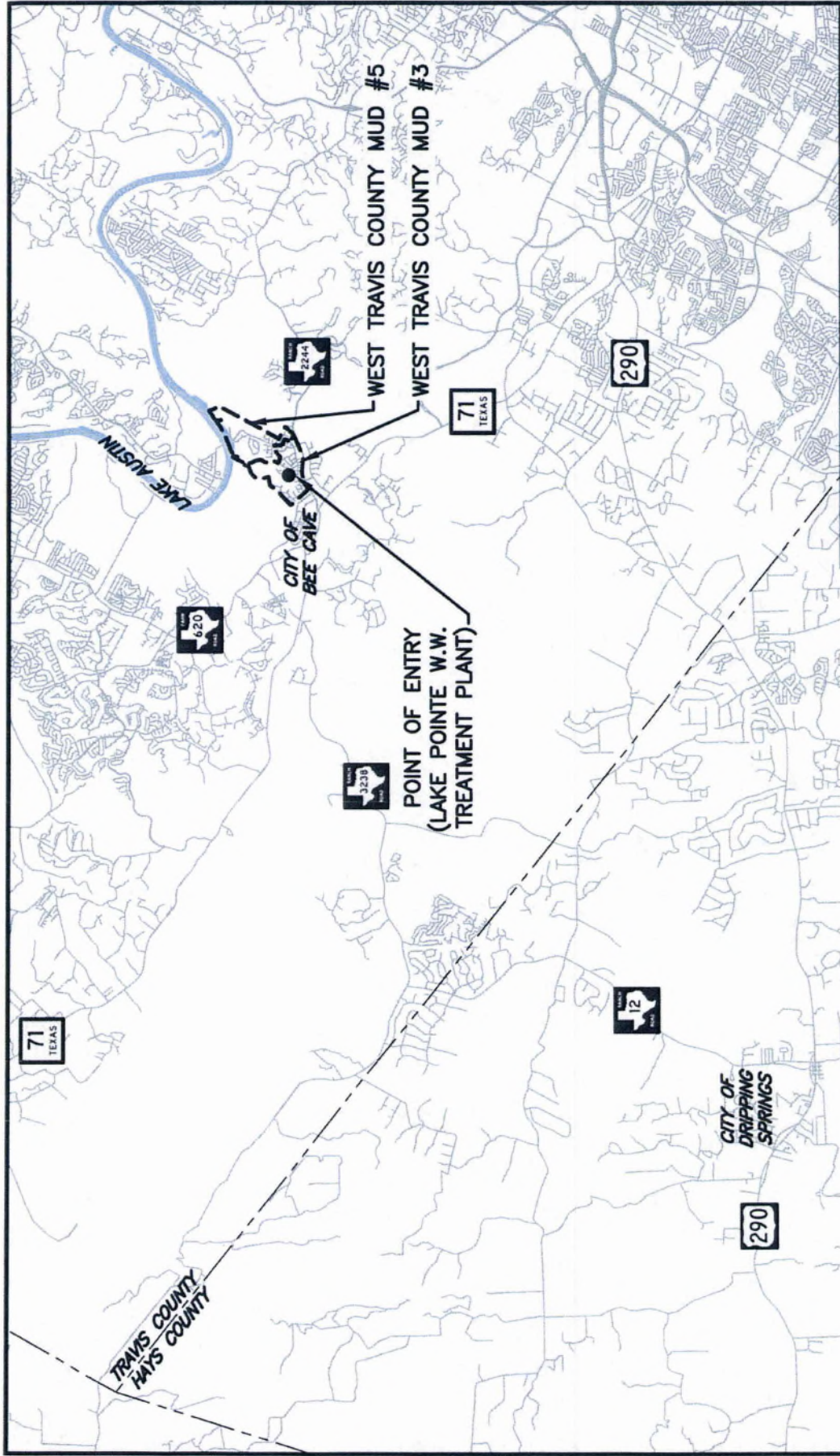
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204

Texas Registered Engineering Firm F-353

FILE/LAYOUT: 0:11051EXH-B3.dwg(B-3) DATE: 3/20/2012 DRAWN: RWH

EXHIBIT B-4

**WEST TRAVIS COUNTY MUD NO. 5 WASTEWATER COLLECTION
COMPONENTS AND POINT OF ENTRY**



Murfee Engineering Company

EXHIBIT B-4

WEST TRAVIS COUNTY MUD #5 WASTEWATER COLLECTION COMPONENTS AND POINT OF ENTRY

1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204

Texas Registered Engineering Firm F-353

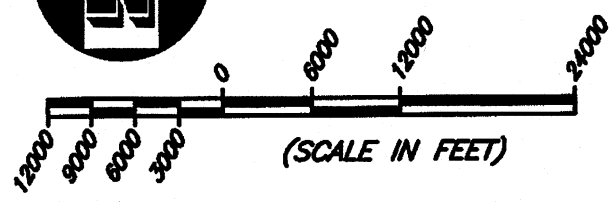
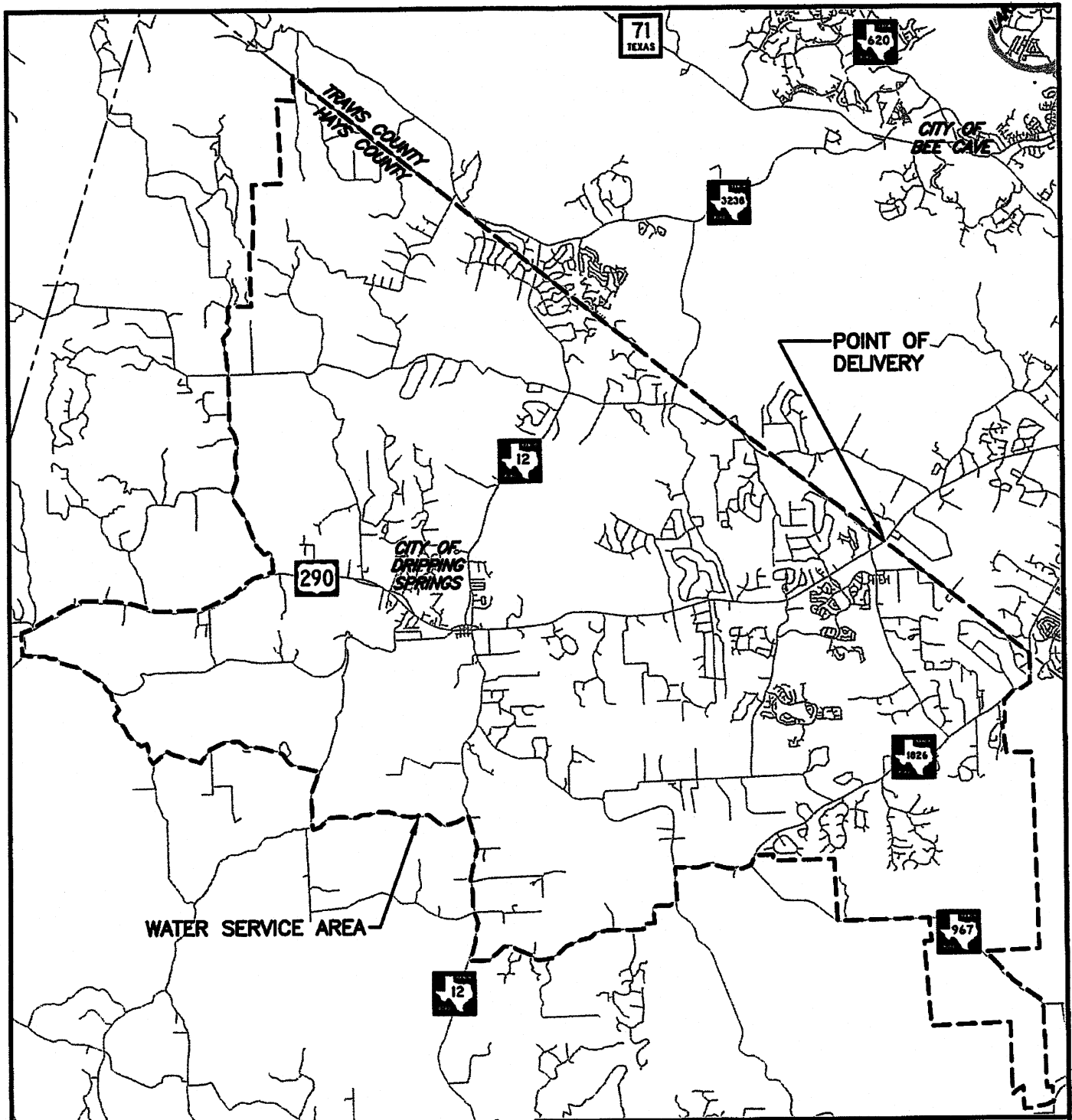
FILELAYOUT: 0:111051EXH-B3.dwg(B-4)

DATE: 2/12/2012

DRAWN: RWH

EXHIBIT B-5

**HAYS COUNTY WATER DISTRIBUTION COMPONENTS
AND POINT OF DELIVERY**




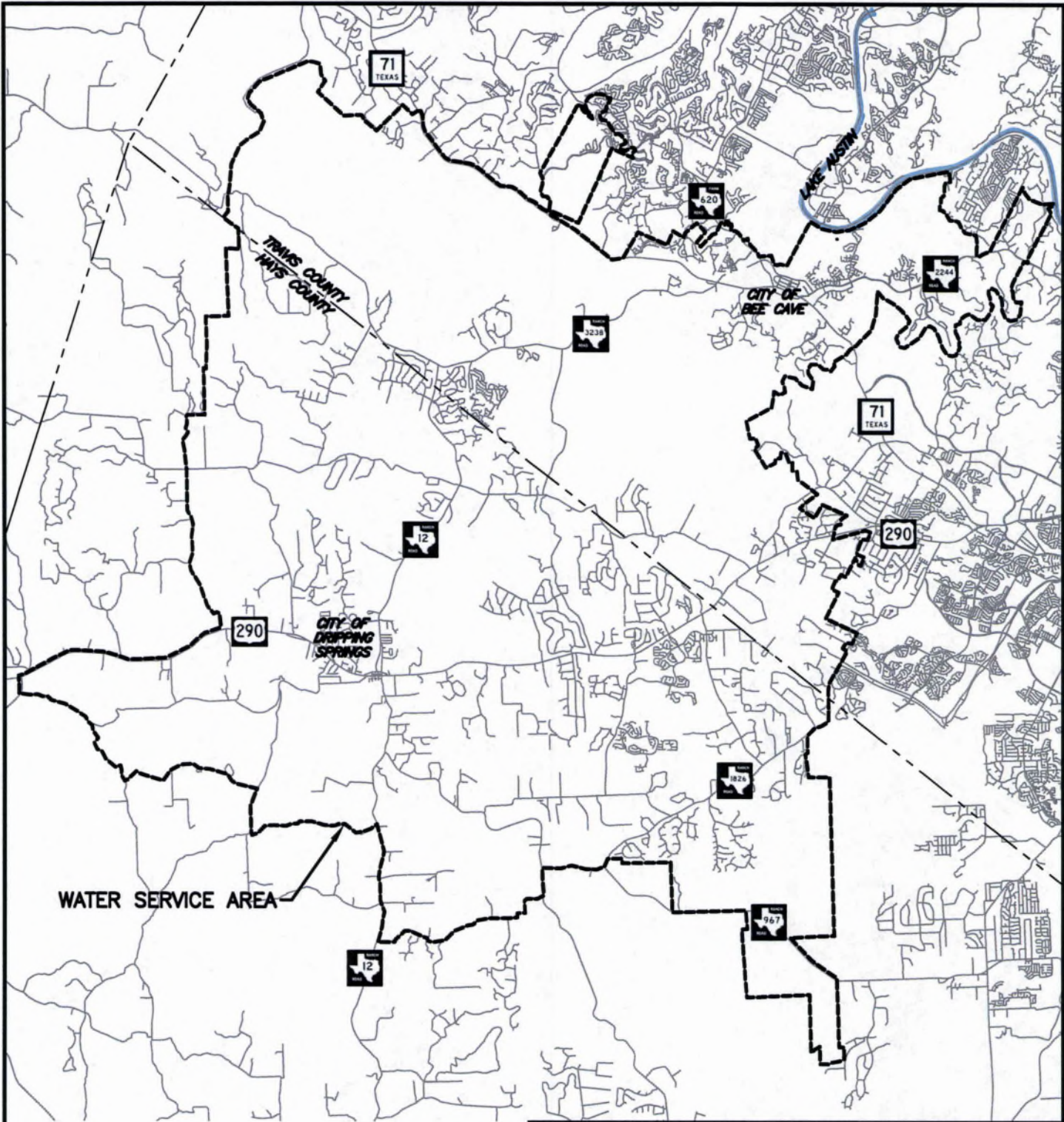
 Mural Engineering Company	
EXHIBIT B-5 HAYS COUNTY WATER DISTRIBUTION COMPONENTS AND POINT OF DELIVERY	
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204	
Texas Registered Engineering Firm F-353	
FILE[LAYOUT]: O:\1105\EXH-B5.dwg(B-5)	DATE: 2/15/2012 DRAWN: RWH

EXHIBIT C

PUA WATER SERVICE AREA



WATER SERVICE AREA

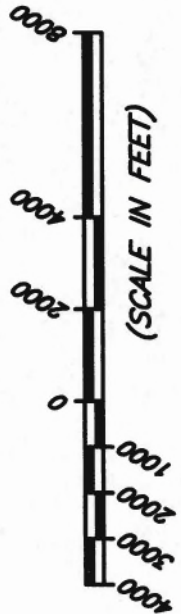
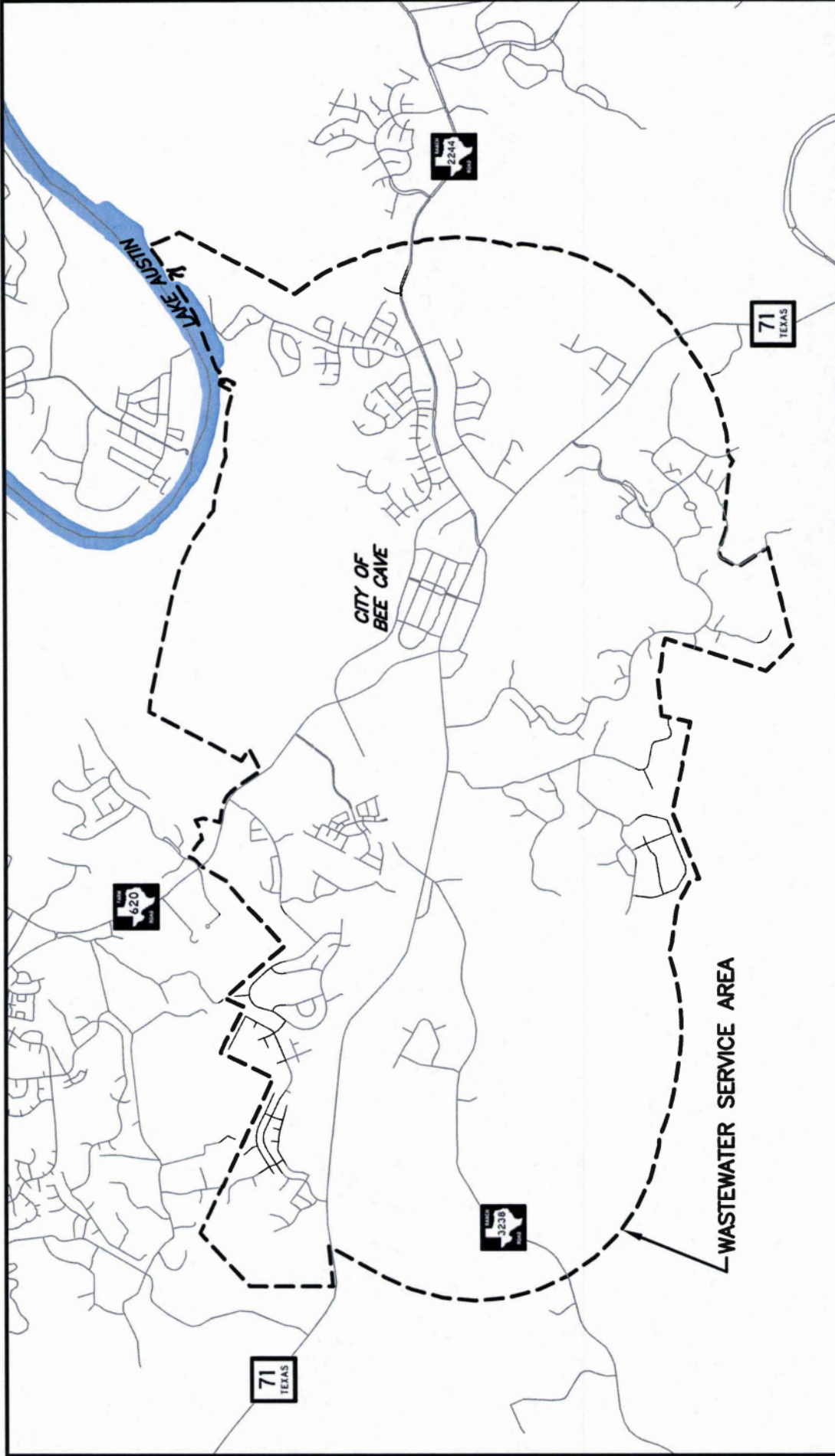


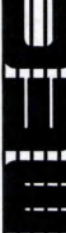
NOT TO SCALE

 Murfee Engineering Company		
<h2>EXHIBIT C</h2> <h3>P.U.A. WATER SERVICE AREA</h3>		
1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204		
Texas Registered Engineering Firm F-353		
FILE[LAYOUT]: O:\11051\PUA-WTR-SVC.dwg(WTR)	DATE: 2/28/2012	DRAWN: RWH

EXHIBIT D

PUA WASTEWATER SERVICE AREA



 Murfee Engineering Company	<h1>EXHIBIT D</h1> <h2>P.U.A. WASTEWATER SERVICE AREA</h2>	
	<p>1101 Capital of Texas Highway South, Building D, Suite 110, Austin, Texas 78746 (512) 327-9204</p> <p>Texas Registered Engineering Firm F-353</p>	
<p>FILE(LAYOUT): C:\11051\PUA-WW-SVC.dwg(WW)</p>		<p>DATE: 2/28/2012</p>
		<p>DRAWN: RWH</p>

**UTILITIES INSTALLMENT PURCHASE AGREEMENT
FIRST AMENDMENT**

THIS FIRST AMENDMENT (the “**Amendment**”) TO UTILITIES INSTALLMENT PURCHASE AGREEMENT (the “**Original Agreement**”) by and between the Lower Colorado River Authority, a conservation and reclamation district and political subdivision of the State of Texas (“**LCRA**”) and the West Travis County Public Utility Agency (“**Buyer**” or “**Obligor**”) (collectively referred to herein as the “**Parties**”) is made and entered into effective the 8th day of January, 2013 (the “**Amendment Effective Date**”).

RECITALS

- A. Prior to January 17, 2012, the LCRA owned the West Travis County water and wastewater utilities located within Travis and Hays counties and served by water and wastewater treatment facilities located within the vicinity of the City of Bee Cave, Texas (the “**Utilities**”).
- B. The LCRA Board determined that the Utilities are no longer necessary, convenient, or of beneficial use to the business of LCRA and initiated a bidding process to seek out buyers of the Utilities who could meet the criteria of: providing reliable, quality utility services; having the ability to invest capital for needed infrastructure; having a commitment to meeting state regulatory requirements; and having a willingness to compensate LCRA for its investment.
- C. Buyer has met these criteria, LCRA agreed to sell the Assets to Buyer, and Buyer agreed to purchase the Assets from LCRA, under the terms and conditions more particularly provided in the Original Agreement, executed on January 17, 2012.
- D. LCRA and Buyer desire to amend the Original Agreement relating to the Parties’ duties with regard to the payment of Purchase Price of the Utilities and the amount of the Operating Cash Deficiency so that the Purchase Price is confirmed and the Initial Schedule B, which will establish Buyer’s remaining Installment Payments, can be completed by a third-party accounting firm.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and other good and valuable consideration, the parties hereto agree as follows:

The Parties agree that the recitals above, including defined terms, are incorporated herein by reference for all purposes. Definitions for capitalized terms used herein and not otherwise defined appear in Section 11.13 of the Original Agreement.

SECTION 1. Section 1.4, Section B of the Original Agreement relating to Purchase Price is hereby replaced and shall read as follows:

- B. The parties agree that the amount of the Operating Cash Deficiency to be included in the Purchase Price is \$4,361,955.00, which amount is shown in the attached **Exhibit I** but reduced by \$35,000.00 pursuant to the parties' agreement. The parties further agree that the amount to pay for the Planned Improvements, Required Improvements and Emergency Improvements – which amount also will be included in the Purchase Price – is \$788,480 as shown in the attached **Exhibit I**. In addition, LCRA agrees to pay to CCNG Development, Inc. (“CCNG”), \$552,893.71 (the “**CCNG Reimbursement**”) for the remaining thirty percent (30%) of reimbursable costs for the Los Robles Tract, pursuant to the Utility Facilities Acquisition Agreement between LCRA and CCNG Development Company, L.P., dated Nov. 19, 1999, as amended and assigned (herein, the “**CCNG Tract Agreement**”) upon Buyer's receipt of the written consents necessary for the assignment of the CCNG Tract Agreement and related easements to Buyer (the “**CCNG Agreements**”). If the CCNG Reimbursement is paid by LCRA to CCNG, the CCNG Reimbursement will be added to the Operating Cash Deficiency for purposes of preparing the Initial Schedule B (defined below). If by March 20, 2013, CCNG has not consented to the assignment of all CCNG Agreements to Obligor, the CCNG Reimbursement shall not be paid by LCRA to CCNG and the CCNG Reimbursement shall not be included in the Operating Cash Deficiency.

SECTION 2. Section 1.4, Section D (2)(b) of the Original Agreement relating to the date of the second Equity Payment is hereby replaced and shall read as follows:

- (b) Obligor further agrees to use its best efforts to finance a second Equity Payment to the LCRA in an amount not less than the amount of then-outstanding and currently-callable LCRA Debt Obligations to be made on August 15, 2013, contingent upon the Obligor's ability to obtain a rating of “A2” or higher from Moody's and “A” or higher from S&P. This payment will be available to be applied to any LCRA Debt Obligations as shown **Schedule B** remaining after the receipt of the first payment made by the Obligor to the LCRA. Obligor agrees to make a second Equity Payment to the LCRA of not less than \$93,245,068 on May 1, 2014, in the event the Obligor cannot obtain the ratings for the August 15, 2013, Equity Payment specified above.

SECTION 3. This First Amendment, together with the Original Agreement, sets forth the entire understanding of the parties and supersedes all prior agreements and understandings, whether written or oral, with respect to the subject matter hereof.

SECTION 4. This First Amendment will extend to and be binding upon and inure to the benefit of the parties hereto their respective successors and permitted assigns.

SECTION 5. The parties agree that, except as modified hereby, the Original Agreement remains valid, binding, and in full force and effect. If there is any conflict or inconsistency

between this First Amendment and the Original Agreement, the First Amendment will control and modify the Original Agreement.

SECTION 6. This First Amendment may be executed in any number of counterparts, including, without limitation, facsimile counterparts, with the same effect as if the parties had signed the same document, and all counterparts will constitute one and the same agreement.

IN WITNESS WHEREOF, each party hereto has signed this First Amendment or caused this First Amendment to be signed in its corporate name by its officer thereunto duly authorized, all as of the date first above written.

LCRA:

LOWER COLORADO RIVER AUTHORITY

By: Rebecca S Motal
Rebecca S. Motal
General Manager



BUYER:

By: Larry Fox
Larry Fox
President, Board of Directors
West Travis County Public Utility Agency

**Utilities Installment Purchase Agreement
First Amendment
Exhibit I**

Original Schedule A. Amount		\$7,634,928
Plus:		
Operatating Cash Deficiency (May, 2012)	\$4,396,955	
<i>Less, \$35,000 reduction per First Amendment</i>	<u>(\$35,000)</u>	
Operatating Cash Deficiency (January, 2013)		\$4,361,955
Capital Planned Improvements		\$788,480
CCNG Reimbursement		\$552,894
Updated Schdule A. Amount		<u><u>\$13,338,257</u></u>

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX H

BOND RESOLUTION

THIS PAGE LEFT INTENTIONALLY BLANK

A RESOLUTION AUTHORIZING THE ISSUANCE OF “WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY REVENUE BONDS, SERIES 2022”; PROVIDING THE TERMS AND CONDITIONS OF THE BONDS AND RESOLVING OTHER MATTERS INCIDENT AND RELATED THERETO

WHEREAS, Chapter 572, Texas Local Government Code, as amended (the “Act”), authorizes certain public entities to create a public utility agency for the collection, transportation, treatment, or disposal of sewage or the conservation, storage, transportation, treatment, or distribution of water for such public entities; and

WHEREAS, the governing bodies of the Participants (defined herein) authorized and approved the creation of the West Travis County Public Utility Agency (the “PUA”) as a separate agency and political subdivision of the State of Texas and as their constituted authority and instrumentality to accomplish the specific public purpose of planning, financing, acquiring, constructing, owning, operating or maintaining facilities necessary for the collection, transportation, treatment, and disposal of sewage and the conservation, storage, transportation, treatment, and distribution of water for the Participants, specifically the System (as defined herein), pursuant to the Act; and

WHEREAS, pursuant to Section 572.058 of the Act and that certain Utilities Installment Purchase Agreement, dated as of January 17, 2012, as amended (collectively, the “Purchase Contract”), by and between the PUA and the Lower Colorado River Authority (the “LCRA”), the PUA has agreed to purchase and the LCRA has agreed to sell certain water supply and wastewater treatment facilities and water distribution and sanitary sewer collection facilities and to operate the System as a single system for the purpose of providing water and wastewater services to the Participants; and

WHEREAS, pursuant to the provisions of the Act and the other laws of the State of Texas (the “State”), the PUA and the Participants entered into an Acquisition, Water Supply, Wastewater Treatment and Conditional Purchase Agreement, dated as of March 19, 2012 (the “Agreement”) pursuant to which the PUA agreed, among other things, to finance the acquisition of the System and under which the Participants agreed to make payments to the PUA in amounts sufficient to meet all of the PUA’s obligations relating to the System; and

WHEREAS, the Act authorizes the PUA, acting through its Board of Directors (the “Board”), to issue revenue bonds to finance the System, payable from Net Revenues, for the purpose of financing, refinancing, acquiring and constructing the System; and

WHEREAS, the recitals and provisions of the Agreement are incorporated herein as if set forth in its entirety, and the capitalized terms of this resolution (the “Resolution”) shall have the same meanings, and shall be defined as set forth in the Agreement; and

WHEREAS, this resolution constitutes a “Bond Resolution” as that term is defined in the Agreement;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY THAT:

SECTION 1: Definitions; Interpretations. For all purposes of this Resolution, except as otherwise expressly provided or unless the context otherwise requires: (i) the terms defined in this Section have the meanings assigned to them in this Section, and certain terms used in Section 37 of this Resolution have the meanings assigned to them in such Section, and all such terms include the plural as well as the singular; (ii) all references in this Resolution to designated “Sections” and other subdivisions are to the designated Sections and other subdivisions of this Resolution as originally adopted; (iii) the words “herein,” “hereof,” and “hereunder” and other words of similar import refer to this Resolution as a whole and not to any particular Section or other subdivision; and (iv) any duty, responsibility, privilege, power or authority conferred by this Resolution upon an officer shall extend to an individual who occupies such office in an interim, acting or provisional capacity.

Act shall have the meaning given such term in the recitals hereto.

Additional Senior Lien Obligations shall mean the obligations issued in accordance with the terms and conditions prescribed in Section 20 hereof.

Agreement shall have the meaning given such term in the recitals hereto.

Authorized Official shall mean any of the President of the Board, the Vice President of the Board and the General Manager of the PUA, acting individually.

Average Annual Debt Service Requirements shall mean that average amount which, at the time of computation, will be required to pay the Debt Service Requirements on all outstanding Senior Lien Obligations when due (either at Stated Maturity or mandatory redemption) and derived by dividing the total of such Debt Service Requirement by the number of Fiscal Years then remaining before Stated Maturity of such Senior Lien Obligations. For purposes of this definition, a fractional period of a Fiscal Year shall be treated as an entire Fiscal Year. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

Bid Form shall mean the official bid form submitted by the Purchaser and accepted by the PUA on the date hereof.

Board shall have the meaning given such term in the recitals hereto.

Bond Date shall mean May 19, 2022.

Bond Fund shall mean the special Fund or account created and established by the provisions of Section 13 of this Resolution.

Bonds shall mean the “West Travis County Public Utility Agency Revenue Bonds, Series 2022” authorized by this Resolution.

Coverage Period shall mean (i) the Fiscal Year preceding the date of adoption of a resolution authorizing the issuance of Senior Lien Obligations or (ii) any consecutive 12 month period ending not more than 6 months before the date of adoption of a resolution authorizing the issuance of Senior Lien Obligations.

Credit Agreement shall mean a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized, and approved by the PUA as a Credit Agreement in connection with the authorization, issuance, security, or payment of any Bond.

Credit Facility shall mean (i) a policy of insurance or a surety bond, issued by an issuer of policies of insurance insuring the timely payment of debt service on governmental obligations; provided that a Rating Agency having an outstanding rating on any Bond would rate such Bond fully insured by a standard policy issued by the insurer in one of its two highest generic rating categories for such obligations, or (ii) a letter or line of credit issued by any financial institution, provided that a Rating Agency having an outstanding rating on any Bond would rate such Bond in one of its two highest generic rating categories for such obligations if the letter or line of credit proposed to be issued by such financial institution secured the timely payment of the entire principal amount of such Bond and the interest thereon.

Credit Provider shall mean any bank, financial institution, insurance company, surety bond provider, or other institution which provides, executes, issues, or otherwise is a party to or provider of a Credit Agreement.

Debt Service Requirements shall mean, as of any particular date of computation and with respect to any Outstanding obligations and any period, the aggregate of the amounts to be paid or set aside by the PUA as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear interest calculated by assuming that the interest rate for every 12-month period on such obligations is equal to the rate of interest reported in the most recently published edition of *The Bond Buyer* (or its successor) at the time of calculation as the LIBOR Index, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to Stated Maturity, the principal amounts thereof will be redeemed prior to Stated Maturity in accordance with the mandatory redemption provisions applicable thereto; provided, however, that once the Previously Issued Bonds dated on or prior to April 24, 2019, are no longer Outstanding, the words “rate of interest reported in the most recently published edition of The Bond Buyer (or its successor) at the time of calculation as the LIBOR Index” in this definition shall be deleted and replaced with “Substitute Index.”

Depository shall mean an official depository bank of the PUA.

EMMA shall mean the MSRB’s Electronic Municipal Market Access system, accessible by the general public, without charge, on the internet through the uniform resource locator (URL) <http://www.emma.msrb.org>.

Facilities Fund shall mean the fund created in Section 16.

Financial Obligation means 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.

Fiscal Year shall mean the twelve month accounting period used by the PUA in connection with the operation of the System, currently ending on September 30th of each year, which may be any twelve consecutive month period established by the PUA.

Government Securities shall mean any securities now or hereafter permitted by law for defeasance of public securities, including (i) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

Gross Revenues shall mean all revenues, income, impact, capital recovery or connection fees which may be derived from the ownership and/or operation of the System as it is purchased, constructed or otherwise acquired, including payments pursuant to the Agreement, but shall not mean any revenues derived from a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities which under the terms of the authorizing resolution(s) or order(s) that may be pledged for the requirements of Special Project Bonds issued particularly to finance certain facilities (even though the facilities to be financed with the Special Project Bonds are physically connected to the System) needed in performing any such contract or contracts; *provided, however*, that the Board may utilize any revenues, including those generated by the Agreement, in excess of the debt service and other funding requirements with respect to the Senior Lien Obligations for any lawful purpose in accordance with this Resolution and the Agreement.

Holder shall have the meaning prescribed in Section 4 of this Resolution.

Inferior Lien Obligations shall mean (i) any bonds, notes, warrants, or other obligations hereafter issued by the PUA payable wholly or in part from a pledge of and lien on Net Revenues, all as further provided in Section 21 of this Resolution, which is subordinate and inferior to the lien on and pledge thereof securing the payment of any Senior Lien Obligations or Junior Lien Obligations hereafter issued by the PUA, and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a subordinate and inferior lien on and pledge of the Net Revenues as determined by the Board in accordance with any applicable law.

Interest Payment Date shall mean any date semiannual interest is payable on the Bonds, being February 15 and August 15 of each year, commencing August 15, 2022, while any of the Bonds remain Outstanding.

Issue Date shall mean the date of physical delivery of the Initial Bond for the payment in full by the Purchaser.

Junior Lien Obligations shall mean (i) any bonds, notes, warrants, or any similar obligations hereafter issued by the PUA that are payable wholly or in part from a pledge of and lien on Net Revenues, all as further provided in Section 21 of this Resolution, which is junior, subordinate and inferior to the lien on and pledge thereof securing the payment of any Senior Lien Obligations and (ii) obligations hereafter issued to refund any of the foregoing that are payable from and equally and ratably secured by a junior and inferior lien on and pledge of the Net Revenues as determined by the Board in accordance with any applicable law.

LCRA shall have the meaning given such term in the recitals hereto.

LIBOR Index shall mean the rate for deposits in U.S. dollars with a one year maturity that appears on Reuters Screen LIBOR01 Page (or such other page as may replace that page on that service, or such other service as may be nominated by the British Bankers Association, for the purpose of displaying London interbank offered rates for U.S. dollar deposits), except that, if such rate does not appear on such page on the date of calculation, the LIBOR Index shall mean a rate determined on the basis of the rates at which deposits in U.S. dollars for a one-year maturity and in a principal amount of at least U.S. \$1,000,000 are offered to prime banks in the London interbank market by three major banks in the London interbank market.

MSRB shall mean the Municipal Securities Rulemaking Board.

Net Revenues shall mean Gross Revenues of the System, with respect to any period, after deducting the Operation and Maintenance Expenses during such period.

Operation and Maintenance Expenses shall mean (i) all costs and expenses of operation and maintenance of the System, including amounts payable under any contract with any person, including, but not limited to, any federal, state or local agency for the right to any source of water; any contribution or payment in lieu of taxes or any fee or charge by an government authority relating the PUA's production of water or sale of treated water; fees and charges to be paid to the Texas Commission on Environmental Quality or any other federal, state or local agency for regulatory purposes or for services rendered; the costs of operating personnel, utilities, supervision, engineering, accounting, auditing, legal services, insurance premiums, supplies, services, and administration of the System; overhead expenses; costs of operating, repairing maintaining, and replacing equipment for proper operation and maintenance of the System; and payments made in satisfaction of judgments resulting from claims not covered by insurance arising in connection with the acquisition, operation and maintenance of the System, and (ii) all amounts payable by the PUA to LCRA pursuant to the Purchase Contract. The term "Operation and Maintenance Expenses" does not include depreciation charges.

Outstanding shall mean, when used in this Resolution with respect to Bonds, as of the date of determination, all Bonds issued and delivered under this Resolution, except:

- (i) those Bonds canceled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;

- (ii) those Bonds for which payment has been duly provided by the PUA in accordance with the provisions of Section 39 of this Resolution by the irrevocable deposit with the Paying Agent/Registrar, or an authorized escrow agent, of money or Government Securities, or both, in the amount necessary to fully pay the principal of, premium, if any, and interest thereon to maturity or redemption, as the case may be, provided that, if such Bonds are to be redeemed, notice of redemption thereof shall have been duly given pursuant to this Resolution or irrevocably provided to be given to the satisfaction of the Paying Agent/Registrar, or waived; and
- (iii) those Bonds that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 34 of this Resolution.

Participants shall mean, collectively, (i) the City of Bee Cave, Texas, (ii) Hays County, Texas, (iii) Lake Pointe Municipal Utility District, as successor in interest to West Travis County Municipal Utility District No. 5 and (iv) any public entity that may participate in the PUA, from time to time, after adoption of a concurrent ordinance or order in accordance with Section 572.053, Texas Local Government Code.

Paying Agent/Registrar shall mean BOFK, NA, Dallas, Texas and its successors in such capacity.

Paying Agent/Registrar Agreement shall mean the agreement referred to in Section 4 of this Resolution.

Previously Issued Bonds shall mean the Outstanding and unpaid Senior Lien Obligations, further identified as follows: (i) West Travis County Public Utility Agency Revenue Bonds, Series 2015; (ii) West Travis County Public Utility Agency Revenue Refunding Bonds, Series 2017; and (iii) West Travis County Public Utility Agency Revenue Bonds, Series 2019.

Prudent Utility Practice shall mean any of the practices, methods, and acts, in the exercise of reasonable judgment, in the light of the facts, including but not limited to the practices, methods, and acts engaged in or approved by a significant portion of the public utility industry prior thereto, known at the time the decision was made, that would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method, or act at the exclusion of all others, but rather is a spectrum of possible practices, methods, or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. In the case of any facility included in the System which is owned in common with one or more other entities, the term “Prudent Utility Practice,” as applied to such facility, shall have the meaning set forth in the agreement governing the operation of such facility.

PUA shall mean West Travis County Public Utility Agency and any other public agency or other entity succeeding to the powers, rights, privileges and functions of the PUA and, when appropriate, the Board.

Purchase Contract shall have the meaning given such term in the recitals hereto.

Purchaser shall mean SAMCO Capital Markets, Inc., the initial purchaser(s) of the Bonds named in the Bid Form.

Rate Stabilization Fund shall mean the fund created in Section 15.

Rating Agency shall mean any nationally recognized securities rating agency which has assigned a rating to the Bonds.

Record Date shall mean the first day of the month in which an Interest Payment Date occurs.

Required Reserve Amount shall mean the amount required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Resolution.

Required Reserve Fund Deposits shall mean the monthly deposits, if any, required to be deposited and maintained in the Reserve Fund under the provisions of Section 14 of this Resolution.

Reserve Fund shall mean the special fund created and established by the provisions of Section 14 of this Resolution.

Resolution shall mean this resolution.

Revenue Fund shall mean the fund or account created and established by the provisions of Section 12 of this Resolution.

Rule shall mean SEC Rule 15c2-12, as amended from time to time.

SEC shall mean the United States Securities and Exchange Commission.

Security Register shall have the meaning prescribed in Section 4 of this Resolution.

Senior Lien Obligations shall mean (i) the Bonds, (ii) the Previously Issued Bonds and (iii) any bonds, notes, warrants, or other evidences of indebtedness which the PUA reserves the right to issue or enter into, as the case may be, pursuant to the terms and conditions provided in Section 20 of this Resolution and which are equally and ratably secured by a first and prior lien on and pledge of the Net Revenues.

Special Project Bonds shall mean bonds which the PUA expressly reserves the right to issue in Section 22 of this Resolution.

Stated Maturity shall mean the annual principal payments of the Bonds, payable on August 15 of each year, as set forth in Section 3 of this Resolution.

Substitute Index shall mean a benchmark rate or index as determined by the PUA which may be adjusted by the PUA to include an additional spread or margin that may be a positive value, negative value, or zero (as so adjusted, the "Substitute Index"). For the avoidance of doubt, the Substitute Index selected by the PUA may be based on a simple or compounded rate, with the

methodology and conventions for this rate being established by the PUA. In connection with the implementation of the Substitute Index, the PUA will have the right to make changes from time to time to the timing and frequency of determining rates, making payments, reset dates, compounding dates, payment/settlement dates, and other administrative matters. In determining the Substitute Index, the PUA may conclusively rely upon the written recommendation of the PUA’s municipal advisor as to the Substitute Index that would reasonably approximate the Debt Service Requirements for the PUA’s obligations without a fixed numerical rate.

System shall mean the works, improvements, facilities, plants, equipment, appliances, property, easements, leaseholds, licenses, privileges, right of use or enjoyment, contract rights or other interests in property comprising the utility system of the PUA, now owned or to be hereafter purchased, constructed or otherwise acquired whether by deed, contract or otherwise, together with any additions or extensions thereto or improvements and replacements thereof, or the utility system of any other entity to which the PUA has contractual rights of use, except the facilities which the PUA may purchase or acquire with the proceeds of the sale of Special Project Bonds, so long as such Special Project Bonds are outstanding, notwithstanding that such facilities may be physically connected with the System.

SECTION 2: Authorization; Designation; Principal Amount; Purpose. Revenue bonds of the PUA shall be and are hereby authorized to be issued in the aggregate principal amount of \$39,750,000, to be designated and bear the title of “WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY REVENUE BONDS, SERIES 2022” for the purpose of (i) acquiring and constructing the System, and (ii) paying the costs of issuing the Bonds. The Bonds shall be payable as to both principal and interest solely from and equally and ratably secured by a lien on and pledge of Net Revenues. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly, the Act.

SECTION 3: Fully Registered Bonds; Authorized Denominations; Stated Maturities; Interest Rates; Interest Payments; Bond Date. The Bonds are issuable in fully-registered form only; shall be dated the Bond Date and shall be issued in denominations of \$5,000 or any integral multiple thereof. The Bonds shall become due and payable on August 15 in each of the years and in the principal amounts and bear interest on the unpaid principal amounts from the Bonds Date or the most recent Interest Payment Date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates, while Outstanding, in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$595,000	6.500%
2024	630,000	6.500%
2025	675,000	6.500%
2026	715,000	6.500%
2027	765,000	6.500%
***	***	***
2029	1,680,000	6.500%
***	***	***
2032	2,905,000	5.000%
***	***	***

<u>Year of Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2034	2,175,000	4.000%
***	***	***
2036	2,355,000	4.000%
***	***	***
2038	2,550,000	4.000%
***	***	***
2042	5,735,000	4.000%
***	***	***
2044	3,225,000	4.000%
***	***	***
2052	15,745,000	4.000%

SECTION 4: Payment of Bonds - Paying Agent/Registrar. The principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption, or otherwise, shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and such payment of principal of and interest on the Bonds shall be without exchange or collection charges to the Holder of the Bonds.

The selection of BOFK, NA to serve as the initial Paying Agent/Registrar for the Bonds is hereby approved. The PUA agrees and covenants to cause to be kept and maintained at the corporate trust office of the Paying Agent/Registrar books and records (the “Security Register”) for the registration, payment, and transfer of the Bonds, all as provided herein, in accordance with the terms and provisions of a Paying Agent/Registrar Agreement presented herewith, and such reasonable rules and regulations as the Paying Agent/Registrar and the PUA may prescribe. The PUA covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are Outstanding, and any successor Paying Agent/Registrar shall be (i) a national or state banking institution or (ii) an association or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers. Such Paying Agent/Registrar shall be subject to supervision or examination by federal or state authority and authorized by law to serve as a Paying Agent/Registrar.

The PUA reserves the right to appoint a successor Paying Agent/Registrar upon providing the previous Paying Agent/Registrar with a certified copy of a resolution or resolutions terminating such agency. Additionally, the PUA agrees to promptly cause a written notice of such substitution to be sent to each Holder of the Bonds by United States Mail, first-class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Both principal of, premium, if any, and interest on the Bonds, due and payable by reason of Stated Maturity, redemption or otherwise, shall be payable only to the registered owner of the Bonds appearing on the Security Register (the “Holder” or “Holders”) maintained on behalf of the PUA by the Paying Agent/Registrar as hereinafter provided (i) at the close of business on the Record Date for purposes of payment of interest thereon, (ii) on the date of surrender of a Bond for the purpose of receiving payment of principal thereof upon redemption or at Stated Maturity, and (iii) on any date for any other purpose. The PUA and the Paying Agent/Registrar, and any agent of either, shall treat the Holder as the owner of a Bond for purposes of receiving payment

and all other purposes whatsoever, and neither the PUA nor the Paying Agent/Registrar, or any agent of either, shall be affected by notice to the contrary.

Principal of, and premium, if any, on the Bonds shall be payable only upon presentation and surrender of the Bonds to the Paying Agent/Registrar at its corporate trust office. Interest on the Bonds shall be paid (i) by check sent on or prior to the appropriate date of payment by United States mail, first-class postage prepaid, by the Paying Agent/Registrar, to the address of the Holder appearing in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested in writing by the Holder at the Holder's risk and expense.

If the date for the payment of the principal of, premium, if any, or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a day. The payment on such date shall have the same force and effect as if made on the original date any such payment on the Bonds was due.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first-class postage prepaid, to the address of each Holder appearing on the Security Register at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 5: Redemption.

(a) *Optional Redemption.* The Bonds maturing on and after August 15, 2029 are subject to optional redemption, in whole or, from time to time, in part on August 15, 2027, or any date thereafter, in principal amounts of \$5,000 or any integral multiple thereof (and if within a stated maturity selected by lot or other random selection method by the Paying Agent/Registrar) at a redemption price of par plus accrued interest thereon.

(b) *Mandatory Redemption.* The Bonds maturing on August 15 in the year(s) 2029, 2032, 2034, 2036, 2038, 2042, 2044, and 2052 will be issued as term bonds (the "Term Bonds") and shall be subject to the following mandatory redemption requirements:

TERM BONDS MATURING AUGUST 15, 2029

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2028	\$815,000	100%
2029*	865,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2032

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2030	\$920,000	100%
2031	970,000	100%
2032*	1,015,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2034

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2033	\$1,065,000	100%
2034*	1,110,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2036

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2035	\$1,155,000	100%
2036*	1,200,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2038

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2037	\$1,250,000	100%
2038*	1,300,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2042

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2039	\$1,350,000	100%
2040	1,405,000	100%
2041	1,460,000	100%
2042*	1,520,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2044

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2043	\$1,580,000	100%

2044*	1,645,000	100%
-------	-----------	------

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2052

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2045	\$1,710,000	100%
2046	1,775,000	100%
2047	1,850,000	100%
2048	1,920,000	100%
2049	2,000,000	100%
2050	2,080,000	100%
2051	2,160,000	100%
2052*	2,250,000	100%

*Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the PUA, by the principal amount of any Term Bonds of such stated maturity which, at least 45 days prior to the mandatory redemption date (1) shall have been acquired by the PUA and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the PUA with money in the Bond Fund (and not the Reserve Fund), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption.

(c) At least thirty-five (35) days prior to a date set for the redemption of Bonds (unless a shorter notification period shall be satisfactory to the Paying Agent/Registrar), the PUA shall notify the Paying Agent/Registrar of its decision to exercise the right to redeem Bonds, the principal amount of each Stated Maturity to be redeemed, and the date set for the redemption thereof.

If less than all Outstanding Bonds of the same Stated Maturity are to be redeemed on a redemption date, the Paying Agent/Registrar shall select by lot or other customary random selection method the Bonds to be redeemed, provided that if less than the entire principal amount of a Bond is to be redeemed, the Paying Agent/Registrar shall treat such Bond then subject to redemption as representing the number of Bonds Outstanding which is obtained by dividing the principal amount of such Bond by \$5,000.

Not less than thirty (30) days prior to a redemption date for the Bonds, a notice of redemption shall be sent by United States Mail, first-class postage prepaid, in the name of the PUA and at the PUA's expense, by the Paying Agent/Registrar to each Holder of a Bond to be redeemed, in whole or in part, at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the Holder. If a Bond is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly given as herein provided, such Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Bonds (or of the principal amount thereof to be redeemed) at the then applicable redemption price is held for the purpose of such payment by the Paying Agent/Registrar, then on the redemption date designated in such notice, interest on said Bonds (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue, and such Bonds shall not be deemed to be Outstanding in accordance with the provisions of this Resolution. Additionally, notice may also be sent by the PUA to any registered securities depository and to any national information service that disseminates redemption notices.

(d) The PUA reserves the right to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the PUA retains the right to rescind such notice at any time prior to the scheduled redemption date if the PUA delivers a certificate of the PUA to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Holders. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the PUA to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

(e) Neither the PUA nor the Paying Agent/Registrar shall be required (i) to transfer or exchange any Bond during a period beginning forty-five (45) days prior to the date fixed for redemption of the Bonds or (ii) to transfer or exchange any Bond selected for redemption, provided; however, such limitation of transfer shall not be applicable to an exchange by the Holder of the unredeemed balance of a Bond which is subject to redemption in part.

SECTION 6: Execution - Registration. The Bonds shall be executed on behalf of the PUA by the President or the Vice President of the Board and attested by the Secretary or any Assistant

Secretary of the Board. The signature of any such officer on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were, at the time of the Bond Date, the proper officers of the PUA shall bind the PUA, notwithstanding that such individuals or any of them shall cease to hold such offices prior to the delivery of the Bonds to the Purchaser, all as authorized and provided in Chapters 1201 and 1206, Texas Government Code, as amended.

No Bond shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in Exhibit A, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in Exhibit A, executed by the Paying Agent/Registrar by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

SECTION 7: Registration - Transfer - Exchange of Bonds - Predecessor Bonds. The Paying Agent/Registrar shall obtain, record, and maintain in the Security Register the name and address of every owner of the Bonds, or, if appropriate, the nominee thereof. Any Bond may, in accordance with its terms and the terms hereof, be transferred or exchanged for Bonds of other authorized denominations upon the Security Register by the Holder, in person or by his duly authorized agent, upon surrender of such Bond to the Paying Agent/Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder or by his duly authorized agent, in form satisfactory to the Paying Agent/Registrar.

Upon surrender for transfer of any Bond at the corporate trust office of the Paying Agent/Registrar, the PUA shall execute and the Paying Agent/Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of authorized denomination and having the same Stated Maturity and of a like interest rate and aggregate principal amount as the Bond or Bonds surrendered for transfer.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same series and of authorized denominations and having the same Stated Maturity, bearing the same rate of interest and of like aggregate principal amount as the Bonds surrendered for exchange upon surrender of the Bonds to be exchanged at the corporate trust office of the Paying Agent/Registrar. Whenever any Bonds are so surrendered for exchange, the PUA shall execute, and the Paying Agent/Registrar shall register and deliver, the Bonds, to the Holder requesting the exchange.

All Bonds issued upon any transfer or exchange of Bonds shall be delivered at the corporate trust office of the Paying Agent/Registrar, or be sent by registered mail to the Holder at his request, risk, and expense, and upon the delivery thereof, the same shall be the valid and binding obligations of the PUA, evidencing the same obligation to pay, and entitled to the same benefits under this Resolution, as the Bonds surrendered upon such transfer or exchange.

All transfers or exchanges of Bonds pursuant to this Section shall be made without expense or service charge to the Holder, except as otherwise herein provided, and except that the Paying Agent/Registrar shall require payment by the Holder requesting such transfer or exchange of any

fee, tax or other governmental charges required to be paid with respect to such transfer or exchange.

Bonds canceled by reason of an exchange or transfer pursuant to the provisions hereof are hereby defined to be Predecessor Bonds, evidencing all or a portion, as the case may be, of the same debt evidenced by the new Bond or Bonds registered and delivered in the exchange or transfer therefor. Additionally, the term Predecessor Bonds shall include any Bond registered and delivered pursuant to Section 34 in lieu of a mutilated, lost, destroyed, or stolen Bond which shall be deemed to evidence the same obligation as the mutilated, lost, destroyed, or stolen Bond.

SECTION 8: Initial Bond. The Bonds herein authorized shall be issued initially as a single fully-registered Bond in the total principal amount provided herein with principal installments to become due and payable as provided herein and numbered T-1 and shall be registered in the name of the Purchaser or the designee thereof provided in Section 35. The Initial Bond shall be submitted to the Office of the Attorney General of the State of Texas for approval, certified and registered by the Office of the Comptroller of Public Accounts of the State of Texas and delivered to the Purchaser. Any time after the delivery of the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond delivered hereunder and exchange therefor definitive Bonds of authorized denominations, Stated Maturities, principal amounts and bearing applicable interest rates for transfer and delivery to the Holders named at the addresses identified therefor, all pursuant to and in accordance with such written instructions from the Purchaser, or the designee thereof, and such other information and documentation as the Paying Agent/Registrar may reasonably require.

SECTION 9: Form of Bond. The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Registration Certificate of the Paying Agent/Registrar, the form of Assignment, if any, to be printed on each of the Bonds shall be substantially in the forms set forth Exhibit A hereto with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Resolution and may have such letters, numbers, or other marks of identification (including insurance legends in the event the Bonds, or any Stated Maturities thereof, are insured and identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as may, consistent herewith, be established by the PUA or determined by the officers executing the Bonds as evidenced by their execution thereof. Any portion of the text of any Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The definitive Bonds shall be printed, lithographed, or engraved, produced by any combination of these methods, or produced in any other similar manner, all as determined by the officers executing the Bonds as evidenced by their execution thereof, but the Initial Bond submitted to the Attorney General of Texas may be typewritten or photocopied or otherwise reproduced.

SECTION 10: Pledge of Net Revenues. The PUA hereby covenants and agrees that Net Revenues are hereby irrevocably pledged to the payment and security of the Senior Lien Obligations, including the establishment and maintenance of the special funds or accounts created and established for the payment and security thereof, all as hereinafter provided, subject to the provisions of Section 42 hereof; and it is hereby resolved that the Senior Lien Obligations, and the

interest thereon, shall constitute a lien on and pledge of Net Revenues and be valid and binding without any physical delivery thereof or further act by the PUA, and the lien created hereby on Net Revenues for the payment and security of the Senior Lien Obligations shall be prior in right and claim as to any other indebtedness, liability, or obligation of the PUA or the System.

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of Net Revenues granted by the PUA under subsection (a) of this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of Net Revenues granted by the PUA is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in this pledge, the PUA agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in this pledge to occur.

SECTION 11: Rates, Charges and Impact Fees. For the benefit of the Holders of the Senior Lien Obligations and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the PUA hereby expressly stipulates and agrees, while any of the Senior Lien Obligations are Outstanding, to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(i) To pay all Operation and Maintenance Expenses, or any expenses required by statute to be a first claim on and charge against the Gross Revenues of the System;

(ii) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Senior Lien Obligations hereafter issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Senior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a prior and first lien on and pledge of the Net Revenues;

(iii) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Junior Lien Obligations hereafter issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Junior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a junior and inferior lien on and pledge of the Net Revenues; and

(iv) To produce Net Revenues, together with any other lawfully available funds, sufficient to pay the principal of and interest on any Inferior

Lien Obligations hereafter issued by the PUA and the amounts required to be deposited in any reserve, contingency, or redemption fund or account created for the payment and security of any Inferior Lien Obligations, and any other obligations or evidences of indebtedness issued or incurred that are payable from and secured solely by a subordinate and inferior lien on and pledge of the Net Revenues.

The PUA hereby covenants and agrees that the imposition and expenditure of impact fees are and will be in accordance with Chapter 395, Local Government Code, as amended, or any successor statute.

SECTION 12: Revenue Fund. The PUA hereby covenants and agrees that the Gross Revenues of the System shall be deposited, as collected and received, into a separate Fund or account previously created, established, and maintained with the Depository known as the “West Travis County Public Utility Agency Operating Fund” (referred to herein as the “Revenue Fund”) and that the Gross Revenues of the System shall be kept separate and apart from all other funds of the PUA. All Gross Revenues deposited into the Revenue Fund shall be pledged and appropriated to the extent required for the following uses and in the order of priority shown:

(i) FIRST: to the payment of all Operation and Maintenance Expenses as defined herein or required by statute, to be a first charge on and claim against the Gross Revenues of the System.

(ii) SECOND: to the payment of the amounts that must be deposited in any special funds or accounts, including the Bond Fund and the Reserve Fund, created and established for the payment and security of the Senior Lien Obligations as the same become due and payable.

(iii) THIRD: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Junior Lien Obligations hereafter issued by the PUA as the same become due and payable.

(iv) FOURTH: to the payment of the amounts required to be deposited into the bond, reserve, contingency, or redemption funds created and established for the payment of any Inferior Lien Obligations hereafter issued by the PUA as the same become due and payable.

Any Net Revenue remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be transferred to the Rate Stabilization Fund and appropriated and used for any other PUA purpose now or hereafter permitted by law.

SECTION 13: Bond Fund; Surplus Bond Proceeds. For purposes of providing funds to pay the principal of and interest on the Senior Lien Obligations as the same become due and payable, the PUA has previously created at the Depository, and agrees to maintain a separate and special Fund or account known as the “West Travis County Public Utility Agency Revenue Bonds Debt Service Fund” (referred to herein as the “Bond Fund”). The Authorized Officials covenant

that there shall be deposited into the Bond Fund prior to each principal and interest payment date an amount equal to one hundred percent (100%) of the amount required to fully pay the interest on and the principal of the Senior Lien Obligations then coming due and payable, such deposits to pay maturing principal and accrued interest on the Senior Lien Obligations to be made in substantially equal monthly installments on or before the tenth (10th) day of each month, beginning on the tenth (10th) day of the month next succeeding the delivery of the Bonds. If Net Revenues in any month are insufficient to make the required payments into the Bond Fund, then the amount of any deficiency in such payment shall be added to the amount otherwise required to be paid into the Bond Fund in the next month.

The required monthly deposits to the Bond Fund for the payment of principal of and interest on the Senior Lien Obligations shall continue to be made as hereinabove provided until such time as (i) the total amount on deposit in the Bond Fund is equal to the amount required to fully pay and discharge all outstanding Senior Lien Obligations (principal and interest) or (ii) the Senior Lien Obligations are no longer Outstanding.

SECTION 14: Reserve Fund. To accumulate and maintain a reserve for the payment of the Senior Lien Obligations equal to the Average Annual Debt Service Requirements (calculated on a Fiscal Year basis and determined as of the date of issuance of any Senior Lien Obligations) for the Senior Lien Obligations; provided, however, that such amount shall not exceed 10 percent of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Senior Lien Obligations (the "Required Reserve Amount"), the PUA agrees to maintain a separate and special fund or account known as the "West Travis County Public Utility Agency Revenue Bonds Reserve Fund" (the "Reserve Fund"), which fund or account shall be maintained at the Depository. All funds deposited into the Reserve Fund (excluding earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund established in Section 12 of this Resolution during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Senior Lien Obligations, when and to the extent other funds available for such purposes are insufficient, and in addition, may be used to retire the last stated maturity or interest on any Senior Lien Obligations.

As and when Additional Senior Lien Obligations are delivered or incurred, the Required Reserve Amount shall be increased, if required, to an amount calculated in the manner provided in the first paragraph of this Section. Any additional amount required to be maintained in the Reserve Fund shall be so accumulated by the deposit of the necessary amount of the proceeds of the issue or other lawfully available funds in the Reserve Fund immediately after the delivery of the then proposed Additional Senior Lien Obligations, or, at the option of the PUA, by the deposit of monthly installments, made on or before the tenth day of each month following the month of delivery of the then proposed Additional Senior Lien Obligations, of not less than 1/60th of the additional amount to be maintained in the Reserve Fund by reason of the issuance of the Additional Senior Lien Obligations then being issued (or 1/60th of the balance of the additional amount not deposited immediately in cash), thereby ensuring the accumulation of the appropriate Required Reserve Amount.

When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the

Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Senior Lien Obligations as provided in the preceding paragraph), the PUA covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the Required Reserve Fund deposits to said Fund or account such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the PUA to be maintained in the Reserve Fund with any such deficiency payments being made on or before the tenth day of each month until the Required Reserve Amount has been fully restored.

During such time as the Reserve Fund contains the Required Reserve Amount, the PUA may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund.

The PUA may provide a Credit Facility issued in amounts equal to all or part of the Required Reserve Amount for the Bonds in lieu of depositing cash into the Reserve Fund; *provided, however*, that no such Credit Facility may be so substituted unless the substitution of the Credit Facility will not, in and of itself, cause any ratings then assigned to the Bonds by any Rating Agency to be lowered and the resolution authorizing the substitution of the Credit Facility for all or part of the Required Reserve Amount for the Bonds contains (i) a finding that such substitution is cost effective and (ii) a provision that the interest due on any repayment obligation of the PUA by reason of payments made under such Credit Facility does not exceed the highest lawful rate of interest which may be paid by the PUA at the time of the delivery of the Credit Facility. The PUA reserves the right to use Gross Revenues to fund the payment of (1) periodic premiums on the Credit Facility as a part of the payment of Operation and Maintenance Expenses, and (2) any repayment obligation incurred by the PUA (including interest) to the issuer of the Credit Facility, the payment of which will result in the reinstatement of such Credit Facility, prior to making payments required to be made to the Reserve Fund pursuant to the provisions of this Section to restore the balance in such fund to the Required Reserve Amount for the Bonds.

In the event a Credit Facility issued to satisfy all or a part of the PUA's obligation with respect to the Reserve Fund causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve Amount for the Bonds, the Board may transfer such excess amount to any fund or funds established for the payment of or security for the Bonds (including any escrow established for the final payment of any such obligations pursuant to the provisions of Chapter 1207, as amended, Texas Government Code), or to the Revenue Fund; *provided, however*, to the extent that such excess amount represents Bond proceeds, then such amount must be transferred to the Bond Fund.

SECTION 15: Rate Stabilization Fund. The PUA agrees to maintain a separate and special fund or account known as the "West Travis County Public Utility Agency Rate Stabilization Fund" (the "Rate Stabilization Fund"), which fund or account shall be maintained at the Depository. All funds deposited into the Rate Stabilization Fund may be used at the discretion of the PUA for any lawful purpose, including capital additions and improvements to the System and to enable the PUA to manage rates and charges recommended to the Participants pursuant to the Agreement; *provided, however*, that such funds shall be used in the following order of priority:

- (i) FIRST: for funding of operating and maintenance reserves, in accordance with Prudent Utility Practice, and payment of principal of and interest on the Bonds;
- (ii) SECOND: for redemption or defeasance of outstanding Bonds, if economically advantageous in the discretion of the Board of the PUA; and
- (iii) THIRD: for transfer to the Facilities Fund for payment of costs of any capital additions and improvements to the System.

Notwithstanding anything in this Section 15 to the contrary, except as provided in the following sentence, proceeds of the Bonds deposited to the Rate Stabilization Fund shall be used solely to pay for capital improvements and additions to the System. Any proceeds of the Bonds deposited to the Rate Stabilization Fund and not used for capital improvements and additions to the System shall be transferred to the Bond Fund and used to pay debt service on the Bonds.

SECTION 16: Facilities Fund. The PUA has created and agrees to maintain a separate and special fund or account known as the “West Travis County Public Utility Agency Capital Projects Fund” (referred to herein as the “Facilities Fund”), which fund or account shall be maintained at the Depository. At the discretion of the Board of the PUA, amounts may be transferred from the Rate Stabilization Fund to the Facilities Fund from time to time for payment of capital additions and improvements to the System, including reimbursement of any Participant for payment of such costs, upon request of such Participant and at the discretion of the Board of the PUA. At the discretion of the Board of the PUA, amounts on deposit in the Facilities Fund may be transferred to the Rate Stabilization Fund from time to time and used for any lawful purpose; provided, however, that, except as provided in the following sentence, any amounts constituting proceeds of the Bonds shall be used solely to pay for capital improvements and additions to the System. Any proceeds of the Bonds deposited to the Facilities Fund and not used for capital improvements and additions to the System shall be transferred to the Bond Fund and used to pay debt service on the Bonds.

SECTION 17: Deficiencies - Excess Net Revenues. If on any occasion there shall not be sufficient Net Revenues to make the required deposits into the Bond Fund and the Reserve Fund, then such deficiency shall be cured as soon as possible from the next available unallocated Net Revenues, or from any other sources available for such purpose, and such payments shall be in addition to the amounts required to be paid into these Funds or accounts during such month or months. Subject to making the required deposits to the Bond Fund and the Reserve Fund when and as required by this Resolution or any resolution authorizing the issuance of Additional Senior Lien Obligations, the excess Net Revenues may be used by the PUA for any lawful purpose including, but not limited to, the redemption of any Senior Lien Obligations.

SECTION 18: Payment of Bonds. While any of the Senior Lien Obligations are outstanding, the President of the Board or other authorized PUA official, shall cause to be transferred to the Paying Agent/Registrar therefor, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly each installment of interest on and principal of the Senior Lien Obligations as such installment accrues

or matures; such transfer of funds must be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Senior Lien Obligations at the close of the business day next preceding the date a debt service payment is due on the Senior Lien Obligations.

SECTION 19: Investments. Funds held in any Fund or account created, established, or maintained pursuant to this Resolution shall, at the option of the PUA, be placed in time deposits, certificates of deposit, guaranteed investment contracts, or similar contractual agreements as permitted by the provisions of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, or any other law, and secured (to the extent not insured by the Federal Deposit Insurance Corporation); provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund or account will be available at the proper time or times. Such investments (except State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 30 days of the date of passage of each resolution authorizing the issuance of any Additional Senior Lien Obligations. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 14, be credited to and deposited in the Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Senior Lien Obligations.

SECTION 20: Issuance of Additional Senior Lien Obligations. In addition to the right to issue bonds of junior and inferior lien as authorized by the laws of this State, the PUA reserves the right hereafter to issue Additional Senior Lien Obligations. The Additional Senior Lien Obligations, when issued, shall be payable from and secured by a lien on and pledge of Net Revenues in the same manner and to the same extent as are the Bonds and any other Senior Lien Obligations and such Additional Senior Lien Obligations, the Bonds and any other Senior Lien Obligations shall in all respects be of equal dignity. The Additional Senior Lien Obligations may be issued in one or more installments *provided, however*, that no Additional Senior Lien Obligations, shall be issued unless and until the following conditions have been met:

(i) Except for a refunding to cure a default, the PUA is not then in default as to any covenant, condition or obligation prescribed by the resolutions authorizing the issuance of the Senior Lien Obligations.

(ii) Each of the funds created solely for the payment of principal of and interest on the Senior Lien Obligations contains the amounts of money then required to be on deposit therein.

(iii) The PUA shall have secured a certificate of a professional utility rate consultant to the effect that, according to the books and records of the PUA, either (1) Net Revenues for the Coverage Period equal or exceed 100% of the Average Annual Debt Service Requirements, assuming issuance of such Senior Lien Obligations, or (2) had rates and charges for services and facilities afforded by the System, that have been effective for

at least 30 days prior to such date, been in effect at all times during such 12-month period, estimated Net Revenues for such period would have equaled or exceeded 100% of Average Annual Debt Service Requirements, assuming issuance of such Senior Lien Obligations. With respect to such certification, the books and records of the PUA shall include financial information and operating results provided by the LCRA for periods during which the LCRA owned or operated the System.

(iv) The resolution authorizing the issuance of the Additional Senior Lien Obligations provides for deposits to be made to the Bond Fund in amounts sufficient to pay the principal of and interest on such Additional Senior Lien Obligations as the same become due.

(v) The resolution authorizing the issuance of the Additional Senior Lien Obligations provides that the amount to be accumulated and maintained in the Reserve Fund shall be in an amount equal to not less than the Average Annual Debt Service Requirements for the payment of the Senior Lien Obligations then Outstanding after giving effect to the issuance of the proposed Additional Senior Lien Obligations, and provides that any additional amount to be maintained in the Reserve Fund shall be accumulated within sixty (60) months from the date the Additional Senior Lien Obligations are delivered.

(vi) So long as the Previously Issued Bonds dated on or prior to April 15, 2015, remain Outstanding, the condition precedent set forth in subsection (iii) of this Section must be satisfied for Additional Senior Lien Obligations issued to refund Senior Lien Obligations. Once the Previously Issued Bonds dated on or prior to April 15, 2015, are no longer Outstanding, the condition precedent in subsection (vii) of this Section must be satisfied for Additional Senior Lien Obligations issued to refund Senior Lien Obligations.

(vii) If Additional Senior Lien Obligations are being issued for the purpose of refunding less than all Outstanding Senior Lien Obligations, the certificate described in subsection (iii) of this Section is not required so long as the Authorized Official provides a certificate showing that the aggregate debt service requirements of such refunding Additional Senior Lien Obligations will not exceed the aggregate debt service requirements of the Senior Lien Obligations being refunded.

SECTION 21: Obligations of Junior and Inferior Lien and Pledge. The PUA hereby reserves the right to issue, at any time, obligations including, but not limited to, Junior Lien Obligations and Inferior Lien Obligations payable from and secured, in whole or in part, by a lien on and pledge of the Net Revenues, subordinate and inferior in rank and dignity to the lien on and pledge of such Net Revenues securing the payment of any Senior Lien Obligations as may be authorized by the laws of the State of Texas.

SECTION 22: Special Project Bonds. The PUA further reserves the right to issue bonds in one or more installments for the purchase, construction, improvement, extension, replacement, enlargement or repair of utility facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such bonds to be payable from and secured by the proceeds of such contract or contracts. The PUA further reserves the right to refund such bonds and secure the payment of the debt service requirements on the refunding bonds in the same manner or as otherwise permitted by the laws of the State.

SECTION 23: Maintenance of System - Insurance. The PUA covenants, agrees, and affirms its covenants that while the Senior Lien Obligations remain outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by municipal corporations in the State of Texas engaged in a similar type of business (which may include an adequate program of self insurance); and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, shall be retained for the benefit of the holders of the Senior Lien Obligations until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and adequate provision for making good such loss or damage must be made within ninety (90) days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Operation and Maintenance Expenses. Nothing in this Resolution shall be construed as requiring the PUA to expend any funds which are derived from sources other than the operation of the System but nothing herein shall be construed as preventing the PUA from doing so.

SECTION 24: Records and Accounts - Annual Audit. The PUA covenants, agrees, and affirms its covenants that so long as any of the Senior Lien Obligations remain Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto as provided by applicable law. The Holders of the Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect the System and all properties comprising the same. The PUA further agrees that following (and in no event later than 120 days after) the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished, without charge, to the (i) Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, (ii) upon written request, to any Holder. Expenses incurred in making the annual audit of the operations of the System are to be regarded as Operation and Maintenance Expenses.

SECTION 25: Sale or Encumbrance of System. While any Senior Lien Obligations remain Outstanding, the PUA will not sell, dispose of or, except as permitted in Sections 20 and 21, further encumber the System or any substantial part thereof; *provided, however*, that this provision shall not prevent the PUA from disposing of any of the System which is being replaced or is deemed by the PUA to be obsolete, worn out, surplus or no longer needed for the proper operation of the System. Any agreement pursuant to which the PUA contracts with a person, corporation, municipal corporation or political subdivision to operate the System or to lease and/or operate all or part of the System shall not be considered as an encumbrance of the System.

SECTION 26: Competition. To the extent it legally may, the PUA will not grant any franchise or permit for the acquisition, construction or operation of any competing facilities which might be used as a substitute for the System and will prohibit the operation of any such competing facilities.

SECTION 27: Special Covenants. The PUA further covenants and agrees that:

(a) Encumbrance and Sale.

(1) The Net Revenues have not in any manner been pledged to the payment of any debt or obligation of the PUA other than the Senior Lien Obligations; and while any of the Senior Lien Obligations are Outstanding, the PUA will not, except as provided in this Resolution, additionally encumber the Net Revenues.

(2) While the Senior Lien Obligations are Outstanding, and except as specifically permitted in Section 20 and 21, of this Resolution, the PUA shall not mortgage, pledge, encumber, sell, lease, or otherwise dispose of or impair its title to the System or any significant or substantial part thereof.

(b) Title. The PUA or the Participants lawfully owns or will own and is or will be lawfully possessed of the lands or easements upon which its System is and will be located, and has or will purchase good and indefeasible estate in such lands in fee simple, or has or will lawfully obtain any necessary easements to operate the System, and it warrants that it has or will obtain and will defend, the title to all the aforesaid lands and easements for the benefit of the owners of the Senior Lien Obligations against the claims and demands of all persons whomsoever, that it is lawfully qualified to pledge Net Revenues to the payment of the Senior Lien Obligations, in the manner prescribed herein, and that it has lawfully exercised such rights.

(c) Liens. The PUA will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or its System, and it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge upon its System, *provided, however*, that no such tax, assessment, or charge, and that no such claims which might be or other lien or charge, shall be required to be paid while the validity of the same shall be contested in good faith by the PUA.

(d) Performance. The PUA will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the resolutions authorizing the issuance of Senior Lien Obligations and pay from Net Revenues the principal of and interest on every Senior Lien Obligation on the dates and in the places and manner prescribed in such resolutions and Senior Lien Obligations; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from Net Revenues the amounts required to be deposited into the Bond Fund; and the Holder of the Bonds may require the PUA, its officials, agents, and employees to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of

Additional Senior Lien Obligations including, but without limitation, the use and filing of mandamus proceedings, in any court or competent jurisdiction, against the PUA, its officials, agents, and employees.

(e) Legal Authority. The PUA is duly authorized under the laws of the State of Texas to issue the Bonds; that all action on its part for the authorization and issuance of the Bonds has been duly and effectively taken, and the Bonds in the hands of the Holders thereof are and will be valid and enforceable special obligations of the PUA in accordance with their terms.

(f) Budget. The PUA will prepare, adopt, and place into effect an annual budget (the “Annual Budget”) for operation and maintenance of the System for each Fiscal Year, including in each Annual Budget such items as are customarily and reasonably contained in a utility system budget under generally accepted accounting procedures.

(g) Permits. The PUA will comply with all of the terms and conditions of any and all franchises, permits, and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency; and the PUA has or will obtain and keep in full force and effect all franchises, permits, authorizations, and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation, and maintenance of the System.

SECTION 28: Limited Obligations of the PUA. The Bonds are limited, special obligations of the PUA payable from and equally and ratably secured solely by a lien on and pledge of Net Revenues, and the Holders thereof shall never have the right to demand payment of the principal or interest on the Bonds from any funds raised or to be raised through taxation by the PUA. The PUA has no taxing power.

SECTION 29: Security of Funds. All money on deposit in the Funds or accounts for which this Resolution makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and money on deposit in such Funds or accounts shall be used only for the purposes permitted by this Resolution.

SECTION 30: Events of Default; Remedies.

(a) Events of Default. Each of the following occurrences or events is hereby declared to be an “Event of Default,” to-wit: (i) the failure to make payment of the principal of or interest on the Bonds when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the PUA, 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 this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Owner to the PUA.

(b) Remedies. In addition to all the rights and remedies provided by the laws of the State of Texas, the PUA covenants and agrees particularly that upon occurrence of an Event of Default, the Holders of any of the Bonds shall be entitled to seek a writ of

mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the PUA and other officers of the PUA to observe and perform any covenant, condition, or obligation prescribed in this Resolution.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedy herein provided shall be cumulative of all other existing remedies and the specification of such remedy shall not be deemed to be exclusive.

SECTION 31: Notices to Holders Waiver. Wherever this Resolution provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and sent by United States Mail, first-class postage prepaid, to the address of each Holder appearing in the Security Register at the close of business on the business day next preceding the mailing of such notice.

In any case where notice to Holders is given by mail, neither the failure to mail such notice to any particular Holders, nor any defect in any notice so mailed, shall affect the sufficiency of such notice with respect to all other Holders. Where this Resolution provides for notice in any manner, such notice may be waived in writing by the Holder entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Paying Agent/Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 32: Bonds Are Negotiable Instruments. Each of the Bonds authorized herein shall be deemed and construed to be a “security” and as such a negotiable instrument with the meaning of the Chapter 8 of the Texas Uniform Commercial Code.

SECTION 33: Cancellation. All Bonds surrendered for payment, transfer, redemption, exchange, or replacement, if surrendered to the Paying Agent/Registrar, shall be promptly canceled by it and, if surrendered to the PUA, shall be delivered to the Paying Agent/Registrar and, if not already canceled, shall be promptly canceled by the Paying Agent/Registrar. The PUA may at any time deliver to the Paying Agent/Registrar for cancellation any Bonds previously certified or registered and delivered which the PUA may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Paying Agent/Registrar. All canceled Bonds held by the Paying Agent/Registrar shall be destroyed as directed by the PUA.

SECTION 34: Mutilated, Destroyed, Lost, and Stolen Bonds. If (1) any mutilated Bond is surrendered to the Paying Agent/Registrar, or the PUA and the Paying Agent/Registrar receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the PUA and the Paying Agent/Registrar such security or indemnity as may be required to save each of them harmless, then, in the absence of notice to the PUA or the Paying Agent/Registrar that such Bond has been acquired by a bona fide purchaser, the PUA shall execute and, upon its request, the Paying Agent/Registrar shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity and

interest rate and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the PUA in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond or payment in lieu thereof, under this Section, the PUA may require payment by the Holder of a sum sufficient to cover any tax or other governmental charge imposed in relation thereto and any other expenses (including attorney's fees and the fees and expenses of the Paying Agent/Registrar) connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond shall constitute a replacement of the prior obligation of the PUA, whether or not the mutilated, destroyed, lost, or stolen Bond shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and ratably with all other Outstanding Bonds.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 35: Sale of Bonds; Bid Form; Official Statement; Ratings; Bond Insurance.
The Bonds authorized by this Resolution are hereby sold by the PUA to the Purchaser in accordance with the provisions of the Bid Form. The PUA hereby finds and declares that the sale of the Bonds pursuant to the Bid Form is on the best terms and at the best prices reasonably obtainable by the PUA. The initial Bond shall be registered in the name of SAMCO Capital Markets, Inc. The PUA also hereby ratifies, reaffirms, readopts and approves the Agreement. The President or Vice President of the Board of Directors is hereby authorized and directed to execute the Bid Form for and on behalf of the PUA and as the act and deed of the Board, and in regard to the approval and execution of the Bid Form, the Board hereby finds, determines and declares that the representations, warranties, and agreements of the PUA contained in the Bid Form and the Agreement are true and correct in all material respects and shall be honored by the PUA. Delivery of the Bonds to the Purchaser shall occur as soon as practicable after the adoption of this Resolution, upon payment therefor in accordance with the terms of the Bid Form.

The PUA hereby acknowledges that the sale of the Bonds pursuant to the Bid Form is contingent upon the issuance of a policy of municipal bond insurance insuring the timely payment of principal of and interest on the Bonds. The President, Vice President and Secretary of the Board of Directors and other appropriate PUA officials are hereby authorized and directed to execute such documents and certificates and to do any and all things necessary or desirable to obtain such insurance, in any, and the printing on the Bonds of an appropriate legend or statement regarding such insurance is hereby approved. In addition, the insurance provisions contained in Exhibit C shall apply to the Bonds, notwithstanding anything to the contrary contained herein.

Furthermore, the PUA hereby ratifies, confirms and approves in all respects (i) the PUA's prior determination that the Preliminary Official Statement was, as of its date, "deemed final" in

accordance with the Rule (hereinafter defined), and (ii) the use and distribution of the Preliminary Official Statement by the Purchaser in connection with the public offering and sale of the Bonds. The final Official Statement shall be and is hereby in all respects approved and the Purchaser are hereby authorized to use and distribute the final Official Statement, dated as of the date hereof, in the reoffering, sale and delivery of the Bonds to the public. The President or Vice President of the Board of Directors, and the Secretary of the Board of Directors are further authorized and directed to manually execute and deliver for and on behalf of the PUA copied of the Official Statement in final form as may be required by the Purchaser, and such final Official Statement in the form and content manually executed by said officials shall be deemed to be approved by the Board and constitute the Official Statement authorized for distribution and use by the Purchaser.

SECTION 36: Deposit of Proceeds. Proceeds from the sale of the Bonds shall be applied as follows:

- (a) \$524,235.00 shall be used to pay costs of issuance of the Bonds.
- (b) \$40,000,000.00 shall be deposited into the Facilities Fund and used for capital additions and improvements to the System. Interest earned on the proceeds of the Bonds pending completion of the projects financed with such proceeds shall be accounted for, maintained, deposited, and expended as permitted by the provisions of Chapter 1201, as amended, Texas Government Code, or as required by any other applicable law. Thereafter, such amounts shall be expended in accordance with Section 13 of this Resolution.

SECTION 37: Covenants to Maintain Tax-Exempt Status. The PUA intends that the interest on the Bonds shall be excludable from gross income of the owners thereof for federal income tax purposes pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and all applicable temporary, proposed and final regulations (the "Regulations") and procedures promulgated thereunder and applicable to the Bonds, the PUA covenants that it will monitor and control the receipt, investment, expenditure and use of all gross proceeds of the Bonds (including all property the acquisition, construction or improvement of which is to be financed directly or indirectly with the proceeds of the Bonds) and take or omit to take such other and further actions as may be required by Sections 103 and 141 through 150 of the Code and the Regulations to cause interest on the Bonds to be and remain excludable from the gross income, as defined in Section 61 of the Code, of the owners of the Bonds for federal income tax purposes. Without limiting the generality of the foregoing, the PUA shall comply with each of the following covenants:

- (a) The PUA will use all of the proceeds of the Bonds to (i) provide funds for the purposes described in Section 2 hereof, which will be owned and operated by the PUA and (ii) to pay the costs of issuing the Bonds.
- (b) The PUA will not directly or indirectly take any action, or omit to take any action, which action or omission would cause the Bonds to constitute "private activity bonds" within the meaning of Section 141(a) of the Code.

(c) Principal of and interest on the Bonds will be paid solely from and equally and ratably secured by a lien on and pledge of Net Revenues.

(d) Based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, the PUA reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds or any portion thereof to be an “arbitrage bond” within the meaning of Section 148 of the Code.

(e) At all times while the Bonds are outstanding, the PUA will identify and properly account for all amounts constituting gross proceeds of the Bonds in accordance with the Regulations. The PUA will monitor the yield on the investments of the proceeds of the Bonds and, to the extent required by the Code and the Regulations, will restrict the yield on such investments to a yield which is not materially higher than the yield on the Bonds. To the extent necessary to prevent the Bonds from constituting “arbitrage bonds,” the PUA will make such payments as are necessary to cause the yield on all yield restricted nonpurpose investments allocable to the Bonds to be less than the yield that is materially higher than the yield on the Bonds.

(f) The PUA will not take any action or knowingly omit to take any action that, if taken or omitted, would cause the Bonds to be treated as “federally guaranteed” obligations for purposes of Section 149(b) of the Code.

(g) The PUA represents that not more than fifty percent (50%) of the proceeds of the Bonds will be invested in nonpurpose investments (as defined in Section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the PUA reasonably expects that at least eighty-five percent (85%) of the spendable proceeds of the Bonds will be used to carry out the governmental purpose of the Bonds within the three-year period beginning on the date of issue of the Bonds.

(h) The PUA will take all necessary steps to comply with the requirement that certain amounts earned by the PUA on the investment of the gross proceeds of the Bonds, if any, be rebated to the federal government. Specifically, the PUA will (i) maintain records regarding the receipt, investment, and expenditure of the gross proceeds of the Bonds as may be required to calculate such excess arbitrage profits separately from records of amounts on deposit in the funds and accounts of the PUA allocable to other obligations of the PUA or moneys which do not represent gross proceeds of any obligations of the PUA and retain such records for at least six years after the day on which the last outstanding Bond is discharged, (ii) account for all gross proceeds under a reasonable, consistently applied method of accounting, not employed as an artifice or device to avoid in whole or in part, the requirements of Section 148 of the Code, including any specified method of accounting required by applicable Regulations to be used for all or a portion of any gross proceeds, (iii) calculate, at such times as are required by applicable Regulations, the amount of excess arbitrage profits, if any, earned from the investment of the gross proceeds of the Bonds and (iv) timely pay, as required by applicable Regulations, all amounts required to be rebated to the federal government. In addition, the PUA will exercise reasonable diligence to assure that no errors are made in the calculations required by the

preceding sentence and, if such an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter, including payment to the federal government of any delinquent amounts owed to it, interest thereon and any penalty.

(i) The PUA will not directly or indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if such arrangement had been at arm's length and had the yield on the Bonds not been relevant to either party.

(j) The PUA will timely file or cause to be filed with the Secretary of the Treasury of the United States the information required by Section 149(e) of the Code with respect to the Bonds on such form and in such place as the Secretary may prescribe.

(k) The PUA will not issue or use the Bonds as part of an “abusive arbitrage device” (as defined in Section 1.148-10(a) of the Regulations). Without limiting the foregoing, the Bonds are not and will not be a part of a transaction or series of transactions that attempts to circumvent the provisions of Section 148 of the Code and the Regulations, by (i) enabling the PUA to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage, or (ii) increasing the burden on the market for tax-exempt obligations.

(l) Proper officers of the PUA charged with the responsibility for issuing the Bonds are hereby directed to make, execute and deliver certifications as to facts, estimates or circumstances in existence as of the date of issuance of the Bonds and stating whether there are facts, estimates or circumstances that would materially change the PUA's expectations. On or after the date of issuance of the Bonds, the PUA will take such actions as are necessary and appropriate to assure the continuous accuracy of the representations contained in such certificates.

(m) The covenants and representations made or required by this Section are for the benefit of the Bond holders and any subsequent Bond holder, and may be relied upon by the Bond holders and any subsequent Bond holder and bond counsel to the PUA.

In complying with the foregoing covenants, the PUA may rely upon an unqualified opinion issued to the PUA by nationally recognized bond counsel that any action by the PUA or reliance upon any interpretation of the Code or Regulations contained in such opinion will not cause interest on the Bonds to be includable in gross income for federal income tax purposes under existing law.

Notwithstanding any other provision of this Resolution, the PUA's representations and obligations under the covenants and provisions of this Section shall survive the defeasance and discharge of the Bonds for as long as such matters are relevant to the exclusion of interest on the Bonds from the gross income of the owners for federal income tax purposes.

SECTION 38: Control and Custody of Bonds. The President or Vice President, Board of Directors shall be and is hereby authorized to take and have charge of all necessary orders and

records pending investigation by the Attorney General of the State of Texas and shall take and have charge and control of the Bonds pending their approval by the Attorney General, the registration thereof by the Comptroller of Public Accounts and the delivery of the Bonds to the Purchaser.

Furthermore, the President, Vice President or Secretary of the Board, or General Counsel, either or all, are hereby authorized and directed to furnish and execute such documents relating to the PUA and its financial affairs as may be necessary for the issuance of the Bonds, the approval of the Attorney General and their registration by the Comptroller of Public Accounts and, together with the PUA's financial advisor, bond counsel, and the Paying Agent/Registrar, make the necessary arrangements for the delivery of the Initial Bond to the Purchaser.

SECTION 39: Defeasance. If the PUA shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the lien on and pledge of Net Revenues under this Resolution and all covenants, agreements, and other obligations of the PUA to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds, or any principal amount(s) thereof, shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at Stated Maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar or an authorized escrow agent, or (ii) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any money deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The PUA covenants that no deposit of money or Government Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as arbitrage bonds within the meaning of section 148 of the Code.

Any money so deposited with the Paying Agent/Registrar, and all income from Government Securities held in trust by the Paying Agent/Registrar, or an authorized escrow agent, pursuant to this Section which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such money has been so deposited shall be remitted to the PUA or deposited as directed by the PUA. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the Bonds such money was deposited and is held in trust to pay shall upon the request of the PUA be remitted to the PUA against a written receipt therefor, subject to the unclaimed property laws of the State of Texas.

SECTION 40: Resolution a Contract; Amendments - Outstanding Bonds. The PUA acknowledges that the covenants and obligations of the PUA herein contained are a material inducement to the purchase of the Bonds. This Resolution shall constitute a contract with the Holders from time to time, be binding on the PUA and its successors and assigns, and it shall not be amended or repealed by the PUA so long as any Bond remains Outstanding except as permitted in this Section. The PUA may, without the consent of any Holders, from time to time and at any time, amend this Resolution in any manner not detrimental to the interests of the Holders, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the PUA may, with the written consent of Holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of all Holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission.

SECTION 41: Opinion of Bond Counsel. The approving opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel, may be printed on the Bonds, but errors or omissions in the printing of such opinion shall have no effect on the validity of the Bonds. The engagement of such firm as bond counsel for the PUA in connection with the issuance, sale and delivery of the Bonds is hereby approved, ratified and confirmed; and the President of the Board, the Vice President of the Board or the General Manager of the PUA is hereby authorized to approve, execute and deliver an engagement letter in such form as may be approved by any such official.

SECTION 42: CUSIP Numbers. CUSIP numbers may be printed or typed on the definitive Bonds. It is expressly *provided, however*, that the presence or absence of CUSIP numbers on the definitive Bonds shall be of no significance or effect as regards the legality thereof, and neither the PUA nor attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed or typed on the definitive Bonds.

SECTION 43: Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 44: Benefits of Resolution. Nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person other than the PUA, the Participants, Bond Counsel, Paying Agent/Registrar, and the Holders, any right, remedy, or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the PUA, the Participants, Bond Counsel, the Paying Agent/Registrar, and the Holders.

SECTION 45: Inconsistent Provisions. All orders and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Resolution are hereby repealed to the extent of such conflict, and the provisions of this Resolution shall be and remain controlling as to the matters resolved herein.

SECTION 46: Governing Law. This Resolution shall be construed and enforced in accordance with the laws of the State of Texas and the United States of America.

SECTION 47: Severability. If any provision of this Resolution or the application thereof to any person or circumstance shall be held to be invalid, the remainder of this Resolution and the application of such provision to other persons and circumstances shall nevertheless be valid, and the Board hereby declares that this Resolution would have been enacted without such invalid provision.

SECTION 48: Incorporation of Preamble Recitals. The recitals contained in the preamble hereof are hereby found to be true, and such recitals are hereby made a part of this Resolution for all purposes and are adopted as a part of the judgment and findings of the Board.

SECTION 49: Public Meeting. It is officially found, determined, and declared that the meeting at which this Resolution is adopted was open to the public and public notice of the time, place, and subject matter of the public business to be considered at such meeting, including this Resolution, was given, all as required by Chapter 551, as amended, Texas Government Code.

SECTION 50: Continuing Disclosure Undertaking.

(a) Annual Reports. The PUA shall file annually with the MSRB, (1) within six (6) months after the end of each fiscal year ending in or after 2022, financial information and operating data with respect to the PUA of the general type included in the final Official Statement authorized by Section 35 of this Resolution being the information described in Exhibit B, including financial statements of the PUA if audited financial statements of the PUA are then available, and (2) if not provided as part of such financial information and operating data, audited financial statements of the PUA, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit B, or such other accounting principles as the PUA may be required to employ from time to time pursuant to state law or regulation, and (ii) audited, if the PUA commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the PUA shall file unaudited financial statements within such period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

If the PUA changes its fiscal year, it will file notice of such change (and of the date of the new fiscal year end) with the Paying Agent/Registrar and the MSRB prior to the next date by which the PUA otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific referenced to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to the MSRB or filed with the SEC.

The Controller of the PUA is authorized to establish and implement written procedures to ensure compliance with the reporting requirements imposed by this Section. Such procedures may be modified and amended by the Controller of the PUA from time to time to the extent the modification or amendment of such procedures are deemed necessary, useful or appropriate.

(b) Certain Event Notices. The PUA shall notify the MSRB, in a timely manner (not in excess of ten (10) business days after the occurrence of the event), of any of the following events with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) 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;
- (vii) Modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the PUA or a Participant;
- (xiii) The consummation of a merger, consolidation, or acquisition involving the PUA or a Participant or the sale of all or substantially all of the assets of the PUA or a Participant other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action

or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) Appointment of a successor or additional trustee or the change of name of trustee, if material;

(xv) incurrence of a Financial Obligation of the PUA or a Participant, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the PUA or a Participant, any of which affect security holders, if material; and

(xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the PUA or a Participant, any of which reflect financial difficulties.

For these purposes, (a) any event described in the immediately preceding paragraph (xii) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the PUA or a Participant in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the PUA or a Participant, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the PUA or a Participant in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the PUA or a Participant, and (b) the PUA intends the words used in the immediately preceding paragraphs (xv) and (xvi) and the definition of Financial Obligation in this Resolution to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

The PUA shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the PUA to provide financial information or operating data in accordance with paragraph (a) above by the time required by such paragraph.

(c) Identifying Information. All documents provided to the MSRB pursuant to this Section shall be provided in an electronic format and be accompanied by identifying information as prescribed by the MSRB.

(d) Limitations, Disclaimers, and Amendments. The PUA shall be obligated to observe and perform the covenants specified in this Section with respect to the PUA and the Bonds while, but only while, the PUA remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the PUA in any event will provide the notice required by subsection (b) hereof of any Bond calls and defeasance that cause the PUA to be no longer such an “obligated person.”

The provisions of this Section are for the sole benefit of the Holders and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit

or any legal or equitable right, remedy, or claim hereunder to any other person. The PUA undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the PUA or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The PUA does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE PUA BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE PUA, WHETHER NEGLIGENT OR WITH OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the PUA in observing or performing its obligations under this Section shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the PUA under federal and state securities laws.

The provisions of this Section may be amended by the PUA from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the PUA, but only if (1) the provisions of this Section, 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 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the PUA (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. The PUA may also repeal or amend the provisions of this Section if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the PUA also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the PUA so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in

accordance with subsection (a) of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 51: Book-Entry Only System. It is intended that the Bonds initially be registered so as to participate in a securities depository system (the “DTC System”) with The Depository Trust Company, New York, New York, or any successor entity thereto (“DTC”), as set forth herein. Each Stated Maturity of the Bonds shall be issued (following cancellation of the Initial Bond described in Section 8) in the form of a separate single definitive Bond. Upon issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as the nominee of DTC, and all of the Outstanding Bonds shall be registered in the name of Cede & Co., as the nominee of DTC. The PUA and the Paying Agent/Registrar are authorized to execute, deliver, and take the actions set forth in such letters to or agreements with DTC as shall be necessary to effectuate the DTC System, including the Letter of Representations previously executed and delivered to DTC (the “Representation Letter”).

With respect to the Bonds registered in the name of Cede & Co., as nominee of DTC, the PUA and the Paying Agent/Registrar shall have no responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds the Bonds from time to time as securities depository (a “Depository Participant”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds (an “Indirect Participant”). Without limiting the immediately preceding sentence, the PUA and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository Participant or any other person, other than a registered owner of the Bonds, as shown on the Security Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a Holder of a Bond, of any amount with respect to principal of, premium, if any, or interest on the Bonds. While in the DTC System, no person other than Cede & Co., or any successor thereto, as nominee for DTC, shall receive a Bond evidencing the obligation of the PUA to make payments of principal, premium, if any, and interest pursuant to this Resolution. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Resolution with respect to interest checks or drafts being mailed to the Holder, the word “Cede & Co.” in this Resolution shall refer to such new nominee of DTC.

In the event that (a) the PUA determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, (b) the Representation Letter shall be terminated for any reason, or (c) DTC or the PUA determines that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the PUA shall notify the Paying Agent/Registrar, DTC, and the Depository Participants of the availability within a reasonable period of time through DTC of bond certificates, and the Bonds shall no longer be restricted to being registered in the name of Cede & Co., as nominee of DTC. At that time, the PUA may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a securities depository system, as may be acceptable to the PUA, or such depository’s agent or designee, and if the PUA and the Paying Agent/Registrar do not select such alternate securities depository system then the Bonds may be registered in whatever

name or names the Holders of Bonds transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

SECTION 52: Unavailability of Authorized Publication. If, because of the temporary or permanent suspension of any newspaper, journal, or other publication, or, for any reason, publication of notice cannot be made meeting any requirements herein established, any notice required to be published by the provisions of this Resolution shall be given in such other manner and at such time or times as in the judgment of the PUA or of the Paying Agent/Registrar shall most effectively approximate such required publication and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirements for publication thereof.

SECTION 53: No Recourse Against PUA Officials. No recourse shall be had for the payment of principal of, premium, if any, or interest on any Senior Lien Obligations or for any claim based thereon or on this Resolution against any official of the PUA or any person executing any Senior Lien Obligations.

SECTION 54: Further Procedures. The officers of the PUA are hereby authorized, empowered and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge and deliver in the name and on behalf of the PUA all such notices, certificates, agreements and other instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the initial sale and delivery of the Bonds, the Paying Agent/Registrar Agreement, the Bid Form, and the Official Statement. In addition, prior to the initial delivery of the Bonds, the President, Vice President and the Secretary of the Board and Bond Counsel are hereby authorized and directed to approve any technical changes or corrections to this Resolution or to any of the instruments authorized and approved by this Resolution necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Resolution and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies, or (iii) obtain the approval of the Bonds by the Texas Attorney General's office. In case any officer of the PUA whose signature shall appear on any certificate shall cease to be such officer before the delivery of such certificate, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

SECTION 55: Effective Date. This Resolution shall be in force and effect from and after its final passage, and it is so resolved.

[The remainder of this page intentionally left blank]

PASSED AND ADOPTED on this April 21, 2022.

WEST TRAVIS COUNTY PUBLIC
UTILITY AGENCY

President, Board of Directors

ATTEST:

Secretary, Board of Directors

EXHIBIT A
FORM OF BOND

The form of the Bond, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds, shall be generally as follows:

(a) Form of Bonds.

REGISTERED
NO. _____

REGISTERED
\$ _____

United States of America
State of Texas

**WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY
REVENUE BOND
SERIES 2022**

Bond Date:	Issue Date:	Interest Rate:	Stated Maturity:	CUSIP No.
May 19, 2022	May 19, 2022			

REGISTERED OWNER

PRINCIPAL AMOUNT:

DOLLARS

The WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY (the “PUA”), a political subdivision of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner specified above, or the registered assigns thereof, on the Stated Maturity date specified above, the Principal Amount specified above (or so much thereof as shall not have been paid upon prior redemption), and to pay interest on the unpaid principal amount hereof from the Issue Date specified above, or from the most recent interest payment date to which interest has been paid or duly provided for until such principal sum has become due and payment thereof has been made or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rate of interest specified above computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 of each year commencing August 15, 2022.

Principal and premium, if any, of this Bond shall be payable to the Registered Owner hereof (the “Holder”) upon presentation and surrender at the corporate trust office of the Paying Agent/Registrar executing the registration certificate appearing hereon or a successor thereof. Interest shall be payable to the Holder of this Bond (or one or more Predecessor Bonds, as defined in the Resolution hereinafter referenced) whose name appears on the Security Register maintained by BOFK, NA, Dallas, Texas (the “Paying Agent/Registrar”) at the close of business on the Record Date, which is the first day of the month in which each interest payment date occurs. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of

America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on the appropriate date of payment by United States mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by the Holder hereof at the Holder's risk and expense.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$39,750,000 (the "Bonds") pursuant to a resolution adopted by the governing body of the PUA (the "Resolution"), for the purpose of (i) acquiring and constructing the system and (ii) paying the costs of issuing the Bonds. The Bonds are authorized to be issued pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Chapter 572, Texas Local Government Code, as amended.

The Bonds stated to mature on August 15 in the year(s) 2029, 2032, 2034, 2036, 2038, 2042, 2044, and 2052 are referred to herein as the "Term Bonds." The Term Bonds are subject to mandatory sinking fund redemption prior to their Stated Maturities from money required to be deposited in the Bond Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on August 15 in each of the years as set forth below:

TERM BONDS MATURING AUGUST 15, 2029

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2028	\$815,000	100%
2029*	865,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2032

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2030	\$920,000	100%
2031	970,000	100%
2032*	1,015,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2034

<u>Year</u> <u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2033	\$1,065,000	100%
2034*	1,110,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2036

Year

<u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2035	\$1,155,000	100%
2036*	1,200,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2038

Year		
<u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2037	\$1,250,000	100%
2038*	1,300,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2042

Year		
<u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2039	\$1,350,000	100%
2040	1,405,000	100%
2041	1,460,000	100%
2042*	1,520,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2044

Year		
<u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2043	\$1,580,000	100%
2044*	1,645,000	100%

*Stated Maturity.

TERM BONDS MATURING AUGUST 15, 2052

Year		
<u>(August 15)</u>	<u>Principal Amount</u>	<u>Price</u>
2045	\$1,710,000	100%
2046	1,775,000	100%
2047	1,850,000	100%
2048	1,920,000	100%
2049	2,000,000	100%
2050	2,080,000	100%
2051	2,160,000	100%
2052*	2,250,000	100%

*Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the PUA, by the principal amount of any Term Bonds of such Stated Maturity which, at least 45 days prior to the

mandatory redemption date (1) shall have been acquired by the PUA and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the PUA with money in the Bond Fund (and not the Reserve Fund), or (3) shall have been redeemed pursuant to the optional redemption provisions set forth below and not theretofore credited against a mandatory redemption.

The Bonds stated to mature on and after August 15, 2029, may be redeemed prior to their Stated Maturities, at the option of the PUA, on August 15, 2027, or on any date thereafter, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof (and if within a Stated Maturity selected by lot or other random selection method by the Paying Agent/Registrar) at the redemption price of par, together with accrued interest to the date of redemption, and upon thirty (30) days prior written notice being given by United States Mail, first-class postage prepaid, to Holders of the Bonds to be redeemed, and subject to the terms and provisions relating thereto contained in the Resolution. If this Bond is subject to redemption prior to Stated Maturity and is in a denomination in excess of \$5,000, portions of the principal sum hereof in installments of \$5,000 or any integral multiple thereof may be redeemed, and, if less than all of the principal sum hereof is to be redeemed, there shall be issued, without charge therefor, to the Holder hereof, upon the surrender of this Bond to the Paying Agent/Registrar at its corporate trust office, a new Bond or Bonds of like Stated Maturity and interest rate in any authorized denominations provided in the Resolution for the then unredeemed balance of the principal sum hereof.

The Bonds are special obligations of the PUA payable from and equally and ratably secured by a lien on and pledge of Net Revenues. In the Resolution, the PUA reserves and retains the right to issue Additional Senior Lien Obligations and additional junior lien obligations and inferior lien obligations, without limitation as to principal amount but subject to any terms, conditions, or restrictions set forth in the Resolution or as may be applicable thereto under law or otherwise. The Bonds do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the PUA or the System, except with respect to the Net Revenues.

THIS BOND IS NOT A GENERAL OBLIGATION OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF. THE REGISTERED OWNER SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT HEREOF OUT OF MONEY RAISED OR TO BE RAISED BY TAXATION. THE PUA HAS NO TAXING AUTHORITY.

Reference is hereby made to the Resolution, copies of which are on file in the corporate trust office of the Paying Agent/Registrar, and to all of the provisions of which the Holder by his acceptance hereof hereby assents, for definitions of terms; the description and nature of the Net Revenues pledged for the payment of the Bonds; the terms and conditions under which the PUA may issue Additional Senior Lien Obligations and additional junior lien obligations and inferior lien obligations; the terms and conditions relating to the transfer or exchange of the Bonds; the conditions upon which the Resolution may be amended or supplemented with or without the consent of the Holders; the rights, duties, and obligations of the PUA and the Paying Agent/Registrar; the terms and provisions upon which this Bond may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Resolution. Capitalized terms used herein have the same meanings assigned in the Resolution.

It is hereby certified, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Bond in order to render the same a legal, valid, and binding special obligation of the PUA have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Bonds does not exceed any constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by a lien on and pledge of Net Revenues. In case any provision in this Bond or any application thereof shall be deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Resolution shall be construed in accordance with and shall be governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the Board of Directors of the PUA has caused this Bond to be duly executed.

WEST TRAVIS COUNTY PUBLIC
UTILITY AGENCY

By: _____
President, Board of Directors

ATTESTED:

Secretary, Board of Directors

Form of Registration Certificate of Comptroller of Public Accounts to Appear on Initial Bond Only.

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
THE STATE OF TEXAS § REGISTER NO.

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this _____.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

Form of Certificate of Paying Agent/Registrar to Appear on Definitive Bonds Only.

This Bond has been duly issued under the provisions of the within-mentioned Resolution, the Bond or Bonds of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent/Registrar.

BOKF, NA,
as Paying Agent/Registrar

Registered this date:

By: _____ By: _____
Authorized Officer

Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address, and zip code of transferee): _____

(Social Security or other identifying number: _____) the within Bonds and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

DATED:

NOTICE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular.

Signature guaranteed:

(b) The Initial Bond shall be in the form set forth in paragraph (a) of this Section, except that the form of a single fully registered Initial Bond shall be modified as follows:

- (i) immediately under the name of the Bond(s) the headings "Interest Rate" and "Stated Maturity" shall both be completed "as shown below";
- (ii) reference to a CUSIP No. shall be deleted; and
- (iii) the first two paragraphs shall read as follows:

Registered Owner: _____

Principal Amount: _____

The West Travis County Public Utility Agency (the "PUA"), a political subdivision of the State of Texas, for value received, hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, the Principal Amount specified above on August 15 in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>Year of</u> <u>Stated Maturity</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>Interest</u> <u>Rate (%)</u>
--	--	------------------------------------

(Information to be inserted from Section 3 of the Resolution)

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest on the unpaid Principal Amounts hereof from the Bond Date specified above, or from the most recent interest payment date to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at the per annum rates of interest specified above computed on the basis of a 360-day year of twelve 30-day months, such interest being payable on February 15 and August 15 of each year, commencing August 15, 2022.

Principal of this Bond shall be payable to the Registered Owner hereof (the Holder), upon its presentation and surrender, at the corporate trust office of BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest shall be payable to the Holder of this Bond whose name appears on the Security Register maintained by the Paying Agent/Registrar at the close of business on the Record Date, which is the first day of the month in which each interest payment date occurs. All payments of principal of and interest on this Bond shall be in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be paid by the Paying Agent/Registrar by check sent on or prior to the appropriate date of payment by United States Mail, first-class postage prepaid, to the Holder hereof at the address appearing in the Security Register or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Holder hereof.

(c) Statement of Insurance

The following statement of insurance shall appear on the Initial Bond and on the definitive Bonds:

STATEMENT OF INSURANCE

Assured Guaranty Municipal Corp. (“AGM”), New York, New York, has delivered its municipal bond insurance policy (the “Policy”) with respect to the scheduled payments due of principal of and interest on the Bonds (the “Bonds”), to BOFK, NA, a national banking association, Dallas, Texas, or its successor, as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from AGM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of each Bond acknowledges and consents to the subrogation rights of AGM as more fully set forth in the Policy.

EXHIBIT B

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 50 of the Resolution.

Annual Financial Statements and Operating Data

The financial information and operating data with respect to the PUA to be provided annually in accordance with such Section are as specified (and included in Appendix A or under the headings of the Official Statement referred to) below:

1. The portions of the PUA's audited financial statements included as Appendix A to the Official Statement, for the most recently concluded fiscal year, or to the extent these audited financial statements are not available, portions of the unaudited financial statements of the PUA, but for the most recently concluded fiscal year.

2. The information disclosed in Tables 1-6 of the Official Statement with respect to the PUA.

Accounting Principles

The accounting principles referred to in such Section are generally accepted accounting principles described in the notes to the PUA's audited financial statements.

EXHIBIT C

PROVISIONS RELATED TO INSURANCE

The following provisions are incorporated into the Resolution with respect to the Bonds pursuant to Section 35 of the Resolution:

Not applicable.

THIS PAGE LEFT INTENTIONALLY BLANK

APPENDIX I

FORM OF BOND COUNSEL'S OPINION

THIS PAGE LEFT INTENTIONALLY BLANK



May 19, 2022

Orrick, Herrington & Sutcliffe LLP

300 West 6th Street
Suite 1850
Austin, TX 78701

T +1 512 582 6950
F +1 512-582-6949

orrick.com

WE HAVE ACTED as Bond Counsel for the West Travis County Public Utility Agency (the “Agency”), in connection with an issue of bonds (the “Bonds”) described as follows:

WEST TRAVIS COUNTY PUBLIC UTILITY AGENCY REVENUE BONDS, SERIES 2022, dated May 19, 2022, in the aggregate principal amount of \$39,750,000 maturing as set out in the Bonds and the resolution authorizing the issuance of the Bonds (the “Resolution”) adopted by the Board of Directors of the Agency. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and the Resolution.

WE HAVE ACTED as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income under federal income tax law. In such capacity we have examined the Constitution and laws of the State of Texas; federal income tax law; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds, as described in the Resolution. The transcript contains certified copies of certain proceedings of the Agency, certain certifications and representations and other material facts within the knowledge and control of the Agency, upon which we rely, and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We have also examined executed Bond No. T-1 of this issue.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the Agency or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED ON SUCH EXAMINATION, it is our opinion as follows:

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Agency enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds

may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with law; and

- (2) The Bonds are special obligations of the Agency and are payable solely from a first lien on and pledge of the Net Revenues of the Agency's water supply and wastewater treatment system (the "System"). "Net Revenues" are the revenues to be derived from the operation of the Agency's System after the payment of all operation and maintenance expenses thereof, as more fully described in the Resolution.

THE AGENCY HAS RESERVED THE RIGHT in the Resolution to issue from time to time additional obligations which are equally and ratably secured on parity with the Bonds by a first lien on and pledge of the Net Revenues.

ALSO BASED ON OUR EXAMINATION AS DESCRIBED ABOVE, it is our further opinion that, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Agency comply with all requirements of the Code, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Agency has covenanted in the Resolution to comply with each such requirement.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX J

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

THIS PAGE LEFT INTENTIONALLY BLANK



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES