

This Official Notice of Sale does not alone constitute an invitation for bids on the Bonds but is merely notice of the sale of the Bonds described herein. The invitation for bids is being made by means of this Official Notice of Sale, the Official Bid Form attached hereto and the Preliminary Official Statement. Information contained in this Official Notice of Sale is qualified in its entirety by the detailed information contained in the Official Statement.

OFFICIAL NOTICE OF SALE

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

\$8,200,000

UNLIMITED TAX BONDS, SERIES 2020

The Bonds are obligations of South Buda Water Control and Improvement District No. 1 (the "District") and are not obligations of the City of Buda, Hays Consolidated Independent School District, Hays County, the State of Texas, or any entity other than the District.

The Bonds **will be** designated as "Qualified Tax-Exempt Obligations" (see "DELIVERY AND ACCOMPANYING DOCUMENTS – Qualified Tax-Exempt Obligations for Financial Institutions" herein).

THE SALE

BONDS OFFERED FOR SALE BY COMPETITIVE BIDDING: The Board of Directors (the "Board") of the District is inviting competitive bids for the purchase of \$8,200,000 Unlimited Tax Bonds, Series 2020 (the "Bonds"). Bids may be submitted by either of three alternative procedures: (1) sealed, written bids; (2) electronic bids; or (3) telephone or facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The District and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of bids by telephone, facsimile or electronic options.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

PROCEDURE NUMBER 1: SEALED, WRITTEN BIDS: Sealed bids, plainly marked "Bid for Bonds", should be addressed to "President and Board of Directors, South Buda Water Control and Improvement District No. 1", and should be delivered to the District's Financial Advisor, Dan Wegmiller, Specialized Public Finance Inc., at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 10:00 A.M., CDT, on Wednesday, October 21, 2020 ("the date of the bid opening").

PROCEDURE NUMBER 2: ELECTRONIC BIDDING PROCEDURES: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 10:00 A.M., CDT, on the date of the bid opening. ***Bidders must also submit, prior to 10:00 A.M., CDT, on the date of the bid opening, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.***

Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Dalcomp/Parity, 395 Hudson Street, New York, New York 10014, attention: Jennifer Emery (212) 806-8304.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to either bidding system. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither Specialized Public Finance Inc. nor the District shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form. If any provisions of this Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control.

For information purposes only, and not as a part of their bid, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "Basis of Award" below.

PROCEDURE NUMBER 3: BIDS BY TELEPHONE OR FACSIMILE: Bidders must submit prior to 10:00 A.M., CDT, on the date of the bid opening, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, TX 78746, and submit their bid by telephone or facsimile (fax) by 10:00 A.M., CDT, on the date of the bid opening.

Telephone bids will be accepted at (512) 275-7300, between 9:30 A.M. and 10:00 A.M., CDT on the date of the bid opening.

Fax bids must be received between 9:30 A.M. and 10:00 A.M., CDT, on the date of the bid opening at (512) 275-7305, attention: Dan Wegmiller.

PLACE AND TIME OF BID OPENING: The Board will award the sale of the Bonds at its regular meeting at 12:00 P.M. on Wednesday, October 21, 2020. This meeting will be held by remote access only in accordance with the March 16, 2020 Order by Governor Abbott temporarily suspending certain requirements of the Texas Open Meetings Act to advance the goal of limiting face-to-face meetings to slow the spread of Covid-19. Members of the public may access this meeting by telephone and participate in the meeting by calling one of the following toll-free numbers: (877) 853-5247 or (888) 788-0099 and entering the following information: Meeting ID: 823 0596 4337 and Password: 439142. Please see the District's website at www.sbwcid1.org for the meeting packet. All bids, including those being hand delivered, must be received by 10:00 A.M., CDT. Any bid received after the scheduled time for receipt will not be accepted by the Board and will be returned unopened. Any bid received after the scheduled time for receipt will not be accepted by the Board and will be returned unopened.

AWARD OF THE BONDS: The District will take action to award the Bonds or reject any or all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder (the "Initial Purchaser"), the Board will adopt an order authorizing the issuance of the Bonds (the "Bond Order"). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order, to which Bond Order reference is hereby made for all purposes. **The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.**

WITHDRAWAL OF THE BIDS: Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for five hours after the time for receipt of the bids. The award of or rejection of bids will occur within this same time period.

EXTENSION OF SALE DATE: The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 P.M., CDT, on Tuesday, October 20, 2020, of the new date and time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

MUNICIPAL BOND RATING AND INSURANCE: The Bonds and the outstanding debt of the District have been rated "BBB" by S&P Global Ratings ("S&P") without regard to credit enhancement. The District has applied for bond insurance on the Bonds. If qualified, the purchase of municipal bond insurance for the Bonds will be at the option and expense of the Initial Purchaser. The rating fees of S&P will be paid by the District; any other rating fees associated with the insurance will be the responsibility of the Initial Purchaser. A downgrade of the insurer by any rating agency subsequent to submitting a bid with municipal bond insurance and before the closing of the transaction is not a material adverse change nor is it a basis for the Initial Purchaser to terminate its obligations to pay for the Bonds at closing. See "Conditions to Delivery" and "No Material Adverse Change" herein. It should be noted that the state of the municipal bond insurance industry is under stress, which could result in downgrades of certain municipal bond insurers. Accordingly, investors should evaluate the underlying credit quality of the District.

THE BONDS

DESCRIPTION OF THE BONDS: The Bonds will be dated November 12, 2020, and interest will accrue from the date of initial delivery, will be payable on February 1, 2021, and on each August 1 and February 1 thereafter until the earlier of maturity or prior redemption and will be calculated on the basis of a 360 day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity, and principal and interest will be paid by the initial paying agent/registrar BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") 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 Preliminary Official Statement (made a part hereof) for a more complete description of the Bonds, including redemption provisions. The Bonds will mature on August 1 in the years and amounts as follows:

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MATURITY SCHEDULE

Year	Principal Amount	Year	Principal Amount
2022	\$ 140,000	2037	\$ 275,000
2023	150,000	2038	290,000
2024	155,000	2039	300,000
2025	165,000	2040	315,000
2026	170,000	2041	330,000
2027	180,000	2042	345,000
2028	185,000	2043	360,000
2029	195,000	2044	375,000
2030	205,000	2045	395,000
2031	210,000	2046	410,000
2032	220,000	2047	430,000
2033	230,000	2048	450,000
2034	240,000	2049	470,000
2035	255,000	2050	490,000
2036	265,000		

OPTIONAL REDEMPTION PROVISIONS: Bonds maturing on and after August 1, 2026, are subject to redemption prior to maturity, at the option of the District, as a whole or, from time to time in part, on August 1, 2025, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

If less than all of the Bonds are to be redeemed, the particular Bonds thereof shall be selected and designated by the District, and if less than all of the Bonds within a maturity are redeemed, the particular Bonds or portions thereof to be redeemed shall be selected by the Paying Agent by lot or other customary random method.

MANDATORY SINKING FUND REDEMPTION: If the successful bidder designates principal amounts to be combined into two or more term bonds ("Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 1 of the first year which has been combined to form such Term Bond and continuing on August 1 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the captioned "MATURITY SCHEDULE." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of Term Bonds that have been redeemed in such year and have not been the basis for any prior optional redemption.

OTHER TERMS AND COVENANTS: Other terms of the Bonds and various covenants of the District are contained in the Bond Order, which is described in the Preliminary Official Statement, to which reference is made for all purposes.

SOURCE AND SECURITY OF PAYMENT: The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Buda, Hays Consolidated Independent School District, Hays County, the State of Texas, or any entity other than the District.

BOOK-ENTRY-ONLY SYSTEM: The District intends to utilize the book-entry-only system of DTC. See "THE BONDS – Book-Entry-Only System" in the Preliminary Official Statement.

REGISTERED FORM REQUIREMENT: Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excluded from the Registered Owners' income for federal income tax purposes.

SUCCESSOR PAYING AGENT/REGISTRAR: Provision is made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or any state thereof subject to supervision or examination by federal or state banking authorities.

CONDITIONS OF THE SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an “all or none” basis at a price of not less than ninety-seven percent (97%) of the par value to the date fixed for delivery. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1% and the net effective interest rate must not exceed 15%. The highest rate bid may not exceed the lowest rate bid by more than 3%. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid. **No bid generating a cash premium greater than \$5,000 will be considered.**

BASIS OF AWARD: For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date of initial delivery to their respective maturities and adding thereto any discount bid, if any, or subtracting therefrom any premium bid, if any. **The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing.** Subject to such rights, the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net effective interest rate to the District. In the event mathematical discrepancies between the interest rate or rates and the interest costs determined therefrom, as both appear on the Official Bid Form, the bid will be solely governed by the interest rates shown on the Official Bid Form.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the District with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

VERIFICATION PURSUANT TO CHAPTER 2271 OF THE TEXAS GOVERNMENT CODE: To the extent the winning bid for the Bonds represents a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, the winning bidder will be required to verify in the Official Bid Form, for purposes of Chapter 2271 of the Texas Government Code, as amended, that, at the time of execution and delivery of its bid, neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly-or majority-owned subsidiaries, and other affiliates of the same, if any, boycotts Israel or will boycott Israel through the date of delivery of the Bonds. The foregoing verification is made solely to comply with Section 2271.002, Texas Government Code, and to the extent such Section does not contravene applicable Federal law. As used in the foregoing verification, “boycotts Israel” and “boycott Israel” means refusing to deal with, terminating business activities with, or otherwise taking any action that is intended to penalize, inflict economic harm on, or limit commercial relations specifically with Israel, or with a person or entity doing business in Israel or in an Israeli-controlled territory, but does not include an action made for ordinary business purposes. The bidder understands “affiliate” to mean an entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

VERIFICATION PURSUANT TO CHAPTER 2252 OF THE TEXAS GOVERNMENT CODE: Pursuant to Chapter 2252 of the Texas Government Code, the bidder will be required to verify that neither the bidder nor any syndicate member listed on the Official Bid Form, nor any parent company, wholly- or majority-owned subsidiaries, or other affiliates of the same are companies identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Texas Government Code, and posted on any of the following pages of such officer’s internet website: <https://comptroller.texas.gov/purchasing/docs/sudanlist.pdf>, <https://comptroller.texas.gov/purchasing/docs/iran-list.pdf>, or <https://comptroller.texas.gov/purchasing/docs/ftolist.pdf>. The foregoing representation is made solely to comply with Section 2252.152, Texas Government Code, and to the extent such Section does not contravene applicable Federal law and excludes the bidder or any syndicate member listed on the Official Bid Form and each parent company, wholly- or majority-owned subsidiaries, and other affiliates, of the same, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization. The bidder understands “affiliate” to mean any entity that controls, is controlled by, or is under common control with the bidder or any syndicate member listed on the Official Bid Form and exists to make a profit.

GOOD FAITH DEPOSIT: A Good Faith Deposit, payable to the “South Buda Water Control and Improvement District No. 1”, in the amount of \$164,000, is required. Such Good Faith Deposit shall be retained uncashed by the District pending the Initial Purchaser’s compliance with the terms of the bid and this Official Notice of Sale. The Good Faith Deposit may be provided to the District via wire transfer (the District will provide wire instructions to the winning bidder), or in the form of a cashier’s check. The Good Faith Deposit will be retained by the District and (a) (i) if the Initial Purchaser utilizes a cashier’s check as its Good Faith Deposit, said cashier’s check will be returned to the Initial Purchaser after delivery of the Bonds, (ii) if the Initial Purchaser utilizes a wire transfer method for its Good Faith Deposit, said wire transfer will be applied to the purchase price at the delivery of the Bonds; or (b) will be retained by the District as liquidated damages if the Initial Purchaser defaults with respect to its purchase of the Bonds in accordance with its bid; or (c) will be returned to the Initial Purchaser if the Bonds are not issued by the District for any reason which does not constitute a default by the Initial Purchaser.

ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM

OBLIGATION OF THE DISTRICT TO RECEIVE INFORMATION FROM WINNING BIDDER. Pursuant to Texas Government Code, Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Bonds to a bidder unless the bidder either: (a) submits a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the District as prescribed by the Texas Ethics Commission (“TEC”), or (b) represents to the District by marking the appropriate check box on the signature page of the Official Bid Form that the bidder represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the “Publicly Traded Entity Representation”). In the event that the bidder’s bid for the Bonds is the best bid received and the bidder does not provide the Publicly Traded Entity Representation, the District, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below.

PROCESS FOR COMPLETING THE DISCLOSURE FORM. The Disclosure Form can be found at <https://www.ethics.state.tx.us/whatsnew/elfinfoform1295.htm>, and reference should be made to the following information in order to complete it: (a) item 2 — Name of District (“South Buda Water Control and Improvement District No. 1”), (b) item 3 — the identification number (“Series 2020-UTB-Bid”), and (c) item 3 — description of the goods or services assigned to this contract by the District (“Unlimited Tax Bonds, Series 2020”).

If the bidder doesn’t provide the Publicly Traded Entity Representation, the District cannot accept your bid unless and until you:

- (i) complete the Disclosure Form electronically at the TEC’s “electronic portal,” and
- (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC’s “electronic portal.”

These materials must be delivered electronically to the District’s Bond Counsel at jkyle@orrick.com and Financial Advisor dan@spfmuni.com no later than 3:00 p.m. (CST) on the Sale Date.

If the Disclosure Form is required, time will be of the essence in submitting the form to the District, and no bid will be accepted by the District unless a completed Disclosure Form is received on time. If multiple entities are listed on the winning Official Bid Form and the Publicly Traded Entity Representation is not provided, each such entity will be required to submit a Disclosure Form to the District.

Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond payable in installments (collectively, the “Initial Bond”), either in typed or printed form, in the aggregate principal amount of \$8,200,000, registered in the name of the Initial Purchaser, manually signed by the President and Secretary or Assistant Secretary of the Board, or executed by the facsimile signatures of the President and Secretary or Assistant Secretary of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to DTC in connection with DTC’s book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in Austin, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given six (6) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about November 12, 2020, and subject to the aforementioned notice it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., CDT, on November 12, 2020, or thereafter on the date the Bonds are tendered for delivery, up to and including November 26, 2020. If for any reason the District is unable to make delivery on or before November 26, 2020, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser's receipt of typewritten bonds, the legal opinion of Bond Counsel, and the No-Litigation Certificate, all of which are described herein, and the non-occurrence of the events described below under the caption "No Material Adverse Change." In addition, if the District fails to comply with its obligations described in the Preliminary Official Statement, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

LEGAL OPINIONS: The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon an examination of such transcript of proceedings, the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas ("Bond Counsel"), to a like effect and to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

COMPETITIVE BIDDING AND CERTIFICATE OF UNDERWRITER: In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the District will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold the price rule"). If the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to Specialized Public Finance Inc. the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. The attached Certificate Regarding Issue Price has language for (I) when the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

NO-LITIGATION CERTIFICATE: With the delivery of the Bonds, the President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the best knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE: The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District from those set forth in or contemplated by the Official Statement, as it may have been supplemented or amended through the date of sale.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS: The District expects to designate the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986 and will represent that the total amount of tax-exempt obligations (including the Bonds) issued by it during the calendar year 2020 is not expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

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GENERAL CONSIDERATIONS

INVESTMENT CONSIDERATIONS: The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption “RISK FACTORS.”

RESERVATION OF RIGHTS: The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

FINAL OFFICIAL STATEMENT: The District has prepared and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version for such purpose except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates and the purchase price bid by the Initial Purchaser and the initial public offering yields as provided by the Initial Purchaser to the District, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Preliminary Official Statement under “PREPARATION OF OFFICIAL STATEMENT – Certification of Official Statement.”

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to 15c2-12 of the federal Securities Exchange Act of 1934 (the “Rule”) (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the Municipal Securities Rulemaking Board but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described above. See “DELIVERY AND ACCOMPANYING DOCUMENTS – Conditions to Delivery.” The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

DELIVERY OF OFFICIAL STATEMENTS: The District will furnish Official Statements to the Initial Purchaser (and to each participating member of the underwriting syndicate, if any, of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may reasonably request as described above in “GENERAL CONSIDERATIONS – Changes to Official Statement”.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or 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 registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser’s written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

CONTINUING DISCLOSURE: The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with the Rule, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser or its agent of a certified copy of the Bond Order containing the provisions described under such heading.

SUBSTANTIVE REQUIREMENTS FOR OFFICIAL STATEMENT: The District became obligated to make continuing disclosure filings in connection with the issuance of its Unlimited Tax Bonds, Series 2010. During the past five years, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with SEC Rule 15c2-12(b)(5)(i) except as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION – Compliance with Prior Undertakings.”

ADDITIONAL COPIES OF DOCUMENTS: Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

/s/ MARVIN B. MORGAN
President, Board of Directors
South Buda Water Control and Improvement District No. 1

THE DATE OF THIS OFFICIAL NOTICE OF SALE IS OCTOBER 14, 2020.

OFFICIAL BID FORM

President and Board of Directors
South Buda Water Control and Improvement District No. 1
12912 Hill Country Blvd., Suite F-232
Austin, Texas 78738

Board Members:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement dated October 14, 2020, relating to the South Buda Water Control and Improvement District No. 1 (the "District") \$8,200,000 Unlimited Tax Bonds, Series 2020 (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment risks, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of \$8,200,000, we will pay you a price of \$_____ (which amount does not include a premium of more than \$5,000), representing approximately _____% of the par value. Such Bonds mature August 1, in each of the years and in the amounts and interest rates shown below:

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
8/1/2022	\$ 140,000	%	8/1/2037	\$ 275,000	%
8/1/2023	150,000	%	8/1/2038	290,000	%
8/1/2024	155,000	%	8/1/2039	300,000	%
8/1/2025	165,000	%	8/1/2040	315,000	%
8/1/2026	170,000	%	8/1/2041	330,000	%
8/1/2027	180,000	%	8/1/2042	345,000	%
8/1/2028	185,000	%	8/1/2043	360,000	%
8/1/2029	195,000	%	8/1/2044	375,000	%
8/1/2030	205,000	%	8/1/2045	395,000	%
8/1/2031	210,000	%	8/1/2046	410,000	%
8/1/2032	220,000	%	8/1/2047	430,000	%
8/1/2033	230,000	%	8/1/2048	450,000	%
8/1/2034	240,000	%	8/1/2049	470,000	%
8/1/2035	255,000	%	8/1/2050	490,000	%
8/1/2036	265,000	%			

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

Term Bond Maturing August 1	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%
		\$	%

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TOTAL INTEREST COST FROM 11/12/2020	\$
PLUS DOLLAR AMOUNT OF DISCOUNT	\$
NET INTEREST COST	\$
NET EFFECTIVE INTEREST RATE	%

The initial Bonds shall be registered in the name of _____ (syndicate manager). We will advise BOKF, NA, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery. We will not ask the Paying Agent/Registrar to accept any registration instructions after the five (5) day period.

A wire transfer or a cashiers or certified check to the District in the amount of \$164,000 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

The undersigned agrees to complete, execute and deliver to the District, within 5 business days of the award of sale of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Notice of Sale and Bidding Instructions, with such changes thereto as may be acceptable to the District. **The undersigned further agrees, if the District receives fewer than three bids for the Bonds, that it will neither offer nor sell the Bonds of any maturity to any person at a price that is higher than the initial offering price to the public for the Bonds of that maturity during the period starting on the Sale Date and ending on the earlier of (i) the close of the 5th business day after the Sale Date, or (ii) the date on which the winning bidder has sold at least 10% of the Bonds of that maturity to the public at a price no higher than the initial offering price to the public. Specialized Public Finance will advise the winning bidder the number of bids received by the District on the Sale Date.**

The bidder represents that, to the extent this bid form constitutes a governmental contract within the meaning of Section 2252.151 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2252 of the Texas Government Code, and except to the extent otherwise required by applicable federal law, neither the bidder, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the bidder is a company listed by the Texas Comptroller of Public Accounts under Sections 806.051, 807.051, or 2252.153 of the Texas Government Code.

The bidder represents that, to the extent this bid form constitutes a contract for goods or services within the meaning of Section 2271.002 of the Texas Government Code, as amended, solely for purposes of compliance with Chapter 2271 of the Texas Government Code, and subject to applicable Federal law including without limitation, 50 U.S.C. Section 4607, neither the bidder, nor any wholly owned subsidiary, majority-owned subsidiary, parent company or affiliate of the bidder (i) boycotts Israel or (ii) will boycott Israel through the term of this bid form. The terms "boycotts Israel" and "boycott Israel" as used in this paragraph have the meanings assigned to the term "boycott Israel" in Section 808.001 of the Texas Government Code, as amended.

We are having the Bonds insured by _____ (the "Bond Insurer") at a premium of \$_____, **said premium to be paid by the Initial Purchaser.** Any fees to be paid to the rating agency as a result of said insurance **will be paid by the District. The undersigned acknowledges that the Bond Insurer will be required to either: (a) submit a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (b) represent to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity at the time of delivery of any bond insurance commitment or other agreement to be executed by the District.**

We understand the sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

We further understand that the District assumes no responsibility or obligation for the distribution or delivery of any copies of the OFFICIAL STATEMENT or other information concerning the District and the Bonds to anyone other than to us.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

Name of Initial Purchaser

Authorized Representative

Phone Number

Signature

Please check one of the options below regarding Good Faith Deposit:

Submit by Wire Transfer ☐

Submit by Bank Cashier's/Certified Check ☐

Check One:

_____ **Disclosure Form(s) – Each entity executing this Official Bid Form will provide a Disclosure Form as and when required by the Notice of Sale and Bidding Instructions.**

_____ **Publicly Traded Entity Representation – The bidder hereby represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.**

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by South Buda Water Control and Improvement District No. 1, this the 21st day of October, 2020.

ATTEST:

Secretary, Board of Directors
South Buda Water Control and Improvement District No. 1

President, Board of Directors
South Buda Water Control and Improvement District No. 1

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CERTIFICATE REGARDING ISSUE PRICE

The undersigned, being a duly authorized representative of the underwriter or the manager of the syndicate of underwriters ("Underwriter") which has purchased the Unlimited Tax Bonds, Series 2020, being issued by the South Buda Water Control and Improvement District No. 1 (the "District"), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Underwriter's reasonably expected initial offering price of each Maturity of the Bonds (the "Expected Offering Price") to as the Public is set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as **Schedule A**. The Expected Offering Prices are the prices for the Bonds used by the Underwriter in formulating its bid to purchase the Bonds.

(2) The Underwriter had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

(4) The Underwriter has made a bona fide offering of all the Bonds of each Maturity to the Public at its Expected Offering Price set forth in **Schedule A**.

If less than 3 qualified bids are received from underwriters please attach Schedule B.

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Bonds, except for Bonds listed on Schedule B (the "Hold-the-Offering-Price Maturities"), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Bonds, the Underwriter has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Bonds of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Bonds during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the "Hold-the-Offering-Price Maturities."

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is October 21, 2020.

(vi) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(8) Please choose the appropriate statement:

() Purchaser will not purchase bond insurance for the Bonds.

() Purchaser will purchase bond insurance from _____ (the "Insurer") for a fee/premium of \$ _____ (the "Fee"). To the best of the undersigned's knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by District with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the District from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

By: _____

Name: _____

Dated: _____

SCHEDULE A

PRICING WIRE

SCHEDULE B

HOLD-THE-OFFERING-PRICE MATURITIES

PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 14, 2020

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 MATTERS” herein.

THE BONDS WILL BE DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS.”
SEE “TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS.”

Ratings:
S&P: “BBB”
Insurance: Applied For
(See “BOND INSURANCE”
and “RATING” herein)

NEW ISSUE – Book-Entry-Only

\$8,200,000
SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located within Hays County)
UNLIMITED TAX BONDS, SERIES 2020

Dated Date: November 12, 2020

Due: August 1, as shown below

Interest to Accrue from the Date of Initial Delivery

The bonds described above (the “Bonds”) are obligations solely of South Buda Water Control and Improvement District No. 1 (the “District”) and are not obligations of the State of Texas (“State”), Hays County, Hays Consolidated Independent School District, the City of Buda (the “City”) or any entity other than the District.

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

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the date of initial delivery and will be payable each February 1 and August 1, commencing February 1, 2021, until maturity or prior redemption. Interest will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as shown below. The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”

MATURITY SCHEDULE

8/1 Maturity	Principal Amount	Interest Rate	Initial Yield ^(a)	CUSIP Numbers ^(c)	8/1 Maturity	Principal Amount	Interest Rate	Initial Yield ^(a)	CUSIP Numbers ^(c)
2022	\$ 140,000				2037 ^(b)	\$ 275,000			
2023	150,000				2038 ^(b)	290,000			
2024	155,000				2039 ^(b)	300,000			
2025	165,000				2040 ^(b)	315,000			
2026 ^(b)	170,000				2041 ^(b)	330,000			
2027 ^(b)	180,000				2042 ^(b)	345,000			
2028 ^(b)	185,000				2043 ^(b)	360,000			
2029 ^(b)	195,000				2044 ^(b)	375,000			
2030 ^(b)	205,000				2045 ^(b)	395,000			
2031 ^(b)	210,000				2046 ^(b)	410,000			
2032 ^(b)	220,000				2047 ^(b)	430,000			
2033 ^(b)	230,000				2048 ^(b)	450,000			
2034 ^(b)	240,000				2049 ^(b)	470,000			
2035 ^(b)	255,000				2050 ^(b)	490,000			
2036 ^(b)	265,000								

- (a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (b) The Bonds maturing on and after August 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on August 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.
- (c) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor or the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Orrick, Herrington & Sutcliffe LLP, Austin, Texas has also been engaged to serve as disclosure counsel for the offering. Delivery of the Bonds through DTC is expected on November 12, 2020.

BIDS DUE WEDNESDAY, OCTOBER 21, 2020 BY 10:00 A.M. CDT

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the “Rule”), this document constitutes an Official Statement of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of the information permitted by the Rule.

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

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

All of the summaries of the statutes, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Specialized Public Finance Inc., the District’s financial advisor (the “Financial Advisor”), 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, for further information.

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

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Initial Purchaser") bearing the interest rates shown on the cover page hereof, at a price of approximately _____% of the par value thereof which resulted in a net effective interest rate of _____% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

PRICES AND MARKETABILITY . . . The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

SECURITIES LAWS . . . No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

RATINGS . . . The Bonds and the outstanding debt of the District have been rated "BBB" by S&P Global Ratings ("S&P") without regard to credit enhancement.

BOND INSURANCE POLICY . . . The District has applied for bond insurance on the Bonds. If qualified, the purchase of municipal bond insurance for the Bonds will be at the option and expense of the Initial Purchaser. Any fees to be paid to the rating agencies as a result of such insurance will be paid by the Initial Purchaser.

RISK FACTORS

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

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OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description The District was created by order of the Commissioner's Court of Hays County, Texas dated January 25, 2005. The District was granted additional powers, and its boundaries were amended, by the Legislature of the State of Texas, by Acts 2005, 79th Legislature, Chapter 429 ("Chapter 429") and Acts 2005, 79th Legislature, Chapter 1323 ("Chapter 1323" and, together with Chapter 429, the "Legislation"), now codified as Chapter 9004, Texas Special District Local Laws Code ("Chapter 9004"). These two acts were essentially identical, but to the extent that there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and the Legislation described above. See "THE DISTRICT."

Location The District contains approximately 409 acres and is located south of the City of Buda near the intersection of CR 132 and IH 35. The District is within the City of Buda's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35. See "AERIAL BOUNDARY MAP."

The Developers The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Stonefield Tract." The Meadows Tract consists of approximately 195 acres and the Stonefield Tract consists of approximately 214 acres.

The developers of the Meadows Tract are (i) NewStand Buda, Ltd., a Texas limited partnership ("NewStand"), whose general partner is NewStand Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer and Grant E. Gist and (ii) The Meadows at Buda Commercial Development, Ltd., a Texas limited partnership (the "MBC Development"), whose general partner is The Meadows at Buda Commercial Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer and Grant E. Gist. See "THE DISTRICT – Status of Development" and "THE DEVELOPERS."

The developer of the Stonefield Tract is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"), as successor to Lennar Buffington Horton, L.P.

Lennar Corporation, the parent company of Lennar is a Fortune 500 company listed on the New York Stock Exchange ("NYSE") as the symbol LEN. Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Status of Development At the time of the District's creation in January 2005, the land within the District was owned by the Meadows at Buda, Ltd. The Stonefield Tract was annexed into the District on November 2, 2005. Lennar purchased the Stonefield Tract on March 31, 2006.

As of August 31, 2020, the Stonefield Tract contained 188.113 developed acres comprising 696 single family residential lots. A total of 682 homes were completed and occupied, 14 homes were under construction or owned by a homebuilder and 0 lots were available for construction. As of such date, there were approximately 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Stonefield Tract range in price from approximately \$211,900 to over \$247,990.

As of August 31, 2020, the Meadows Tract contained approximately 184 developed acres comprising 508 residential lots on 127 acres and a 264 unit apartment complex (of which 250 were occupied) on 14 acres. A total of 508 homes were completed and occupied. In addition, a 24-acre tract for 222 Multifamily Townhomes is being built-out by Gehan Homes, and 19 acres of developed land is planned for commercial use. Within such commercial property, 9 acres is being used for the construction of a travel center. The Meadows Tract also contains 11 acres of undevelopable land. Homes within the Meadows Tract range in price from approximately \$200,000 to over \$350,000.

<i>Homebuilders.....</i>	Currently, two homebuilders are active within the District: Lennar Homes and Gehan Homes. See “THE DEVELOPER – Homebuilders.”
<i>Payment Record.....</i>	The District has never defaulted in its payment of general obligation debt.

THE BONDS

<i>Description</i>	\$8,200,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”) are being issued pursuant to an order authorizing the issuance of the Bonds to be adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature on August 1 in the years 2022 through 2050. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the date of initial delivery and will be payable February 1, 2021, and each August 1 and February 1 thereafter, until the earlier of maturity or redemption. See “THE BONDS.”
<i>Book-Entry-Only.....</i>	DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.
<i>Redemption</i>	Bonds maturing on and after August 1, 2026, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.” Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to designate one or more maturities as Term Bonds.
<i>Use of Proceeds</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay interest on funds advanced by the Developers on behalf of the District and pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Authority for Issuance.....</i>	The Bonds are the eighth series of bonds issued out of an aggregate of \$78,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater, and/or storm drainage system in the District. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS – Future Debt” and “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”
<i>Source of Payment</i>	The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Board of Directors covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the Bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax. See “THE BONDS – Source of Payment.”
<i>Municipal Bond Rating and Insurance</i>	The Bonds and the outstanding debt of the District have been rated “BBB” by S&P Global Ratings (“S&P”) without regard to credit enhancement. The District has applied for municipal bond insurance. If qualified, the purchase of municipal bond insurance will be at the option and expense of the Initial Purchaser. Any fees to be paid to the rating agencies as a result of such insurance will be paid by the Initial Purchaser. See “MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE.”
<i>Qualified Tax-Exempt Obligations</i>	The District expects to designate the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own

federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated “bank-qualified” investments.

Bond Counsel and Disclosure

Counsel Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

General Counsel Willatt & Flickinger PLLC, Austin, Texas.

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2017 Certified Taxable Assessed Valuation	\$ 224,217,848	(a)
2018 Certified Taxable Assessed Valuation	\$ 254,817,121	(a)
2019 Certified Taxable Assessed Valuation	\$ 293,339,903	(a)
2020 Certified Taxable Assessed Valuation	\$ 316,371,867	(b)

Gross Direct Debt Outstanding	\$ 33,644,998	(c)
Estimated Overlapping Debt	<u>20,510,681</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$ 54,155,679	

Ratios of Gross Direct Debt to:

2020 Certified Taxable Assessed Valuation	10.63%	(c)
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Ratios of Gross Direct Debt and Estimated Overlapping Debt to:

2020 Certified Taxable Assessed Valuation	17.12%	(c)
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Debt Service Operating Fund Balance as of July 31, 2020	\$ 2,429,421
General Operating Fund Balance as of July 31, 2020	\$ 2,457,654
Capital Projects Fund Balance as of July 31, 2020	\$ 56,370

2020 District Debt Service Tax Rate	\$ 0.6200
2020 District Maintenance Tax Rate	0.2800
2020 Hays County Tax Rate	0.5000
2020 Hays ESD #8	0.1000
2020 Austin Community College District	0.1058
2020 Northeast Hays County ESD #2	0.0500
2020 Hays Consolidated Independent School District Tax Rate	<u>1.4037</u>
2020 Total Overlapping Tax Rate	\$ 3.0595

Average Annual Debt Service Requirement (2021-2050)	\$ 1,821,339	(c)
Maximum Annual Debt Service Requirement (2034)	\$ 2,216,314	(c)

Tax Rates Required to Pay Average Annual Debt Service (2021-2050) at a 97.5% Collection Rate

Based upon 2020 Certified Taxable Assessed Valuation	\$ 0.5905	(c)
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Tax Rates Required to Pay Maximum Annual Debt Service (2034) at a 97.5% Collection Rate

Based upon 2020 Certified Taxable Assessed Valuation	\$ 0.7186	(c)
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Status of Development as of August 31, 2020:

Homes Completed and Occupied.....	1,158
Homes Under Construction or Owned by a Home Builder.....	14
Lots Available for Home Construction.....	0
Number of Multi-Family Units Constructed.....	264
Number of Multi-Family Units Occupied.....	250
Multifamily Townhomes Approved for Construction.....	248
Multifamily Townhomes Under Construction or Owned by Homebuilder.....	37
Developed Acreage.....	372.113
Undeveloped but Developable Acreage.....	25.9
Undevelopable acreage.....	11
Estimated Population.....	4,053 (e)

(a) As provided by the Hays Central Appraisal District (the “Appraisal District” or “HCAD”).

(b) As provided by HCAD, includes values under protest.

(c) Includes the Bonds. See “DEBT SERVICE REQUIREMENTS.”

(d) See “DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt.”

(e) Based upon an estimate of 3 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

\$8,200,000

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

UNLIMITED TAX BONDS, SERIES 2020

This Official Statement provides certain information in connection with the issuance by South Buda Water Control and Improvement District No. 1 (the “District”) of its \$8,200,000 Unlimited Tax Bonds, Series 2020 (the “Bonds”).

The Bonds are the eighth series of bonds issued out of an aggregate of \$78,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system in the District. The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS – Future Debt” and “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

RISK FACTORS

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

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of Executive Orders GA-28 and GA-29 on June 26, 2020 and July 2, 2020, respectively, which, among other things, required Texans to (i) close bars; (ii) reduce maximum restaurant occupancy from 75 percent to 50 percent; (iii) limit outdoor gatherings to 100 people, subject to certain exceptions; and (iv) wear face coverings over the nose and mouth in public or place open to the public when it is not feasible to maintain six feet of social distance, subject to certain conditions. Executive Orders GA-28 and GA-29 will remain in effect and in full force unless modified, amended, rescinded, or superseded by the Governor. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconferencing meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble larger groups of people. In addition, Hays County, within which the District is located, has previously issued “stay home” orders for most citizens except when engaged in specific essential business or government functions. Hays County’s previous “stay home” orders have not prohibited homebuilding activity or the construction of utility facilities within the District. Many of the federal, state, and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affect economic growth within Texas

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

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

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

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed and developed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics and prospects of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values; and thus increase the rate of taxation in the District.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately one mile southeast of the City of Buda, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the area's metropolitan and regional economies. See "– Regional Economics" below.

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

MAXIMUM IMPACT ON DISTRICT TAX RATES . . . Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2020 Certified Taxable Assessed Valuation is \$316,371,867. Assuming no increase or decrease from the 2020 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.7186 and \$0.5905 per \$100 appraised valuation at a ninety seven and a half percent (97.5%) collection rate would be necessary to pay the estimated maximum debt service requirement (\$2,216,314) and the estimated average annual debt service requirement (\$1,821,339), respectively

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

DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPERS . . . The ten principal taxpayers represent \$39,162,632 or 12.38% of the District's 2020 Certified Taxable Assessed Valuation of \$316,371,867. The District's homebuilders represent \$6,708,120 or 2.12% of such value. If one or more principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus

in its interest and sinking fund. See “– Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX DATA – Principal Taxpayers,” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

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

UNDEVELOPED ACREAGE . . . Approximately 372.113 acres within the District have been developed and provided with water, wastewater and storm drainage and detention facilities. Approximately 25.9 acres are undeveloped and planned for commercial use and 11 acres are undevelopable. However, as described above, the District cannot guarantee or make any representation regarding the certainty of any such plans.

DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . . As of August 31, 2020, approximately 14 developed lots remain available for home construction. Failure to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and other tax supported debt of the District. Future increases in value will result primarily from the construction of homes by builders and commercial development. See “Maximum Impact on District Tax Rates” above.

TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES . . . The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt” and “– Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

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

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

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or

eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

FUTURE DEBT . . . The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, and refunding bonds and notes and to borrow for any valid corporate purpose. The District continues to owe the Developers approximately \$11,000,000, which is expected to be financed with future bond issues. A total of \$78,000,000 principal amount of unlimited tax bonds for water, wastewater and drainage facilities and \$6,000,000 principal amount of unlimited tax bonds for road improvements have been authorized by the District's voters. After the issuance of the Bonds, \$44,205,000 of unlimited tax bonds for water, wastewater and drainage facilities and \$3,945,000 principal amount of unlimited tax bonds for road improvements remains authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The issuance of additional bonds for water, wastewater and drainage facilities are subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District anticipates that it may issue the full principal amount of unissued bonds authorized for water, wastewater and drainage purposes (\$44,205,000) in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District has agreed to limit the amount of similarly secured bonds which it may issue based on the following formula: the assessed value of all taxable property within the District, as shown by the latest appraisal roll issued for the District by the Hays Central Appraisal District, together with the projected increase in the assessed value that is allowed by the rules of the TCEQ, is such that the debt service on the District's outstanding Bonds, and the Bonds then being issued, can be paid with a tax rate of \$0.90 per \$100 of assessed valuation. See "THE BONDS – Issuance of Additional Debt."

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

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

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

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the Texas Commission on Environmental Quality ("TCEQ") may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county "Austin Area" – Travis, Hays, Williamson, Bastrop, and Caldwell counties – has been redesignated by the EPA as an attainment area. The Austin Area entered into an early action compact (EAC) with the TCEQ and EPA which demonstrates attainment and maintenance of the 8-hour ozone standard. EACs allow regions that are in nonattainment or near-nonattainment for ozone under the federal CAA to elect to use their knowledge of local conditions to determine which ozone control strategies should be implemented in their area, as opposed to having rules dictated by state and federal agencies.

The EPA signed a consent decree with several environmental organizations which bound the EPA to designating nonattainment areas for 8-hour nonattainment. The Austin Area took early action with an EAC on November 17, 2004 to reduce its emissions so as not to be designated nonattainment. Voluntary reductions have focused on reducing the number of vehicles on Austin Area roads, since vehicles are the area's main source of air pollution.

The area reports semi-annually on the progress of their control measures. Under the EACs, attainment must be demonstrated by August 31, 2008. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 19, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures

and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

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

Pursuant to the Safe Drinking Water Act, potable (drinking) water provided within the District to more than twenty-five (25) people or fifteen (15) service connections will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Further, EPA adopted new drinking water rules in 2006 (the Stage 2 Disinfectants and Disinfection Byproducts Rule; the Long Term 2 Enhanced Surface Water Treatment Rule, and the Ground Water Rule), which the TCEQ proposed adopting in July 2007. When these rules are adopted, they will affect all public water systems which will have to make any improvements necessary to adhere to the new requirements. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a district. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on districts' ability to obtain TPDES permits and maintain those permits. Districts may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

Operations of districts are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and has issued a general permit for stormwater discharges associated with industrial activities (which was amended and reissued on August 14, 2006) and a general permit for stormwater discharges associated with small municipal separate storm sewer systems (which was issued on August 13, 2007). The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans and in connection with the installation or performance of best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations of the District require that wetlands be filled, dredged, or otherwise altered.

Atlas 14 Study. The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. Based on this study, various governmental entities, including Hays County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain and will also increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain).

OVERLAPPING AND COMBINED TAX RATES . . . The tax rate projections for the District reflects a composite tax rate, including the District's debt service and/or maintenance taxes, not to exceed \$0.9000 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct unlimited tax bonds issued by the District, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

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

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

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

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

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

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THE BONDS

DESCRIPTION . . . The Bonds will be dated November 12, 2020, with interest to accrue from the date of initial delivery, be payable each February 1 and August 1, beginning February 1, 2021 (each an “Interest Payment Date”), and will mature on the dates and in the amounts shown on the cover page hereof. Interest will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of \$5,000 of principal amount or any integral multiple of \$5,000.

The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and accrued interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas (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.

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, New York, New York (“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 District believes the source of such information to be reliable but takes 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 Bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the Bonds on any interest payment date means the 15th day of the preceding month.

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

SOURCE OF PAYMENT . . . The Bonds are payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limit as to rate or amount, levied against taxable property within the District. The Board of Directors covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies and costs of tax collections to pay interest on the Bonds as it becomes due, to provide a sinking fund for the paying of principal of the bonds when due or the redemption price at any earlier required redemption date, and to pay the expenses of assessing and collecting such tax

The Bonds are obligations of the District and are not the obligations of the State of Texas, Hays County, the City of Buda, Hays Consolidated Independent School District, or any entity other than the District.

FUNDS . . . The Bond Order creates or confirms the establishment and maintenance by the District of a Debt Service Fund and a Construction Fund. Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the holders of the Bonds. Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of water control and improvement districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

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

CONSTRUCTION FUND . . . The Construction Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Construction Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Construction Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as approved by TCEQ, then in the discretion of the District to transfer such unexpended proceeds or income to the Debt Service Fund or as otherwise authorized by the TCEQ.

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

NOT LESS THAN 30 DAYS PRIOR TO A REDEMPTION DATE FOR THE BONDS, THE PAYING AGENT/REGISTRAR SHALL CAUSE A NOTICE OF REDEMPTION TO BE SENT BY UNITED STATES MAIL, FIRST CLASS, POSTAGE PREPAID, TO THE REGISTERED OWNERS OF THE BONDS TO BE REDEEMED, IN WHOLE OR IN PART, AT THE ADDRESS OF THE REGISTERED OWNER APPEARING ON THE REGISTRATION BOOKS OF THE PAYING AGENT/REGISTRAR AT THE CLOSE OF BUSINESS ON THE 45TH CALENDAR DAY PRIOR TO SUCH REDEMPTION DATE. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised on any such notice. Redemption of portions of the Bond by the District will reduce the outstanding principal amount of such Bonds held by DTC.

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

In such an event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond 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 Bond to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bond or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bond for redemption (see “THE BONDS – Book-Entry-Only System”).

AUTHORITY FOR ISSUANCE . . . The Bonds are the eighth series of bonds issued out of an aggregate of \$78,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system in the District.

The TCEQ has authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS” and recommended, among other things, the levy of a debt

service tax rate of at least \$0.7100 per \$100 of appraised valuation in the initial year after the issuance of the Bonds, which is intended to be the 2021/22 fiscal year.

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Order, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 51 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS – Future Debt” and “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”

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

REGISTRATION AND TRANSFER . . . So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

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

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

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

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

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

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

ISSUANCE OF ADDITIONAL DEBT . . . The District may issue additional ad valorem tax bonds and long-term revenue bonds and notes, with the approval of the TCEQ, necessary to provide water, wastewater and drainage facilities consistent with the purposes for which the District was created. See “THE DISTRICT – General.” The District's voters have authorized the issuance of \$78,000,000 principal amount of unlimited tax bonds for the purpose of constructing and/or acquiring a water, wastewater and drainage system and could authorize additional amounts. The District voters also authorized the issuance of \$6,000,000 principal amount of unlimited tax bonds for the purpose of road improvements. The issuance of additional bonds to refund or redeem the District's bonds is also authorized in an amount not to exceed one and one-half times the amount of bonds or other evidences of indebtedness issued by the District. After issuance of the Bonds, \$44,205,000 of unlimited tax bonds will remain authorized but unissued for the purpose of constructing and/or acquiring a water, wastewater and drainage system as well as \$3,945,000 of unlimited tax bonds to fund road improvements in the District.

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

According to the Developers, the District remains obligated to reimburse the Developers \$11,000,000 for the facilities serving the existing development within the District. The District expects to submit bond applications to the TCEQ for the sale of additional bonds to satisfy its obligation to pay the Developers for such facilities. The District intends to issue such bonds in approximately annual installments, subject to the pace of development and timely TCEQ approval. See “RISK FACTORS – Future Debt.”

Fire-fighting activities. The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for firefighting purposes. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

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

ANNEXATION . . . The District lies within the extraterritorial jurisdiction of the City of Buda, Texas. Under Texas law, the City of Buda can annex territory within the district but Section 9 of the Consent and Development Agreement restricts the City as to when it can annex territory. At such time as it is permissible pursuant to law for the District to be annexed, and if the City of Buda did annex the District, the City of Buda would be required to assume the District’s assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Buda is a policy-making matter within the discretion of the Mayor and City Council of the City of Buda and therefore, the District makes no representation that the City of Buda will ever annex the District and assume its debt.

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

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

The Bond Order provides no additional remedies to a registered owner. Specifically, the Bond Order does not provide for an appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District’s obligations. Consequently, the remedy of mandamus is a remedy that may have to be enforced from year to year by the registered owners. Under Texas law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Order. Such registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (2006) (“Tooke”) that a waiver of sovereign immunity must be provided for by statute in “clear and unambiguous” language. In so ruling, the Court declared that statutory language such as “sue and be sued,” in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the “Local Government Immunity Waiver Act”), which, according to the Court, waives “immunity from suit for contract claims against most local governmental entities in certain circumstances.” The Local Government Immunity Waiver Act covers water districts and relates to contracts entered into by water districts for providing goods or services to water districts. The District is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. As noted above, the registered owners may seek the remedy of mandamus to enforce the obligations of the District under the Bond Order. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, Texas courts have held that mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party, including the payment of monies due under a contract.

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District’s public purpose property. The registered owners themselves cannot foreclose on property within the District or sell property within the

District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions. For more information on registered owners remedies see “RISK FACTORS – Tax Collection Limitation and Foreclosure Remedies,” “– Registered Owners’ Remedies” and “– Bankruptcy Limitation to Registered Owners’ Remedies.”

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to Section 49.186, Texas Water Code and Chapter 1201, Texas Government Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for public funds of cities, school districts and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity’s funds or to be eligible to serve as collateral for their funds.

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

DEFEASANCE . . . The Bond Order provides that the District may discharge its obligations to the registered owners of any or all of the Bonds in any manner permitted by law. Under current Texas law, such discharge may be accomplished either: (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue such Bonds to maturity or redemption and/or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption of such Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (c) noncallable obligations of a state or an agency or a district, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding obligations to refund the Bonds, as applicable, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent or (iii) any combination of (i) and (ii) above. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds, as the case may be. If any of the Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for the payment to the registered owners of such Bonds at the date of maturity or prior redemption of the full amount to which such owner would be entitled and for giving notice of redemption as provided in the Bond Order.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

AMENDMENTS . . . The District may amend the Bond Order without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Bond Order; except that, without consent of the registered owners of all of the Bonds outstanding, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal of, or interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal, the redemption price, or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount on the Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

**CERTAIN AGREEMENTS BETWEEN THE DISTRICT, THE DEVELOPERS,
THE CITY OF BUDA, THE GWSC AND THE MONARCH UTILITIES I, L.P.**

The District is located entirely within the extraterritorial jurisdiction of the City of Buda, Texas (the “City”).

On April 9, 2004, the City and Gunn & Whittington Development II, L.L.C. (“G&W”) entered into an Agreement Concerning Creation and Operation of South Buda Water Control and Improvement District No. 1 (the “G&W Agreement”), as amended by a first amendment dated October 19, 2004 (the “First Amendment”) and a second amendment also dated October 19, 2004 (the “Second Amendment” and, together with the G&W Agreement and the First Amendment, the “Previous Agreement”). Pursuant to the Second Amendment, G&W assigned all its right, title and interest in the Previous Agreement to The Meadows at Buda, Ltd, a Texas limited partnership (the “Meadows”).

The Previous Agreement was restated and replaced by a Consent and Development Agreement effective as of November 2, 2005 (the “Development Agreement”), by and among the City, the District, Meadows, Lennar Buffington Horton, L.P., a Texas limited partnership (“Stonefield”) and NewStand Buda, Ltd., a Texas limited partnership (“NewStand” and, together with Meadows and Stonefield, the “Developers”).

Pursuant to the Development Agreement, the City consented to (i) the purposes of the District being the acquisition, construction and improvement of water, wastewater, drainage, fire protection, park and road facilities, (ii) the District’s the issuance of bonds, (iii) the levy of taxes by the District, and (iv) the annexation of certain property. Additionally, under the Development Agreement, the City and the District agreed to enter into a Strategic Partnership Agreement to define the terms and condition of annexation of property in the District by the City and the relationship between the City and the District, including matters related to the issuance of debt by the District, and the collection of sales and use tax by the City.

The Development Agreement obligates the City to provide continuous and adequate retail wastewater service to customers within the boundaries of the Meadows Tract and the Stonefield Tract subject to the construction of certain facilities and conditions of the agreement, and the District is obligated to install all wastewater lines and facilities within the District necessary to provide wastewater service within the District. Such wastewater lines and facilities will be maintained by the City in accordance with the terms of the agreement within 30 days of completion, inspection and final acceptance and will be dedicated to the City pending developer reimbursement. The Development Agreement also recognizes the District’s intention to reimburse the Developers for funding or constructing facilities from bond proceeds.

In the Development Agreement, the City agrees that the District can issue bonds and notes for any lawful purpose. Further, the parties acknowledge that by execution of the Development Agreement, the District has contracted with the City and that the City will assume the ownership, operation, and maintenance of the wastewater system financed by the District and that the Developers are entitled to reimbursement of any funds advanced on behalf of the District to the extent permitted by the agreement and by the law and rules of the TCEQ. The Development Agreement provides that the obligations of District thereunder may be performed on behalf of the District by a Developer. The Development Agreement is scheduled to terminate on April 11, 2046.

The District has entered into the following agreements (collectively, the “Reimbursement Agreements”) with one or more of the Developers relating to financing and construction of certain water, sanitary sewer, water quality and drainage improvements and park and road improvements:

1. Utility Construction Agreement between the District and Meadows at Buda, Ltd.
2. Utility Construction Agreement between the District and NewStand Buda/NewMark Homes/ Standard Pacific of Texas.
3. Utility Construction Agreement between the District and Stonefield Land Acquisitions of Texas, L.P., and the Meadows at Buda, Ltd.
4. Utility Construction Agreement between the District and the Meadows at Buda Commercial, Ltd.
5. First Amendment to Utility Construction Agreement between the District and the Meadows at Buda Commercial, Ltd.
6. Construction and Reimbursement Agreement between the District and the Meadows at Buda Commercial, Ltd.
7. Agreement on Bond Reimbursement for Impact Fees and LUE Fees paid by AOH-Vantage at Buda by and between the District, the Meadows at Buda Commercial, Ltd. and AOH-Vantage at Buda, L.L.C.

Pursuant to the Reimbursement Agreements, the Developers have agreed to advance all of the District’s share of the costs incurred in connection with the construction of such water, sanitary sewer, water quality and drainage improvements and park and road improvements, and the District has agreed to reimburse the Developers for such costs from the proceeds of bonds issued by the District from time to time. See “INVESTMENT CONSIDERATIONS – Future Debt” and “THE BONDS – Issuance of Additional Debt.”

Pursuant to a Non-Standard Water Service Agreement by and between Goforth Water Supply Corporation (“GWSC”) and the District dated April 11, 2006 (the “GWSC Agreement”), GWSC agrees to reserve capacity for, and provide retail water service in a quantity not to exceed 804 living unit equivalents (“LUEs”). In addition, the District is obligated to obtain from GWSC an additional 200 LUEs of service commitment. The District has agreed to pay GWSC a monthly reservation fee for the first 804 LUEs of reserved capacity in an amount sufficient to pay all fixed costs owed by GWSC to Guadalupe-Blanco River Authority.

Pursuant to the GWSC Agreement, GWSC has agreed to acquire the water distribution facilities from the District. Further, the GWSC Agreement provides that GWSC will own, operate and maintain the water supply and internal water distribution system for the Stonefield Tract.

The District has entered into a Water Services Agreement with Monarch Utilities I, L.P., a Texas Limited Partnership (“Monarch”) dated October 25, 2005 (the “Monarch Agreement”). Pursuant to the 50-year Monarch Agreement for water supply, the District will pay LUE fees to contribute to the cost of Monarch’s existing and future facilities necessary to provide service to the District. The District agrees to construct a water distribution system sufficient to serve the property west of IH 35. Upon request from Monarch, the District will pass water through the District system to provide retail service to the property west of IH 35. Monarch will provide water to the District, on a wholesale basis sufficient to meet the annual needs of the District but in no event more than 984 LUEs including 66 LUEs for service to several out-of-district commercial properties. Monarch will charge the District a rate of \$1,605 per LUE.

USE AND DISTRIBUTION OF BOND PROCEEDS

I. CONSTRUCTION COSTS

	<u>District’s Share^(a)</u>
A. Developer Contribution Items:	
1. Stonefield Section 11 – Drainage Improvements	\$ 165,949
2. Stonefield Section 12 – Water, Wastewater and Drainage.....	415,561
3. New Water Meter Assembly and Vault	268,744
4. Meadows at Buda Detention and Water Quality Pond.....	398,956
5. Meadows at Buda Phase II Lift Station and Force Main.....	2,172,800
6. Harvest Meadows Phase 1 – Water, Wastewater and Drainage.....	1,434,378
7. Engineering (Item Nos. 1-4 and 6).....	<u>730,552</u>
Total Developer Contribution Items	\$ 5,586,940
B. District Items	
1. Water Impact Fees – Goforth.....	\$ 103,275
2. Wastewater Impact Fees – City of Buda	1,002,160
3. Land Acquisition Costs – Channel Easement and Pond Site.....	<u>238,875</u>
Total District Contribution Items	\$ 1,344,310
Total Construction Costs (83.43% of BIR)	\$ 6,931,250

II. NON-CONSTRUCTION COSTS

A. Legal Fees (2.00%)	\$ 164,000 ^(b)
B. Fiscal Agent Fees (1.75%)	143,500 ^(c)
C. Developer Interest	588,943 ^(d)
D. Bond Discount (3.00%).....	246,000
E. Bond Issuance Expenses	15,607
F. Bond Application Fee (1.00%)	82,000
G. Attorney General Fee (0.10%).....	8,200
H. TCEQ Bond Issuance Fee (0.25%)	<u>20,500</u>
Total Non-Construction Costs	\$ 1,268,750

TOTAL BOND ISSUE REQUIREMENT **\$ 8,200,000**

- (a) The District has requested a waiver of the 30% developer contribution requirement of 30 TAC Section 293.47.
- (b) According to contract provided, fees are 2.00% of the total amount of bonds issued.
- (c) According to contract provided, fees are 1.75% of the total amount of bonds issued.
- (d) Estimated at 4.5% with a proposed funding date of June 30, 2020, or a maximum of five years in accordance with 30 TAC Section 293.50(a). The District has requested to reimburse for more than two years of interest in accordance with 30 TAC Section 293.50(b). See Special Consideration No. 2.

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THE DISTRICT

GENERAL . . . The District was created by order of the Commissioners Court of Hays County, Texas dated January 25, 2005. The District was granted additional powers, and its boundaries were amended, by the Legislature of the State of Texas, by Acts 2005, 79th Legislature, Chapters 429 and 1323. These two acts were essentially identical, but to the extent that there is any conflict between them, Chapter 1323 controls by reason of having been enacted later in time than Chapter 429. These laws were codified by Chapter 9004, Special District Local Laws Code. The District operates pursuant to Chapters 49 and 51 of the Texas Water Code, as amended, and the Legislation described above.

The District is located south of the City near the intersection of CR 132 and IH 35. The District is within the City's extraterritorial jurisdiction and is bisected by IH 35. CR 133 forms the southern boundary of the District east of IH 35, and Loop 4 serves as the western boundary to the District west of IH 35.

The District is empowered, among other things, to construct road improvements and purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District, including the District's issuance of bonds for water, wastewater and drainage facilities. The City has no jurisdiction regarding issuance of the District's bonds. Construction and operation of the District's system is subject to the regulatory jurisdiction of additional governmental agencies. See "WATER, SANITARY SEWER AND DRAINAGE FACILITIES – Regulation."

VALIDATION SUIT . . . In Cause No. D-1-GN-07-000914, styled *Ex Parte South Buda Water Control and Improvement District No. 1*, on April 23, 2007, the District Court of Travis County, Texas entered a final judgment (the "Final Judgment") in a validation suit establishing that the District has all of the rights, powers, privileges, authority, functions, and duties provided by the general law of this state, including Chapter 441, Transportation Code, applicable to road utility districts created under the authority of Article 3, Section 52, Texas Constitution, and, in that capacity, the District has the authority to issue bonds to reimburse the cost of relocating part of County Road 132 in Hays County, Texas.

The Final Judgment provides:

The District may have written on the bonds that it proposes to issue the following certificate:

This obligation was validated and confirmed by a judgment entered on April 23, 2007 in Cause No. D-1-GN-07-000924; *Ex Parte South Buda Water Control and Improvement District No. 1*; in the District Court of Travis County, Texas, 250th Judicial District, which perpetually enjoins the commencement of any suit, action or proceeding involving the validity of this obligation, or the provision made for the payment of the principal and interest of the obligation.

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

<u>Land Use</u>	<u>Approximate Acres</u>	<u>Lots</u>
Single-Family Residential.....	315.....	1,185
Multi-Family.....	38.....	3 (a)
Commercial	19	
Undeveloped Commercial	25.9	
Undevelopable	11	
Total.....	408.9	

(a) Contains 264 Units plus 248 for sale townhomes.

STATUS OF DEVELOPMENT . . . The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Stonefield Tract."

The Meadows Tract: As of August 31, 2020, the Meadows Tract contained approximately 184 developed acres comprising 508 residential lots on 127 acres and a 264 unit apartment complex (of which 250 were occupied) on 14 acres. A total of 508 homes were completed and occupied. In addition, a 24-acre tract for 222 Multifamily Townhomes is being built-out by Gehan Homes, and 19 acres of developed land is planned for commercial use. Within such commercial property, 9 acres is being used for the

construction of a travel center. The Meadows Tract also contains 11 acres of undevelopable land. Homes within the Meadows Tract range in price from approximately \$200,000 to over \$350,000.

The Stonefield Tract: As of August 31, 2020 the Stonefield Tract contained 188.113 developed acres comprising 696 single family residential lots. A total of 682 homes were completed and occupied, 14 homes were under construction or owned by a homebuilder and 0 lots were available for construction. As of such date, there were approximately 25.9 acres of undeveloped but developable land planned for commercial use. Homes in the Stonefield Tract range in price from approximately \$211,900 to over \$247,990.

FUTURE DEVELOPMENT . . . The District is currently planned as a primarily single-family residential development. Approximately 25.9 developable acres of land in the District planned for commercial use are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities. While the Developers anticipate future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed.

The District anticipates issuing additional bonds to accomplish full development of the District. The Engineer has stated that under current development plans, the remaining authorized but unissued new money bonds authorized for the acquisition and construction of water, wastewater and storm drainage facilities (\$44,205,000) is expected to be sufficient to finance the construction of water, wastewater and storm drainage facilities to complete the District's water, wastewater and storm drainage system for full development of the District and to reimburse the Developers for funds previously advanced to complete such facilities. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments," "– Future Debt" and "THE SYSTEM."

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THE DEVELOPERS

ROLE OF THE DEVELOPER . . . In general, the activities of a landowner or developer in a municipal utility district such as the District include conceptualizing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave certain streets in the District, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

THE DEVELOPERS . . . The District is being developed as two tracts of land, which are described herein as the "Meadows Tract" and the "Stonefield Tract."

The developers of the Meadows Tract are (i) NewStand Buda, Ltd., a Texas limited partnership ("NewStand"), whose general partner is NewStand Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer and Grant E. Gist and (ii) The Meadows at Buda Commercial Development, Ltd., a Texas limited partnership (the "MBC Development"), whose general partner is The Meadows at Buda Commercial Development Company, LLC., a Texas limited liability company, and whose limited partners are Michael D. Garringer and Grant E. Gist.

NewStand and MBC Development are controlled by Michael D. Garringer and Grant E. Gist.

The developer of the Stonefield Tract is Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"), as successor to Lennar Buffington Horton, L.P.

Lennar Corporation, the parent company of Lennar is a Fortune 500 company listed on the New York Stock Exchange ("NYSE") as the symbol LEN. Lennar Corporation's activities include homebuilding, real estate investments, residential and commercial developments and financial services operations throughout the United States.

Lennar's Austin Division has been involved in the development of several communities either as an individual owner or in a partnership capacity. Communities in Austin, Texas and the immediate surrounding areas include Amberwood, Barker Ranch, Bell Farms, Bradshaw Crossing, Bridges at Bear Creek, Chandler Creek, Circle C, Colorado Crossing, Crossing at Onion Creek, Legends of Hutto, Mayfield Ranch – Parkside, Mayfield Ranch – Highlands, Red Oaks, Ridgewood, Silver Leaf, Southpark Meadows (Residential), Stonewall Ranch, Villages of Hidden Lake, Summerlyn (north), Estancia, Sola Vista, Villas at Vista Ridge, Enclave at Harris Ridge, Reserve at Caballo Ranch, Rough Hollow Vineyards, Rough Hollow Condos and others.

NewStand, MBC Development and Lennar are referred to herein, collectively, as the "Developers."

DEVELOPMENT FINANCING . . . The Stonefield Tract: Lennar has financed its development of the Stonefield Tract through the use of its own corporate funds.

In December of 2015, Newstand and MBC refinanced the outstanding debt with an \$8,000,000 loan from Crockett National Bank and as of May 1, 2018, the balance was \$3,153,199.

HOMEBUILDERS . . . Currently, two homebuilders are active within the District: Lennar Homes and Gehan Homes. For information on Lennar see "THE DEVELOPERS" above.

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MANAGEMENT OF THE DISTRICT

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marvin B. Morgan	President	May 2024
Sean M. Denton	Vice President	May 2024
Dante Angelini	Secretary	May 2024
John D. Fowler	Assistant Secretary	May 2022
Jefferson W. Barton	Assistant Secretary	May 2022

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

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

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

Operator: AWR Services operates, maintains and manages the provision of retail water service in the portion of the District west of IH 35. Goforth WSC provides retail water service in the territory east of IH 35. Retail wastewater service is provided within the District by the City of Buda.

Engineer: The District’s consulting engineer is Gray Engineering, Inc.

Bookkeeper: The District has contracted with Berrier & Company, PC for bookkeeping services.

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

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

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

General Counsel: Willatt & Flickinger PLLC has been engaged as General Counsel in connection with the issuance of the Bonds.

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WATER, SANITARY SEWER AND DRAINAGE FACILITIES

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

WATER SUPPLY AND DISTRIBUTION . . . The District receives potable water for the portion of the District located west of IH 35 from Monarch Utilities I, L.P. (“Monarch”) pursuant to a 50-year wholesale water supply contract dated October 25, 2005 between the District and Monarch. The contract with Monarch provides for water in an amount sufficient to serve up to 984 living-unit-equivalents (“LUEs”). The District also receives water for a portion of the District located east of IH 35 from Goforth Water Supply Corporation (“Goforth”) pursuant to a water supply contract dated April 7, 2006. The contract with Goforth reserves 880 LUEs of capacity with Goforth’s system for the District.

Monarch’s system which supplies water to the District consists of 0.25 million gallons (“MG”) elevated storage, 0.217 MG ground storage, 2 vertical turbine pumps with 1,600 gallons per minute (“gpm”) capacity, 2 ground water supply wells with a combined capacity of 400 gpm and one 350 gpm wholesale connection.

Goforth has reserved capacity of 275 acre feet per year (680 LUEs) for the District through an agreement with the Guadalupe Blanco River Authority. The District will require and obtain from Goforth an additional capacity of 200 LUEs upon payment of additional reservation fees for such capacity and any associated capital costs. The Goforth system facilities consist of 5 wells with a combined capacity of 3,600 gpm, 8 booster pumps with a combined capacity of 7,200 gpm, ground storage tanks with a combined capacity of 889,772 gallons, elevated storage tanks with a combined capacity of 2,068,000 gallons and a 10,000 gallon pressure tank.

The western portion of the District has 2 metered interconnects with Monarch as water enters and exits the District. An additional unmetered emergency connection exists but the valve remains closed.

The District’s water supply is capable of serving 1,864 equivalent sing-family connections (“ESFCs”).

WASTEWATER COLLECTION AND TREATMENT . . . The District receives wastewater treatment service from the City of Buda (the “City”) based on terms of the Consent and Development Agreement (the “Development Agreement”) dated November 2, 2005 and as amended on February 27, 2006 and February 28, 2006. Pursuant to the Development Agreement, the City agrees to provide wastewater treatment service for the ultimate build-out of the District which is anticipated to be 1,694 LUEs. The City has stated that it expects to be able to serve its existing and future customers, including the District, at ultimate development. The City’s existing wastewater discharge permit is for a 0.95 million gallons per day (“MGD”) wastewater treatment plant.

The District’s wastewater is collected through 8-inch and 12-inch collection lines and is then conveyed via the City operated 650 gpm Phase I Lift Station and Force Main to the City’s wastewater collection system and treatment plant.

The District’s wastewater capacity of 984 ESFCs is sufficient to serve the 248 ESFCs necessary to support the feasibility of this bond issue.

STORM DRAINAGE FACILITIES . . . The Meadows at Buda, on the west side of IH 35, generally drains in an easterly direction towards Porter Creek. Developed flows will be captured in detention ponds and reduced to pre-developed levels. The detention pond designed and constructed with The Meadows at Buda Phases 1 and 2 improvements discharges into Porter Creek. Runoff in Stonefield, on the east side of IH 35, drains in all directions from a highpoint located in the northeastern quadrant of the site. Developed flows will be captured in detention ponds and reduced to pre-developed levels. The discharge from the existing Stonefield Phase One pond is conveyed under CR 133 to a roadside channel along IH 35 via four existing 48-inch RCPs.

Drainage in the District is controlled through a combination of storm sewers under streets with curbs and gutters which outfalls into detention ponds. The stormwater from The Meadows at Buda, Sections 1 and 2 flows through the detention facility before exiting the District in an easterly direction. The stormwater in Stonefield Section One flows through a detention facility and exits the District in a southerly direction.

100-YEAR FLOOD PLAIN . . . The Flood Insurance Rate Map associated with the District indicates that approximately 7.75 acres of the land in the District is located within the 100-year flood plain. See “THE DISTRICT – Land Use.” The Developers do not plan to develop any portion of the District that is within the floodplain.

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DEBT SERVICE REQUIREMENTS

The following sets forth the debt service on the Outstanding Bonds and the Bonds.

Fiscal Year Ending	Outstanding Debt			The Bonds			Total Outstanding
9/30	Principal	Interest	Total	Principal	Interest ^(a)	Total	Debt
2021	\$ 537,225	\$ 1,002,368	\$ 1,539,593	\$ -	\$ 522,750	\$ 522,750	\$ 2,062,343
2022	562,773	993,540	1,556,313	140,000	369,000	509,000	2,065,313
2023	705,000	853,808	1,558,808	150,000	362,700	512,700	2,071,508
2024	745,000	834,163	1,579,163	155,000	355,950	510,950	2,090,113
2025	775,000	813,200	1,588,200	165,000	348,975	513,975	2,102,175
2026	815,000	788,638	1,603,638	170,000	341,550	511,550	2,115,188
2027	855,000	762,705	1,617,705	180,000	333,900	513,900	2,131,605
2028	895,000	736,045	1,631,045	185,000	325,800	510,800	2,141,845
2029	930,000	707,209	1,637,209	195,000	317,475	512,475	2,149,684
2030	980,000	676,170	1,656,170	205,000	308,700	513,700	2,169,870
2031	1,030,000	643,103	1,673,103	210,000	299,475	509,475	2,182,578
2032	1,070,000	608,015	1,678,015	220,000	290,025	510,025	2,188,040
2033	1,110,000	573,334	1,683,334	230,000	280,125	510,125	2,193,459
2034	1,170,000	536,539	1,706,539	240,000	269,775	509,775	2,216,314
2035	975,000	497,180	1,472,180	255,000	258,975	513,975	1,986,155
2036	1,025,000	463,439	1,488,439	265,000	247,500	512,500	2,000,939
2037	1,070,000	426,946	1,496,946	275,000	235,575	510,575	2,007,521
2038	1,115,000	388,684	1,503,684	290,000	223,200	513,200	2,016,884
2039	1,165,000	347,565	1,512,565	300,000	210,150	510,150	2,022,715
2040	1,225,000	304,468	1,529,468	315,000	196,650	511,650	2,041,118
2041	1,285,000	258,759	1,543,759	330,000	182,475	512,475	2,056,234
2042	1,150,000	210,703	1,360,703	345,000	167,625	512,625	1,873,328
2043	1,210,000	165,523	1,375,523	360,000	152,100	512,100	1,887,623
2044	1,125,000	117,083	1,242,083	375,000	135,900	510,900	1,752,983
2045	1,030,000	73,770	1,103,770	395,000	119,025	514,025	1,617,795
2046	630,000	34,338	664,338	410,000	101,250	511,250	1,175,588
2047	260,000	9,750	269,750	430,000	82,800	512,800	782,550
2048	-	-	-	450,000	63,450	513,450	513,450
2049	-	-	-	470,000	43,200	513,200	513,200
2050	-	-	-	490,000	22,050	512,050	512,050
	<u>\$ 25,444,998</u>	<u>\$ 13,827,039</u>	<u>\$ 39,272,036</u>	<u>\$ 8,200,000</u>	<u>\$ 7,168,125</u>	<u>\$ 15,368,125</u>	<u>\$ 54,640,161</u>

Average Annual Debt Service Requirements (2021-2050)\$ 1,821,339 ^(a)

Maximum Annual Debt Service Requirement (2034).....\$ 2,216,314 ^(a)

(a) Preliminary, subject to change.

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

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Hays County	\$ 490,815,154	8/31/2020	1.21%	\$ 5,938,863
Hays Consolidated Independent School District.	447,675,000	8/31/2020	3.16%	14,146,530
Austin Community College District	386,625,000	8/31/2020	0.11%	425,288
Northeast Hays County ESD #2.....	0	8/31/2020	6.19%	0
Hays ESD #8	0	8/31/2020	0.81%	0
Total Estimated Overlapping Debt				\$ 20,510,681
The District's Total Direct Debt ^(a)				33,644,998
Total Direct and Estimated Overlapping Debt				\$ 54,155,679

Direct and Estimated Overlapping Debt as a Percentage of:

2020 Certified Taxable Assessed Valuation^(b) 17.12%

(a) Includes the Bonds.

(b) Using the 2020 Certified Taxable Assessed Valuation provided by the Appraisal District of \$316,371,867.

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

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

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

	<u>2020 Tax Rate Per \$100 Assessed Valuation</u>
Hays County	\$ 0.5000
Hays ESD #8.....	0.1000
Austin Community College District.....	0.1058
Northeast Hays County ESD #2.....	0.0500
Hays Consolidated Independent School District.....	1.4037
Total Overlapping Tax Rate	\$ 2.2335
The District	0.9000
Total Tax Rate	\$ 3.0595

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TAX DATA

DEBT SERVICE TAX . . . The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, ad valorem property tax, without legal limit as to rate or amount, adequate to provide funds to pay the principal of and interest on the Bonds. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments,” “TAX DATA – Historical Tax Rate,” “TAX DATA – Tax Roll Information” below and “TAXING PROCEDURES.”

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

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

ADDITIONAL PENALTIES . . . The District has contracted with the Hays County Tax Assessor/Collector to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty to defray the costs of collection.

HISTORICAL TAX RATE

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Debt Service	\$ 0.6169	\$ 0.6200	\$ 0.7050	\$ 0.7050	\$ 0.7050
Maintenance	<u>0.2831</u>	<u>0.2800</u>	<u>0.1950</u>	<u>0.1950</u>	<u>0.1950</u>
Total	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000	\$ 0.9000

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

Tax Year	Net Certified Taxable Assessed Valuation ^(a)	Tax Rate	Total ^(b) Tax Levy	<u>Current Collections</u>		<u>Total Collections</u>		As of
				<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
2016	\$190,916,619	\$ 0.9000	\$1,917,967	\$1,905,675	99.36%	\$1,906,605	99.41%	09/30/17
2017	224,217,848	0.9000	2,278,862	2,271,998	99.70%	2,278,697	99.99%	09/30/18
2018	254,817,121	0.9000	2,486,429	2,471,940	99.42%	2,476,138	99.59%	09/30/19
2019	293,339,903	0.9000	2,680,315	2,622,701	97.85%	2,654,099	99.02%	09/30/20
2020	316,371,867	0.9000	2,587,256	N/A	N/A	N/A	N/A	

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

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

TAX ROLL INFORMATION . . . The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES – Valuation of Property for Taxation”). The following represents the composition of property comprising the 2018, 2019 and 2020 Certified Taxable Appraised Valuations.

	<u>2020 Certified Taxable Appraised Valuation</u>	<u>2019 Certified Taxable Appraised Valuation</u>	<u>2018 Certified Taxable Appraised Valuation</u>
Land and Improvements	\$ 327,026,794	\$ 302,281,156	\$ 262,177,352
Total Appraised Valuation	\$ 327,026,794	\$ 302,281,156	\$ 262,177,352
Exemptions	<u>10,654,927</u>	<u>8,941,253</u>	<u>7,360,231</u>
Total Taxable Appraised Valuation	<u>\$ 316,371,867</u>	<u>\$ 293,339,903</u>	<u>\$ 254,817,121</u>

PRINCIPAL TAXPAYERS . . . The following table represents the principal taxpayers, the taxable appraised value of such property, and such property's appraised value as a percentage of the 2020 Certified Taxable Assessed Valuation.

Name of Taxpayer	2020	% of Total
	Taxable Assessed Valuation	Taxable Assessed Valuation
BREIT Steadfast MF Buda TX LP	\$ 28,029,863	8.86%
The Meadows at Buda Commercial	4,254,020	1.34%
Gehan Homes, Ltd.	1,542,470	0.49%
Lennar Homes of Texas Land & Constr.	911,630	0.29%
Three Stars Investment Inc.	879,309	0.28%
Twin Investment LLC	833,620	0.26%
Singer Family Trust	811,000	0.26%
Alberico, Vincent	742,120	0.23%
Buckhorn Holdings LLC	700,000	0.22%
Boswell, Ben A. & Patricia L.	458,600	0.14%
	<u>\$ 39,162,632</u>	<u>12.38%</u>

TAX ADEQUACY FOR DEBT SERVICE . . . The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2020 Certified Taxable Assessed Valuation as provided by the Hays Central Appraisal District of \$316,371,867. The calculations assume an illustrative net interest cost of 4.50%, collection of ninety-seven and a half percent (97.5%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "DEBT SERVICE REQUIREMENTS."

Estimated Average Annual Debt Service Requirement (2021-2050).....	\$ 1,821,339	(a)
\$0.5905 Tax Rate on 2020 Certified Taxable Assessed Valuation at 97.5% collection.....	\$ 1,821,471	
Estimated Maximum Annual Debt Service Requirement (2034).....	\$ 2,216,314	(a)
\$0.7186 Tax Rate on 2020 Certified Taxable Assessed Valuation at 97.5% collection.....	\$ 2,216,612	

(a) Includes the Bonds. Preliminary, subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Under Texas law, the District is authorized to invest in (1) obligations, including letter of credit, of the United States or its agencies and instrumentalities including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended (the "PFIA")) (i) that are issued by or through an institution that either has its main office or a branch office in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits or (ii) where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law, or (B) a depository institution that

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (5) and (14) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (5) above, clauses (11) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. As an integral part of its investment policy, the District is required to adopt a separate written investment strategy for each of the funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield. In addition, State law requires that District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group and fully accrued interest for the

reporting period, (4) the book value and market value of each separately invested asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board of District.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in such order or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District, State law and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

CURRENT INVESTMENTS . . . On July 31, 2020, the District had \$2,457,654 of operating funds, \$2,429,421 of debt service funds and \$56,370 in capital projects funds. These amounts are unaudited. All operating funds are held by ABC Bank in Austin, Texas.

TAXING PROCEDURES

AUTHORITY TO LEVY TAXES . . . The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect a separate annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX DATA – Maintenance Tax."

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

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

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District.

State Mandated Homestead Exemptions: State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions: The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The District has not adopted such general residential homestead exemption.

Personal Property: Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Freeport Exemptions: Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer’s retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

Other Exempt Property: Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

Tax Abatement Agreements: Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

The District has not entered into any tax abatement agreements.

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The appraised value of a homestead may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the preceding tax year, the appraised value of the property for the preceding tax year and the market value of all new improvements to the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

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

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on the residence homestead, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is a person sixty-five (65) years of age or older or disabled is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . . During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "TAX DATA – Table 3 – Historical Tax Rate" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

Developed Districts: Developed Districts that adopt a total tax rate in excess of 1.035 times the amount of the total tax rate imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions and any unused increments authorized by the Tax Code for the preceding tax year, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

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

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to the restrictions on residential homesteads described under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS – Tax Collection Limitations and Foreclosure Remedies."

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

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

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

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

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

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

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

TAX MATTERS

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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX B 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 District 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 is expected to express 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 District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District 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 District 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 District 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 District 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 District or the Beneficial Owners to incur significant expense.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended. Pursuant to that section of the Code, a qualifying financial institution will be allowed a deduction from its own federal corporate income tax for the portion of interest expense the financial institution is able to allocate to designated "bank-qualified" investments.

PREPARATION OF OFFICIAL STATEMENT

SOURCES AND COMPILATION OF INFORMATION . . . The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developers, the Engineer, the Tax Assessor/Collector, the Appraisal District and from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District. Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

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

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

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular that information included in the sections entitled "THE DISTRICT," and "WATER, SANITARY SEWER AND DRAINAGE FACILITIES" has been provided by Gray Engineering, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

Auditor: The information contained in this Official Statement related to the District's financial information was audited and provided by Maxwell Locke & Ritter, LLP, Certified Public Accountants.

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

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

CONTINUING DISCLOSURE OF INFORMATION

The District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, not in excess of 10 business days after the event's occurrence, to the Municipal Securities Rulemaking Board (the "MSRB"), through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org.

ANNUAL REPORTS . . . The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in the Official Statement under the heading "DEBT SERVICE REQUIREMENTS," and (2) if not provided as part of such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental entities, or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the official statement, and (ii) audited, if the District commissions an audit of such financial 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 12 months after any such fiscal year end, then the District shall file unaudited statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements become available.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change. If the District fails to provide updated information as described above, it will provide timely notice of the failure to the MSRB.

NOTICE OF CERTAIN EVENTS . . . The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over

substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under “– Annual Reports.”

AVAILABILITY OF INFORMATION FROM THE MSRB . . . All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB Board. Access to such filings is provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the past five years, the District has complied in all material respects with its continuing disclosure requirements made by it in accordance with the Rule.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of the District, as of the date shown on the cover page.

President, Board of Directors
South Buda Water Control and Improvement District No. 1

ATTEST:

Secretary, Board of Directors
South Buda Water Control and Improvement District No. 1

AERIAL BOUNDARY MAP

PENBUR FARMS, INC.
(198.26 ACRES)
VOLUME 1093, PAGE 278
D.R.H.C.T.

N87°33'08"E 1307.63'

P.O.B.

LOT 8
RK 35 SOUTH
SECTION 1
8, SLIDES 39
P.R.H.C.T.

HOUSTON GBC, LTD.
(20.50 ACRES)
VOLUME 2554, PAGE 256
D.R.H.C.T.

NO2°28'52"W
74°07'48"E

N87°26'16"E 1204.05'

THE MEADOWS AT BUDA, LTD.
(115.351 ACRES)
VOLUME 2482, PAGE 79
D.R.H.C.T.

195.47 ACRES

10.10 ALICE
DIRECTORS LOT

STATE HIGHWAY COMMISSION
VOL. 178, PAGE 317
D.R.H.C.T.

W. A. MOORE SURVEY

L. H. 35
(ROW VARIES)

COUNTY ROAD 132
(NO DEDICATED ROW)

THE MEADOWS AT BUDA, LTD.
(6.86 ACRES)
EXHIBIT "B"
VOLUME 2484, PAGE 696
D.R.H.C.T.

THE MEADOWS AT BUDA, LTD.
(4.64 ACRES)
EXHIBIT "C"
VOLUME 2484, PAGE 696 -
D.R.H.C.T.

THE MEADOWS AT BUDA, LTD.
(85.24 ACRES)
EXHIBIT "A"
VOLUME 2484, PAGE 696
D.R.H.C.T.

821.50.11
696.78

CECIL H. HALE
(122.05 ACRES)
REMAINDER TRACT
VOLUME 1691, PAGE 1
D.R.H.C.T.

1. H. 35
(ROW VARIES)

S21°50'11" W 888.10
CECIL H. HALE
(122.05 ACRES)
REMAINDER TRACT
VOLUME 1691, PAGE 1
D.R.U., PAGE 1

U.S. AIR FORCE 883
NAVY COMMISSION
PAGE 474

/

S87°59'00"W 1401.50'

J. A. AQUIRRIE FAMILY
PARTNERSHIP, LTD.
(3.310 ACRES)
TRACT ONE
VOLUME 13332, PAGE 57
D.R.H.C.T.

J. A. AQUIRRIE FAMILY
PARTNERSHIP, LTD.
(5.010 ACRES)
TRACT TWO
VOLUME 13332, PAGE 57
D.B.H.C.T.

PAGE 5 OF 6

PHOTOGRAPHS OF THE DISTRICT



APPENDIX A

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



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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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
South Buda Water Control and Improvement District No. 1:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Buda Water Control and Improvement District No. 1 (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"
This firm is not a CPA firm*

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position 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 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
February 11, 2020

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO.1

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

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of South Buda Water Control and Improvement District No. 1 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2019. 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, if any, 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 liabilities of the District exceeded its assets and deferred outflows of resources at the close of the most recent year by \$1,541,026, primarily due to the use of the proceeds of the \$2,055,000 Unlimited Tax Road Bonds issued during the year ended September 30, 2014. The District reimbursed one of its developers \$1,744,629 from these bond proceeds for road construction and improvements that were subsequently conveyed by the District to the Hays County Commissioners Court, thus there were no capital assets reflected in District's Statement of Net Position to offset the liabilities incurred for the bond issuance. However, the District's current assets exceeded its current liabilities at September 30, 2019 by \$5,286,869.
- Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *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 balance 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

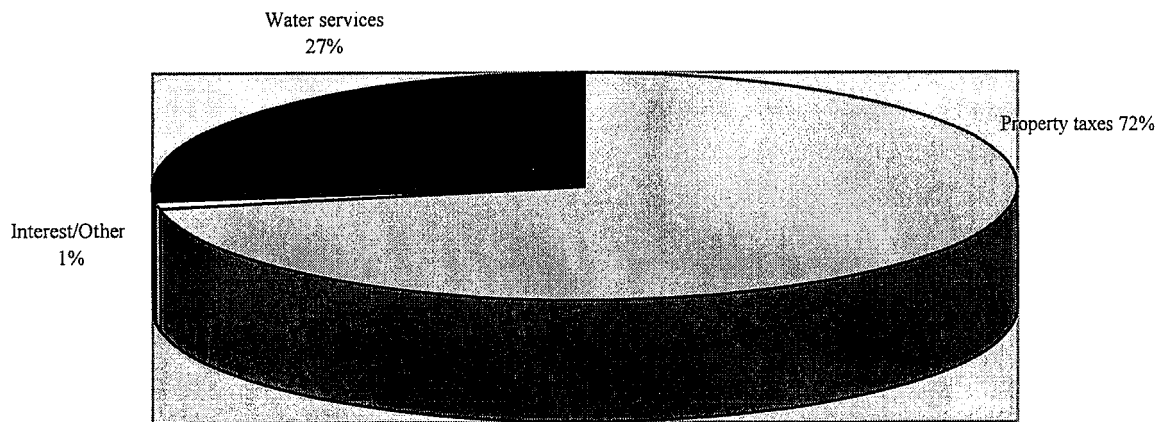
	Governmental Activities		
	2019	2018	% Change
Current Assets	\$ 6,591,829	\$ 4,300,926	53%
Capital and Non-Current Assets	20,853,521	21,026,494	(1%)
Total Assets	<u>\$ 27,445,350</u>	<u>\$ 25,327,420</u>	<u>8%</u>
Deferred Outflows of Resources	\$ 162,886	\$ 173,745	(6%)
Current Liabilities	\$ 1,304,960	\$ 1,061,921	23%
Long-term Liabilities	27,844,302	26,261,463	6%
Total Liabilities	<u>\$ 29,149,262</u>	<u>\$ 27,323,384</u>	<u>7%</u>
Net Investment in Capital Assets	\$ (6,891,493)	\$ (5,044,570)	(37%)
Restricted	1,726,113	1,243,703	39%
Unrestricted	3,624,354	1,978,648	83%
Total Net Position	<u>\$ (1,541,026)</u>	<u>\$ (1,822,219)</u>	<u>15%</u>

Statement of Activities

	Governmental Activities		
	2019	2018	% Change
Water and tap/inspection fees	\$ 922,863	\$ 918,874	<1%
Impact fees	-	219,282	(100%)
Property taxes	2,516,956	2,281,722	10%
Interest and miscellaneous	45,367	8,946	407%
Total revenues	3,485,186	3,428,824	2%
Water	749,517	1,054,535	(29%)
Professional fees	136,436	190,127	(28%)
Repairs and maintenance	488,647	372,085	31%
Contracted services	143,736	153,535	(6%)
Debt service	1,003,193	1,214,305	(17%)
Recurring operating	150,369	140,941	7%
Depreciation and amortization	532,095	470,155	13%
Total expenses	3,203,993	3,595,683	(11%)
Change in net position	281,193	(166,859)	269%
Beginning net position	(1,822,219)	(1,655,360)	(10%)
Ending net position	\$ (1,541,026)	\$ (1,822,219)	15%

Operating revenues were approximately \$3,485,000 for the year ended September 30, 2019. Of this amount, water and tap/inspection fees provided approximately \$923,000 and property taxes provided approximately \$2,517,000 in revenues. Total expenses were approximately \$3,204,000 for the year ended September 30, 2019. Of this amount, professional fees totaled approximately \$136,000, water purchases totaled approximately \$750,000, and debt service totaled approximately \$1,003,000. Net position increased approximately \$281,000 for the year ended September 30, 2019.

Source of Revenue



Analysis of Governmental Funds

	2019	2018	2017
Cash	\$ 6,176,964	4,183,711	3,589,995
Investments	232,432	14,131	13,916
Receivables	194,791	258,040	202,575
Total assets	<u>6,604,187</u>	<u>4,455,882</u>	<u>3,806,486</u>
Accounts payable	505,534	487,439	225,878
Meter deposits	55,975	55,475	56,100
Total liabilities	<u>561,509</u>	<u>542,914</u>	<u>281,978</u>
Total deferred inflows of resources	<u>53,596</u>	<u>18,419</u>	<u>19,434</u>
Restricted fund balance for:			
Debt service	1,847,253	1,395,997	1,058,132
Capital projects	56,264	56,097	14
Assigned for:			
Lift Station Phase 2	3,071,741	1,028,989	814,935
Builder advances	251,298	251,298	251,298
Subsequent year's budget deficit	-	-	1,503
Unassigned fund balance	<u>762,526</u>	<u>1,162,168</u>	<u>1,379,192</u>
Total fund balances	<u>5,989,082</u>	<u>3,894,549</u>	<u>3,505,074</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 6,604,187</u>	<u>4,455,882</u>	<u>3,806,486</u>

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues and other financing sources were more than budget by approximately \$2,259,000 primarily due to developer advances received. Actual expenditures were greater than budget by approximately \$670,000, primarily due to higher than anticipated repairs and maintenance and unbudgeted capital outlay. More detailed information about the District's budget is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$510,000 and bond interest of \$983,775. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* primarily purchases the District's infrastructure and had no capital outlay expenditures for the year ended September 30, 2019.

Capital and Intangible Assets and Long-Term Debt Activity

Capital assets consisted of the following at September 30, 2019:

Land and easements	\$ 624,121
Construction in progress	957,838
Infrastructure	<u>17,784,050</u>
Subtotal	19,366,009
Accumulated depreciation	<u>(1,744,287)</u>
Total	<u>\$ 17,621,722</u>

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

Intangible assets consisted of the following at September 30, 2019:

Rights to receive service	\$ 3,490,425
Accumulated amortization	<u>(330,245)</u>
Total	<u>\$ 3,160,180</u>

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

Long-term debt consisted of the following at September 30, 2019:

Current portion	\$ 595,000
Long-term portion	<u>25,420,204</u>
Total	<u>\$ 26,015,204</u>

At September 30, 2019, the District owed approximately \$251,000 to the builder for advances used to fund operating activities, approximately \$2.2 million to developers for advances used to fund construction, and approximately \$26.0 million to bond holders. At September 30, 2019, unlimited tax bonds and unlimited tax road bonds of \$52,405,000 and \$3,945,000, respectively, were authorized by the voters of the District, but unissued. 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

For fiscal year 2020 (tax year 2019), the tax rate has been set at \$0.90 per \$100 of assessed valuation with \$0.195 for maintenance and operating expenditures and \$0.705 for debt service. The adopted budget for fiscal year 2020 projects revenues of approximately \$1,506,000 and expenditures of approximately \$1,304,000 for the General Fund.

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 at 12912 Hill Country Blvd., Suite F-232, Austin, Texas 78738.

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF NET POSITION
ASSETS:						
Cash	\$ 967,075	1,830,586	56,264	2,853,925	-	2,853,925
Restricted cash	3,323,039	-	-	3,323,039	-	3,323,039
Temporary investments	232,432	-	-	232,432	-	232,432
Receivables:						
Service accounts	123,279	-	-	123,279	-	123,279
Property tax	13,927	39,669	-	53,596	-	53,596
Interfund	-	12,358	-	12,358	(12,358)	-
Other	1,249	4,309	-	5,558	-	5,558
Bond insurance costs	-	-	-	-	71,619	71,619
Intangible assets (net of accumulated amortization)- Rights to receive service	-	-	-	-	3,160,180	3,160,180
Capital assets (net of accumulated depreciation):						
Land and easements	-	-	-	-	624,121	624,121
Construction in progress	-	-	-	-	957,838	957,838
Infrastructure	-	-	-	-	16,039,763	16,039,763
Total assets	<u>\$ 4,661,001</u>	<u>1,886,922</u>	<u>56,264</u>	<u>6,604,187</u>	<u>20,841,163</u>	<u>27,445,350</u>
DEFERRED OUTFLOWS OF RESOURCES-						
Deferred charges on bond refunding	-	-	-	-	162,886	162,886
LIABILITIES:						
Accounts payable	\$ 493,176	-	-	493,176	-	493,176
Meter deposits	55,975	-	-	55,975	-	55,975
Interfund payables	12,358	-	-	12,358	(12,358)	-
Accrued bond interest payable	-	-	-	-	160,809	160,809
Long-term liabilities:						
Due within one year - bonds	-	-	-	-	595,000	595,000
Due after one year - bonds	-	-	-	-	25,196,364	25,196,364
Accretion payable	-	-	-	-	223,840	223,840
Builder advances	-	-	-	-	251,298	251,298
Developer advances	-	-	-	-	2,172,800	2,172,800
Total liabilities	<u>561,509</u>	<u>-</u>	<u>-</u>	<u>561,509</u>	<u>28,587,753</u>	<u>29,149,262</u>
DEFERRED INFLOWS OF RESOURCES-						
Deferred revenue - property taxes	<u>13,927</u>	<u>39,669</u>	<u>-</u>	<u>53,596</u>	<u>(53,596)</u>	<u>-</u>
FUND BALANCES/ NET POSITION:						
Fund balances:						
Restricted for:						
Debt service	-	1,847,253	-	1,847,253	(1,847,253)	-
Capital projects	-	-	56,264	56,264	(56,264)	-
Assigned for:						
Lift Station Phase 2	3,071,741	-	-	3,071,741	(3,071,741)	-
Builder advances	251,298	-	-	251,298	(251,298)	-
Unassigned	<u>762,526</u>	<u>-</u>	<u>-</u>	<u>762,526</u>	<u>(762,526)</u>	<u>-</u>
Total fund balances	<u>4,085,565</u>	<u>1,847,253</u>	<u>56,264</u>	<u>5,989,082</u>	<u>(5,989,082)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 4,661,001</u>	<u>1,886,922</u>	<u>56,264</u>	<u>6,604,187</u>		
Net position:						
Net investment in capital assets					(6,891,493)	(6,891,493)
Restricted for debt service					1,726,113	1,726,113
Unrestricted					<u>3,624,354</u>	<u>3,624,354</u>
Total net position					<u>\$ (1,541,026)</u>	<u>(1,541,026)</u>

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

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

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

	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL GOVERNMENTAL FUNDS	ADJUSTMENTS (NOTE 2)	STATEMENT OF ACTIVITIES
EXPENDITURES/EXPENSES:						
Service operations:						
Water purchases	\$ 749,517	-	-	749,517	-	749,517
Engineering fees	48,247	-	-	48,247	-	48,247
Legal fees	71,189	-	-	71,189	-	71,189
Repairs and maintenance	488,647	-	-	488,647	-	488,647
Management fees	20,017	-	-	20,017	-	20,017
Garbage services	107,068	-	-	107,068	-	107,068
Tax assessor	16,651	-	-	16,651	-	16,651
Directors' fees	15,449	-	-	15,449	-	15,449
Audit fees	17,000	-	-	17,000	-	17,000
Insurance	10,902	-	-	10,902	-	10,902
Recurring operating	124,018	-	-	124,018	-	124,018
Capital outlay	362,036	-	-	362,036	(362,036)	-
Debt service:						
Bond principal	-	510,000	-	510,000	(510,000)	-
Interest	-	983,775	-	983,775	15,658	999,433
Fiscal agent fees and other	400	3,360	-	3,760	-	3,760
Amortization	-	-	-	-	87,265	87,265
Depreciation	-	-	-	-	444,830	444,830
Total expenditures/expenses	2,031,141	1,497,135	-	3,528,276	(324,283)	3,203,993
REVENUES:						
Program revenues-						
Water service	922,863	-	-	922,863	-	922,863
Total program revenues	922,863	-	-	922,863	-	922,863
Net program expense						(2,281,130)
General revenues:						
Property taxes, including penalties and interest	538,239	1,943,540	-	2,481,779	35,177	2,516,956
Interest on temporary investments	40,349	4,851	167	45,367	-	45,367
Total general revenues	578,588	1,948,391	167	2,527,146	35,177	2,562,323
Total revenues	1,501,451	1,948,391	167	3,450,009	35,177	3,485,186
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	(529,690)	451,256	167	(78,267)	359,460	281,193
OTHER FINANCING SOURCES-						
Developer advances	2,172,800	-	-	2,172,800	(2,172,800)	-
Total other financing sources	2,172,800	-	-	2,172,800	(2,172,800)	-
Change in fund balances / net position	1,643,110	451,256	167	2,094,533	(1,813,340)	281,193
FUND BALANCES/NET POSITION:						
Beginning of year	2,442,455	1,395,997	56,097	3,894,549	(5,716,768)	(1,822,219)
End of year	\$ 4,085,565	1,847,253	56,264	5,989,082	(7,530,108)	(1,541,026)

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

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2019

	ORIGINAL & FINAL BUDGET	ACTUAL	VARIANCE
REVENUES:			
Water service	\$ 900,000	922,863	22,863
Property taxes, including penalties and interest	507,097	538,239	31,142
Interest on temporary investments	7,800	40,349	32,549
Total revenues	<u>1,414,897</u>	<u>1,501,451</u>	<u>86,554</u>
EXPENDITURES:			
Service operations:			
Water purchases	790,000	749,517	40,483
Engineering fees	60,000	48,247	11,753
Legal fees	81,000	71,189	9,811
Repairs and maintenance	121,640	488,647	(367,007)
Management fees	20,000	20,017	(17)
Garbage services	116,000	107,068	8,932
Tax assessor	15,000	16,651	(1,651)
Directors' fees	15,600	15,449	151
Audit fees	14,000	17,000	(3,000)
Insurance	11,000	10,902	98
Recurring operating	113,280	124,018	(10,738)
Capital outlay	-	362,036	(362,036)
Debt service:			
Fiscal agent fees and other	3,200	400	2,800
Total expenditures	<u>1,360,720</u>	<u>2,031,141</u>	<u>(670,421)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	54,177	(529,690)	(583,867)
OTHER FINANCING SOURCES-			
Developer advances	-	2,172,800	2,172,800
CHANGE IN FUND BALANCE	54,177	1,643,110	1,588,933
FUND BALANCE:			
Beginning of year	2,442,455	2,442,455	-
End of year	<u>\$ 2,496,632</u>	<u>4,085,565</u>	<u>1,588,933</u>

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

SOUTH BUDA WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1

NOTES TO BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

South Buda Water Control and Improvement District No. 1 (the "District") was created by the Hays County Commissioners Court on January 25, 2005, in accordance with Article XVI, Section 29 of the Constitution of the State of Texas (the "State") and with Chapter 54 of the Texas Water Code. The Board of Directors (the "Board") held its first meeting July 18, 2005.

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 separated 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. 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 of 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.

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

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.

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

Restricted cash - Restricted cash consisted of builder and developer advances that will be repaid through future bond issuances and funds assigned to the construction of Lift Station Phase 2.

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. 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.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District believes all accounts were collectible at September 30, 2019.

Ad Valorem Property Taxes - Property taxes, penalties and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for 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.

Encumbrances - Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30th, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. There were no outstanding encumbrances at September 30, 2019 provided for in the subsequent year's budget.

Capital Assets - Capital assets, which include land and easements, construction in progress, and infrastructure, are reported in the government-wide column in the statement of net position. Public domain ("infrastructure") capital assets including water and drainage systems are capitalized. Capital assets are defined by the District as assets with an initial individual cost of at least \$5,000. All capital assets and capital asset improvements are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. Interest incurred during construction of capital facilities is not capitalized.

Capital assets (other than land and easements and construction in progress) are depreciated using the straight line method over the following estimated useful lives: infrastructure - forty years.

Intangible Asset - Rights to receive service are reported in the government-wide column in the statement of net position at historical cost and are amortized using the straight line method over an estimated useful life of forty years.

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as bond insurance costs, are deferred and amortized over the life of the bonds using the straight line method. 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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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

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. See Note 7 for additional information on deferred outflows of resources.

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

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, 2019. 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 costs 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, 2021.

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	\$ 5,989,082
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.	71,619
Capital and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net of accumulated depreciation	17,621,722
Intangible assets, net of accumulated amortization	3,160,180
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	53,596
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, net of discounts and premiums	(25,791,364)
Less: Deferred charges on bond refunding	162,886
Bond interest payable	(160,809)
Accretion payable	(223,840)
Developer advances	(2,172,800)
Builder advances	(251,298)
Total net position	<u>\$ (1,541,026)</u>

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

Change in fund balances	\$ 2,094,533
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	362,036
Amortization expense	(87,265)
Depreciation expense	(444,830)
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	35,177
Bond proceeds and developer advances provide current financial resources to governmental funds, but issuing debt and receiving advances 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:	
Repayment of bond principal	510,000
Developer advances	(2,172,800)
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:	
Change in bond interest payable	3,154
Amortization of original issue discount	(9,304)
Amortization of bond premium	8,846
Amortization of deferred charges on bond refunding	(10,859)
Change in accretion payable	(4,581)
Amortization of bond insurance costs	(2,914)
Change in net position	<u>\$ 281,193</u>

3. CASH AND TEMPORARY INVESTMENTS

The District's deposits are required to be secured in the manner provided by law for the security of the funds. At September 30, 2019, 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 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 yield.

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission and eligible public funds investment pools.

At September 30, 2019, the District had investments in an external local governmental investment pool, Texas Local Governmental Investment Pool ("TexPool"), of \$232,432 which has a Standard & Poor's rating of AAAM and a weighted average maturity of one day.

Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manages daily operations of TexPool under a contract with the Comptroller and serves as the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

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

Credit Risk - At September 30, 2019, investments were included in an external local governmental investment pool with a rating which is in compliance with the District's investment policy.

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

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, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
Debt Service	General	\$ 12,358

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2019 was as follows:

	Balance September 30, 2018	Additions	Retirements and Transfers	Balance September 30, 2019
Capital assets not being depreciated:				
Land and easements	\$ 624,121	-	-	624,121
Construction in progress	595,802	362,036	-	957,838
Total capital assets not being depreciated	1,219,923	362,036	-	1,581,959
Capital assets being depreciated-				
Infrastructure	17,784,050	-	-	17,784,050
Less accumulated depreciation for-				
Infrastructure	(1,299,457)	(444,830)	-	(1,744,287)
Total capital assets being depreciated, net	16,484,593	(444,830)	-	16,039,763
Capital assets, net	\$ 17,704,516	(82,794)	-	17,621,722

6. INTANGIBLE ASSET

Intangible asset activity for the year ended September 30, 2019 was as follows:

	Balance September 30, 2018	Additions	Retirements and Transfers	Balance September 30, 2019
Intangible asset-				
Rights to receive service	\$ 3,490,425	-	-	3,490,425
Less accumulated amortization	(242,980)	(87,265)	-	(330,245)
Intangible asset, net	\$ 3,247,445	(87,265)	-	3,160,180

Pursuant to the terms and conditions of the Consent and Development Agreement in November 2005, the City of Buda was conveyed certain wastewater facilities that were acquired by the District upon reimbursement of the District's developers through the issuance of the Series 2011, 2014, 2015, 2016, 2017, and 2018 bonds during the current and prior years. Due to this, the amount related to these wastewater facilities is reflected as an intangible asset for the rights to receive wastewater service from the City of Buda. This intangible asset is amortized over the estimated useful life from the date of conveyance.

7. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2019:

	Balance September 30, 2018	Additions	Retirements	Balance September 30, 2019
Deferred charges on bond refundings	<u>\$ 173,745</u>	<u>-</u>	<u>(10,859)</u>	<u>162,886</u>

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

	Balance September 30, 2018	Additions	Retirements	Balance September 30, 2019
Bonds payable	\$ 26,334,998	-	(510,000)	25,824,998
Issuance discount on bonds	(175,987)	-	9,304	(166,683)
Premium on bonds	141,895	-	(8,846)	133,049
Accretion on capital appreciation bonds	<u>219,259</u>	<u>4,581</u>	<u>-</u>	<u>223,840</u>
Total	<u>\$ 26,520,165</u>	<u>4,581</u>	<u>(509,542)</u>	<u>26,015,204</u>

Long-term debt at September 30, 2019, was comprised of the following:

	Balance September 30, 2019	Due in One Year
\$2,935,000, Series 2010, Unlimited Tax Bonds, due in annual installments August 1, 2012 thru 2020. Interest varies from 3.00% to 5.25% and is payable on February 1 and August 1 each year.	\$ 95,000	\$ 95,000
\$3,145,000, Series 2011, Unlimited Tax Bonds, due in annual installments August 1, 2014 thru 2041. Interest varies from 3.00% to 5.00% and is payable on February 1 and August 1 each year.	2,770,000	70,000
\$2,055,000, Series 2013, Unlimited Tax Road Bonds, due in annual installments August 1, 2016 thru 2043. Interest varies from 2.25% to 5.10% and is payable on February 1 and August 1 each year.	1,910,000	40,000
\$2,130,000, Series 2014, Unlimited Tax Bonds, due in annual installments August 1, 2016 thru 2044. Interest varies from 3.50% to 5.00% and is payable on February 1 and August 1 each year.	1,985,000	40,000
\$3,000,000, Series 2015, Unlimited Tax Bonds, due in annual installments August 1, 2017 thru 2045. Interest varies from 3.00% to 5.00% and is payable on February 1 and August 1 each year.	2,845,000	55,000
\$4,000,000, Series 2016, Unlimited Tax Bonds, due in annual installments August 1, 2017 thru 2045. Interest varies from 2.00% to 3.70% and is payable on February 1 and August 1 each year.	3,770,000	80,000
\$2,274,998, Series 2016, Unlimited Tax Refunding Bonds, due in annual installments August 1, 2017 thru 2034. Interest varies from 1.83% to 4.00% and is payable on February 1 and August 1 each year.	2,179,998	25,000
\$6,340,000, Series 2017, Unlimited Tax Bonds, due in annual installments August 1, 2019 thru 2046. Interest varies from 2.25% to 4.00% and is payable on February 1 and August 1 each year.	6,225,000	120,000
\$4,045,000, Series 2018, Unlimited Tax Bonds, due in annual installments August 1, 2020 thru 2047. Interest varies from 3.00% to 4.00% and is payable on February 1 and August 1 each year.	4,045,000	70,000
	<u>\$ 25,824,998</u>	<u>\$ 595,000</u>

The bonds require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2019.

As of September 30, 2019, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2020	\$ 595,000	964,855	1,559,855
2021	512,225	1,055,726	1,567,951
2022	537,773	1,046,709	1,584,482
2023	680,000	906,689	1,586,689
2024	720,000	886,671	1,606,671
2025-2029	4,150,000	4,055,696	8,205,696
2030-2034	5,300,000	3,226,370	8,526,370
2035-2039	5,380,000	2,227,519	7,607,519
2040-2044	6,030,000	1,070,287	7,100,287
2045-2047	1,920,000	117,857	2,037,857
Total	<u>\$ 25,824,998</u>	<u>15,558,379</u>	<u>41,383,377</u>

The outstanding Series 2016 Unlimited Tax Refunding Bonds include both Serial and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

At September 30, 2019, unlimited tax bonds and unlimited tax road bonds of \$52,405,000 and \$3,945,000, respectively, were authorized by the District but unissued.

9. 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 Hays Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges. The maximum allowable maintenance tax of \$1.00 was established by the voters on September 10, 2005.

In September 2018, the District levied a combined tax rate of \$0.90 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.195 and \$0.705, respectively. The total 2018 tax levy was \$2,486,429 based on a taxable valuation of \$268,172,186.

10. FUND BALANCES

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

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

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

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

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

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

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.

11. COMMITMENTS AND CONTINGENT LIABILITIES

The District has entered into several Cost Share Agreements between the District and the developers for the sharing of construction and engineering expenses related to various projects. The Cost Share Agreements represent the respective pro-rata share of capacity each party shall have in the projects. At September 30, 2019, the District had builder and developer advance liabilities of \$251,298 and \$2,172,800, respectively, related to advances received to fund future project costs.

12. RISK MANAGEMENT

The District's risk management program includes coverage through third party insurance providers for automobile liability, director and officer liability, public officials' position liability and commercial umbrella and general liability. No claims were filed during the previous three years.

APPENDIX B

FORM OF BOND COUNSEL'S OPINION



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_____, 2020

South Buda Water Control and Improvement District No. 1
Unlimited Tax Bonds, Series 2020

We have acted as Bond Counsel to the South Buda Water Control and Improvement District No. 1 (the “District”) in connection with the issuance of \$_____ aggregate principal amount of bonds designated as “South Buda Water Control and Improvement District No. 1 Unlimited Tax Bonds, Series 2020” (the “Bonds”). The Bonds are authorized by an order adopted by the Board of Directors of the District on _____, 2020 (the “Order”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Order, the tax certificate of the District dated the date hereof (the “Tax Certificate”), certificates of the District and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income

for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Finally, our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

- (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 obligations of the District, and the Bonds have been authorized and delivered in accordance with law.
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.
- (3) 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.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP