

OFFICIAL STATEMENT DATED JUNE 27, 2019

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

THE BONDS HAVE BEEN DESIGNATED "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. SEE "TAX MATTERS – QUALIFIED TAX-EXEMPT OBLIGATIONS"

NEW ISSUE – Book Entry Only

Rating:
S&P: "AA" (Stable Outlook)/Insured
S&P: "A-"/Uninsured
 See "BOND INSURANCE" and
 "MUNICIPAL BOND RATING" herein

\$4,420,000
WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
(A political subdivision of the State of Texas located within Williamson County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2019

Dated: August 1, 2019

Due: August 1, as shown below

Principal of the above described bonds (the "Bonds") will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially UMB, N.A. (the "Paying Agent/Registrar"), in Austin, Texas. Interest on the Bonds will accrue from August 1, 2019 and be payable on February 1, 2020 and on each August 1 and February 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

<u>Due</u> <u>Aug. 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield^(a)</u>	<u>CUSIP</u> <u>Number^(b)</u>	<u>Due</u> <u>Aug. 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield^(a)</u>	<u>CUSIP</u> <u>Number^(b)</u>
2020	\$510,000	4.000%	1.680%	97000QKQ0	2027	\$220,000 ^(c)	2.000%	2.270%	97000QKX5
2021	425,000	4.000%	1.720%	97000QKR8	2028	215,000 ^(c)	2.000%	2.400%	97000QKY3
2022	220,000	4.000%	1.770%	97000QKS6	2029	210,000 ^(c)	2.250%	2.600%	97000QKZ0
2023	220,000	4.000%	1.850%	97000QKT4	2030	205,000 ^(c)	3.000%	2.800%	97000QLA4
2024	220,000	4.000%	1.910%	97000QKU1	2031	200,000 ^(c)	3.000%	2.870%	97000QLB2
2025	225,000	3.000%	2.030%	97000QKV9	2032	200,000 ^(c)	3.000%	2.940%	97000QLC0
2026	220,000	2.000%	2.160%	97000QKW7					

\$385,000 3.000% Term Bonds due August 1, 2034^(c) Priced to Yield 3.000%^(a) – 97000QLE6^(b)
\$745,000 3.000% Term Bonds due August 1, 2036^(c) Priced to Yield 3.060%^(a) – 97000QLG1^(b)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from August 1, 2019, is to be added to the price.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. None of the District, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Bonds maturing on and after August 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or in part, on August 1, 2026, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." Additionally, Term Bonds maturing on August 1 in the years 2034 and 2036 are subject to mandatory sinking fund redemption. See "THE BONDS – Redemption Provisions."

The Bonds, when issued, will constitute valid and legally binding obligations of Williamson County Municipal Utility District No. 11 (the "District") and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Williamson County, the City of Round Rock or any entity other than the District. The Bonds are subject to special investment considerations described herein. See "INVESTMENT CONSIDERATIONS."

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Certain legal matters will be passed on for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on August 6, 2019.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 1108 Lavaca Street, Suite 510, Austin, Texas 78701, upon payment of duplication costs.

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

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer.....Williamson County Municipal Utility District No. 11 (the “District”), a political subdivision of the State of Texas, is located in Williamson County, Texas. See “THE DISTRICT.”

The Issue.....\$4,420,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from August 1, 2019, at the rates shown on the cover hereof, and is payable on February 1, 2020 and on each August 1 and February 1 thereafter until the earlier of maturity or prior redemption.

The Bonds maturing on and after August 1, 2027, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on August 1, 2026, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.” Additionally, Bonds maturing on August 1 in the years 2034 and 2036 (the “Term Bonds”) are subject to mandatory sinking fund redemption. See “THE BONDS – Redemption Provisions.”

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

Use of Proceeds.....Proceeds of the Bonds will be used to (i) refund a portion of the District’s outstanding debt as more particularly described in “SCHEDULE I – SCHEDULE OF REFUNDED BONDS” (the “Refunded Bonds”) to achieve a debt service savings and (ii) pay the costs associated with the issuance of the Bonds.

Payment Record.....The District has previously issued seven series of unlimited tax bonds and three series of unlimited tax refunding bonds, of which \$23,850,000 principal amount was outstanding as of April 1, 2019 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on its previously issued bonds.

Qualified Tax-Exempt Obligations.....The Bonds have been designated “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”

Municipal Bond Rating and Insurance.....The Bonds are expected to be rated “AA” by S&P Global Ratings (“S&P”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM”) at the time of delivery of the Bonds. The Bonds have an underlying rating of “A-” by S&P without regard to credit enhancement.

Legal Opinion.....Allen Boone Humphries Robinson LLP, Austin, Texas.

Financial Advisor.....Specialized Public Finance Inc., Austin, Texas.

Underwriter’s Counsel.....Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

EngineerJones-Heroy & Associates, Inc., Austin, Texas.

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

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

THE DISTRICT

Description.....The District was created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated May 14, 1999. The District presently contains approximately 498 acres of land located in eastern Williamson County approximately three miles north of downtown Round Rock, Texas and four miles south of downtown Georgetown, Texas. The District lies entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas (the “City”).

Status of Development.....The District contains approximately 498 acres of land, substantially all of which have been developed for single-family residential purposes, with the exception of approximately 141 acres of land which have been developed for commercial purposes, multi-family residential purposes, a school site, and parks and open space. The District presently provides water, sanitary sewer and drainage facilities to serve the entire District, which includes Sections 13B, 14B, 15A, 15B, 16A, 16B, 17A, 17B, 19, 20, 21A, 21B, 22, 23 and 310.

As of March 1, 2019, the District contained 1,063 occupied single-family homes and 3 vacant single-family homes. Homes in the District have values for taxation from approximately \$200,000 to \$640,000.

In addition to single-family residential development described above, approximately 34 acres have been developed for commercial purposes. Commercial development currently includes a public storage facility, an animal hospital, a day care facility, and a rehab hospital. Also, a 30-unit condominium complex is currently under construction on such acreage. Other improvements in the District include a 318-unit apartment complex, Fairway Knoll at Teravista, located on approximately 16 acres of land in the District. The District also includes a portion of Teravista Golf Club, a daily-fee course. Round Rock Independent School District has constructed an elementary school on approximately 12 acres of land. The school is exempt from taxation by the District.

All developable land in the District is provided water, sanitary sewer and drainage facilities and the remaining acreage (approximately 37 acres of land) is located in drainage and detention ponds and easements. See “THE DISTRICT – Status of Development.”

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SELECTED FINANCIAL INFORMATION

2018 Taxable Assessed Valuation.....	\$430,943,456 ^(a)
Gross Direct Debt Outstanding (after the issuance of the Bonds).....	\$ 23,995,000
Estimated Overlapping Debt	<u>17,077,167^(b)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$ 41,072,167
Ratio of Gross Direct Debt to:	
2018 Taxable Assessed Valuation.....	5.57%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2018 Taxable Assessed Valuation.....	9.53% ^(b)
Funds Available in Debt Service Fund as of April 9, 2019	\$ 2,418,313 ^(c)
Funds Available in Operating Fund as of April 9, 2019.....	\$ 3,032,288
2018 District Tax Rate:	
Debt Service	\$0.4300
Maintenance and Operations.....	<u>0.1700</u>
Total	\$0.6000/\$100 A.V.
Average Annual Debt Service Requirements (2019-2038) (“Average Requirement”).....	\$1,686,101
Tax rate required to pay Average Requirement based upon	
2018 Taxable Assessed Valuation at a 95% collection rate	\$0.42/\$100 A.V.
Connection count as of March 1, 2019:	
Single-family residential – completed and occupied.....	1,063
Single-family residential – completed and unoccupied.....	3
Multi-family (318 units).....	1
Commercial.....	6
Other.....	<u>24</u>
Total	1,097

Area of District – 498 acres
Estimated 2019 Population – 4,357^(d)

(a) As certified by the Williamson Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
(b) See “ESTIMATED OVERLAPPING DEBT STATEMENT” herein.
(c) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.
(d) Estimate based on 3.5 persons per occupied home and 2.0 persons per multi-family unit.

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OFFICIAL STATEMENT

\$4,420,000

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
(A political subdivision of the State of Texas located within Williamson County)

UNLIMITED TAX REFUNDING BONDS
SERIES 2019

This Official Statement provides certain information in connection with the issuance by Williamson County Municipal Utility District No. 11 (the “District”) of its \$4,420,000 Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds will be issued pursuant to a resolution adopted by the Board of Directors of the District on May 14, 2019 (the “Resolution”), and a pricing certificate executed by the pricing officer on the date of sale of the Bonds as designated in the Resolution (the Resolution and the pricing certificate are collectively referred to herein as the “Bond Resolution”), the Constitution and general laws of the State of Texas (the “State”) including Article XVI, Section 59 of the Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about 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 the District upon payment of the costs of duplication therefore.

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

PLAN OF FINANCING

Refunded Bonds

The Refunded Bonds (defined below) and the interest due thereon, are to be paid on the redemption date from funds to be deposited with Wells Fargo Bank, N.A., Minneapolis, Minnesota, as paying agent for the Refunded Bonds. The Bond Resolution provides that from the proceeds of the sale of the Bonds, the District will deposit with the Paying Agent for the Refunded Bonds the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Paying Agent for the Refunded Bonds in a segregated payment account (the “Payment Account”). By the deposit of the cash with the Paying Agent for the Refunded Bonds and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolutions of the District securing payment of the Refunded Bonds shall have been satisfied and such Refunded Bonds will no longer be considered outstanding except for the payment out of the amounts so deposited in the Payment Account, and the amounts so deposited in the Payment Account will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Purpose

Proceeds of the Bonds will be used to (i) refund a portion of the District’s outstanding debt as more particularly described in “SCHEDULE I – SCHEDULE OF REFUNDED BONDS” (the “Refunded Bonds”) to achieve a debt service savings and (ii) pay the costs associated with the issuance of the Bonds.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of Bonds	\$ 4,420,000.00
Accrued Interest	1,950.35
Net Original Issue Premium	<u>75,804.45</u>
Total Sources of Funds	\$ 4,497,754.80
Uses of Funds:	
Deposit with Paying Agent/Registrar of Refunded Bonds	\$ 4,278,184.38
Costs of Issuance, Underwriter’s Discount, Bond Insurance	214,301.71
Deposit to Debt Service Fund	<u>5,268.71</u>
Total Uses of Funds	\$ 4,497,754.80

THE BONDS

General

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

The Bonds will be dated and accrue interest from August 1, 2019, at the rates shown on the cover hereof, and interest is payable on each February 1 and August 1 commencing February 1, 2020, until the earlier of maturity or prior redemption. The Bonds mature on August 1 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Authority for Issuance

At a bond election held within the District on April 21, 2001, the voters of the District authorized the issuance of a total of \$45,900,000 principal amount of unlimited tax bonds for the purpose of refunding bonds of the District and a total of \$70,668,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary and sewer and drainage facilities. The Bonds are being issued pursuant to such authorization. See “Issuance of Additional Debt” below.

The Bonds are issued by the District pursuant to the Bond Resolution, Chapter 1207, Texas Government Code, as amended, Article XVI, Section 59 of the Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas and a pricing certificate executed by the pricing officer as designated in the Resolution.

Source of and Security for Payment

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

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

Funds

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

Accrued interest on the Bonds shall be deposited into the Debt Service Fund upon receipt. Any funds remaining after the payment of issuance costs will be deposited into the Debt Service Fund.

No Arbitrage

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

Record Date

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

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after August 1, 2027, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on August 1, 2026, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar (hereinafter defined) by lot or other customary method of random selection (or by DTC (hereinafter defined) in accordance with its procedures while the Bonds are in book-entry-only form).

Mandatory Sinking Fund Redemption: The Bonds maturing on August 1 in the years 2034 and 2036 (the “Term Bonds”) are also subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

<u>Term Bonds Due August 1, 2034</u>		<u>Term Bonds Due August 1, 2036</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 2033	\$ 195,000	August 1, 2035	\$ 185,000
August 1, 2034*	190,000	August 1, 2036*	560,000

*Stated Maturity.

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). If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

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

Registration and Transfer

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. The District’s voters have authorized the issuance of \$70,668,000 of unlimited tax bonds and \$45,900,000 unlimited tax refunding bonds. The District currently has \$41,663,000 of unlimited tax bonds authorized but unissued for water, sanitary sewer and drainage facilities and, after issuance of the Bonds, \$43,948,554 unlimited tax bonds to refund any outstanding bonds of the District. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. See “THE SYSTEM – Future Debt.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to the existing City ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the fire plan by the TCEQ; and (d) 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 fire-fighting purposes.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) amendments to existing City ordinances specifying the purposes for which the District may issue bonds; (b) preparation of a detailed park plan; (c) authorization of park bonds by the qualified voters in the District; (d) approval of the park project and bonds by the TCEQ; and (e) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District. The Board has not considered authorizing the preparation of a park plan or calling a park bond election at this time.

Annexation by the City of Round Rock

The District is located entirely within the extraterritorial jurisdiction of the City of Round Rock, Texas (the “City”). The City may annex the District without the District’s consent at any time under current Texas law. Upon annexation of the District by the City, the District would be dissolved, and all of the assets and liabilities of the District (including the Bonds) would accrue to the City. The District makes no representation with respect to the likelihood of the annexation of the District by the City, or the ability of the City to pay principal and interest on the Bonds in such event.

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.

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. Even if such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or 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. Certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.”

“(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas

a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither the District nor the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

General

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary

of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

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

THE DISTRICT

General

Williamson County Municipal Utility District No. 11 (the “District”) is a municipal utility district created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality (the “Commission”), dated May 14, 1999, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City of Round Rock, Texas (the “City”).

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the Commission, the City, and the voters of the District, to establish, operate, and maintain fire-fighting facilities. See “THE BONDS – Issuance of Additional Debt.”

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

Location

The District contains approximately 498 acres of land and located in eastern Williamson County approximately three miles north of downtown Round Rock, Texas and four miles south of downtown Georgetown, Texas. The District lies entirely within the extraterritorial jurisdiction of the City.

Status of Development

The District contains approximately 498 acres of land, substantially all of which have been developed for single-family residential purposes, with the exception of approximately 141 acres of land which have been developed for commercial purposes, multi-family residential purposes, a school site, and parks and open space. The District presently provides water, sanitary sewer and drainage facilities to serve the entire District, which includes Sections 13B, 14B, 15A, 16A, 16B, 17A, 17B, 19, 20, 21A, 21B, 22, 23 and 310.

Homes in the District have values for taxation from approximately \$200,000 to \$640,000. Construction of homes began in the District in November 2005, and as of March 1, 2019, the District contained 1,066 single-family homes completed as shown below:

Status of home construction as of March 1, 2019:

Single-family residential – completed and occupied.....	1,063
Single-family residential – completed and unoccupied.....	<u> 3</u>
Total	1,063

In addition to the development described above, the District contains approximately 37 acres of commercial purposes. Commercial development currently includes a public storage facility, an animal hospital, a day care facility and a rehab hospital. Also, a 30-unit condominium complex is currently under construction on such acreage. Other improvements in the

District include a 318-unit apartment project, Fairway Knoll at Teravista, located on approximately 16 acres of land in the District. The District also includes a portion of Teravista Golf Club, a daily-fee course. Round Rock Independent School District has constructed an elementary school on approximately 12 acres of land. The school is exempt from taxation by the District.

All developable land in the District is provided water, sanitary sewer and drainage facilities and the remaining acreage (approximately 37 acres of land) is located in drainage and detention ponds and easements. See “INVESTMENT CONSIDERATIONS.”

MANAGEMENT

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. None of the directors listed below reside within the District; however, each director owns land within the District subject to a note and deed of trust in favor of a landowner in the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are currently held only in even numbered years. The directors and officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Alan Roy Tillman	President	May 2020
Terry Ripperda	Vice President	May 2022
Gary N. Beasley	Secretary	May 2020
Sandy K. Rauh	Director	May 2022
Linda Burns	Assistant Secretary	May 2022

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

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Williamson Central Appraisal District (Appraisal District”). The Board of Directors of the District contracts with the Williamson County Tax Assessor/Collector to serve in this capacity for the District.

Bookkeeper

The District has engaged Bott & Douthitt, P.L.L.C. to serve as the District’s bookkeeper (the “Bookkeeper”).

System Operator

The District contracts with Crossroads Utility Services for maintenance and operation of the District’s system.

Engineer

The consulting engineer for the District in connection with the design and construction of the District’s facilities is Jones-Heroy & Associates, Inc. (the “Engineer”).

Attorney

The District engages Allen Boone Humphries Robinson LLP as general counsel and as bond counsel in connection with the issuance of the Bonds. The legal fees to be paid bond counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Financial Advisor

Specialized Public Finance Inc. (the “Financial Advisor”) serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

The District’s financial statements for the year ended February 28, 2018, were audited by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District’s February 28, 2018 audited financial statements.

THE SYSTEM

Regulation

According to the Engineer, the District’s water supply and distribution, wastewater collection, and storm drainage facilities (collectively, the “System”) have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. Operation of the System must be accomplished in accordance with the standards and requirements of such entities. The Commission exercises continuing supervisory authority over the District. Discharge of treated sewage is subject to the regulatory authority of the Commission and the U.S. Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory authority of the City, Williamson County and, in some instances, the Commission. Williamson County and the City also exercise regulatory jurisdiction over the System. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the wastewater treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District’s Engineer.

Water, Sanitary Sewer and Drainage Facilities

Construction of the water, sanitary sewer, and drainage facilities to serve the District have been financed with funds from the District’s Outstanding Bonds.

Source of Water Supply and Wastewater Treatment: The District receives its water supply pursuant to the Water Supply and Wastewater Services Contract (the “Utility Service Agreement”) between the District and the City. Pursuant to terms of the Utility Service Agreement, which expires in 2041 (subject to automatic renewal of consecutive ten year terms thereafter), the City is obligated to provide wholesale water to meet the needs of the area encompassing the Teravista development, including land within the boundaries of the district. A portion of the proceeds from the sale of the District Outstanding bonds were used to pay the City for the connection fees to obtain service capacity rights to serve the District.

The District is provided wastewater treatment capacity by the City pursuant to the Utility Service Agreement. Pursuant to the terms of the Utility Service Agreement, the City is obligated to provide wholesale wastewater service to meet the needs of the area within Teravista, including land within the boundaries of the District. A portion of the proceeds from the sale of the District’s Outstanding Bonds were used to pay the City for connection fees to obtain service capacity rights to serve the District.

100-Year Flood Plain: According to the Engineer, no land within the District is located within the 100-year floodplain, as designated by the most recent Federal Emergency Management Agent Flood Insurance Rate Map.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
04/21/2001	Water, Sanitary Sewer and Drainage	\$70,668,000	\$29,005,000	\$41,663,000
04/21/2001	Refunding Bonds	\$45,900,000	\$1,951,446*	\$43,948,554*

*Includes the Bonds.

FINANCIAL STATEMENT

2018 Taxable Assessed Valuation.....	\$430,943,456 ^(a)
District Debt:	
Outstanding Bonds (as of April 1, 2019).....	\$23,850,000
Less: Refunded Bonds.....	4,275,000
Plus: The Bonds	<u>4,420,000</u>
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$23,995,000
 Ratio of Gross Direct Debt to 2018 Taxable Assessed Valuation.....	 5.57%

Area of District - 498 acres
Estimated 2019 Population – 4,357^(b)

- (a) As certified by the Appraisal District. See "TAX PROCEDURES."
(b) Estimate based on 3.5 persons per occupied home and 2.0 persons per multi-family unit.

Cash and Investment Balances (unaudited as of April 9, 2019)

General Fund	Cash and Temporary Investments	\$3,032,288
Debt Service Fund	Cash and Temporary Investments	\$2,418,313 ^(a)

- (a) Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

Outstanding Bonds

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount of Outstanding Debt as of April 1, 2019</u>	<u>Less: Refunded Bonds</u>	<u>Principal Amount Outstanding</u>
2008	\$ 5,590,000	\$ 0	\$ 0	\$ 0
2009	6,500,000	585,000	400,000	185,000
2010	3,140,000	185,000	95,000	90,000
2011	5,380,000	3,980,000	3,780,000	200,000
2012	5,880,000	4,780,000	0	4,780,000
2012A ^(a)	3,715,000	3,575,000	0	3,575,000
2013 ^(a)	1,920,000	1,115,000	0	1,115,000
2013A	1,650,000	1,425,000	0	1,425,000
2014	865,000	765,000	0	765,000
2016 ^(a)	<u>7,580,000</u>	<u>7,440,000</u>	<u>0</u>	<u>7,440,000</u>
	\$42,220,000	\$23,850,000	\$4,275,000	\$19,575,000

- (a) Refunding bonds.

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ESTIMATED OVERLAPPING DEBT STATEMENT

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

<u>Taxing Jurisdiction</u>	Outstanding Bonds ^(a)	As of	Overlapping	
			Percent	Amount
Williamson County	\$826,249,942	05/31/19	0.71%	\$ 5,866,375
Round Rock Independent School District	807,210,000	05/31/19	1.28%	10,332,288
Austin Community College District.....	418,335,000	05/31/19	0.21%	<u>878,504</u>
Total Estimated Overlapping Debt				\$17,077,167
The District.....	\$23,995,000 ^(b)			<u>23,995,000</u> ^(b)
Total Direct and Estimated Overlapping Debt				\$41,072,167 ^(b)
Ratio of Total Direct and Estimated Overlapping Debt to 2018 Taxable Assessed Valuation.....				9.53%

- (a) Includes principal amounts of current interest bonds and capital appreciation bonds. Capital appreciation bonds are shown at original principal amount as opposed to maturity value.
- (b) Includes the Bonds and the Outstanding Bonds and excludes the Refunded Bonds.

Overlapping Tax Rates for 2018

	2018 Tax Rate per \$100 Assessed Valuation
Williamson County	\$0.459029
Round Rock Independent School District	1.304800
Williamson County ESD #9	0.100000
Upper Brushy Creek WCID #1A	0.020000
Austin Community College District	0.104800
The District	<u>0.600000</u>
Total Overlapping Tax Rate	\$2.588629

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TAX DATA

Tax Collections

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

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Total Collections as of 2/28/2019</u>	
				<u>Amount</u>	<u>Percent</u>
2014	\$ 313,545,927	\$0.86	\$ 2,703,677	\$ 2,702,055	99.94%
2015	365,421,146	0.75	2,743,967	2,739,919	99.85%
2016	389,835,736	0.65	2,593,947	2,590,170	99.85%
2017	411,682,242	0.62	2,601,544	2,597,869	99.86%
2018	430,943,456	0.60	2,590,364	2,537,259	97.95%

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

Tax Rate Distribution

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Debt Service	\$0.43	\$0.45	\$0.48	\$0.53	\$0.63
Maintenance and Operations	<u>0.17</u>	<u>0.17</u>	<u>0.17</u>	<u>0.22</u>	<u>0.23</u>
Total	\$0.60	\$0.62	\$0.65	\$0.75	\$0.86

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operations: \$1.50 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2018 tax year, the Board levied a debt service tax in the amount of \$0.43 per \$100 assessed valuation.

Maintenance Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 2, 1999, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.50 per \$100 of assessed valuation. For the 2018 tax year, the Board levied a maintenance tax in the amount of \$0.17 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

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

Additional Penalties

The District has contracted with Williamson County to collect taxes. Williamson County has contracted with a delinquent tax attorney to collect certain delinquent taxes. The contract establishes an additional penalty of fifteen percent (15%) of the tax to defray the costs of collection. This 15% penalty applies to taxes that either: (1) became delinquent on or after February 1 of a year, but no later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they became delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax code. See "TAX PROCEDURES – Levy and Collection of Taxes."

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2018 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2018 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Bell Round Rock SDB LLC	Land and Improvements	\$ 39,507,709	9.17%
Storage at TV LP	Land and Improvements	8,818,014	2.05%
NNP-Teravista LP	Land and Improvements	2,281,805	0.53%
NG Estate Round Rock LLC	Land and Improvements	2,233,306	0.52%
Olympus Nouveau LLC	Land and Improvements	1,919,344	0.45%
SBS Grimes LLC	Land and Improvements	1,750,849	0.41%
Oncor Electric Delivery Company	Electric Company	1,509,114	0.35%
Austin REI Poe LLC	Land and Improvements	1,485,670	0.34%
Individual	House and Lot	1,233,072	0.29%
TV Texas Management Company LLC	Land and Improvements	<u>942,066</u>	<u>0.22%</u>
Total		\$ 61,680,949	14.33%

Summary of Assessed Valuation

The following summary of the 2018, 2017 and 2016 Assessed Valuation is provided by the District’s Tax Assessor/Collector based on information contained in the 2018, 2017 and 2016 tax rolls of the District.

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Land	\$ 85,358,754	\$ 78,147,263	\$ 77,449,980
Improvements	365,729,080	352,909,701	333,636,217
Personal Property	1,884,333	2,828,350	180,161
Exemptions and Deferments	<u>(22,028,711)</u>	<u>(22,203,072)</u>	<u>(21,430,622)</u>
Total Assessed Valuation	\$430,943,456	\$411,682,242	\$389,835,736

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2018 Taxable Assessed Valuation, no use of available funds, and utilizes a tax rate necessary to pay the District’s average annual debt service requirements on the Bonds and the Outstanding Bonds (excluding the Refunded Bonds).

Average annual debt service requirement (2019-2038)	\$1,686,101
\$0.42 tax rate on the 2018 Taxable Assessed Valuation of \$430,943,456 at a 95% collection rate produces	\$1,719,464

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TAX PROCEDURES

Authority to Levy Taxes

The Board of Directors (the “Board”) is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully herein under “THE BONDS – Source of and Security for Payment.” Under State law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations. See “TAX DATA.”

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State, 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 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 Appraisal District has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson County Appraisal Review Board (the “Appraisal Review Board”).

Property Subject to Taxation by the District

Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran if such rating is less than 100%. A disabled veteran who receives 100% disability compensation from the United States Department of Veterans Affairs or its successor due to a service-connected disability and a rating of 100% disabled or of individual un-employability is entitled to an exemption from taxation of the total appraised value of the veteran’s residence homestead. The surviving spouse of a deceased veteran who qualified for such an exemption when the disabled veteran died, or the surviving spouse of a disabled veteran who would have qualified for such exemption if such exemption had been in effect on the date the disabled veteran died, is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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

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

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse. For the 2018 tax year, the District granted an exemption of \$10,000 of assessed valuation for persons 65 years of age or older and individuals who are under disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Act.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into the State which are destined to be forwarded outside of the State and which are detained in the State for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into the State for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property (excluding oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory) acquired in or imported into the State for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in the State that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Pollution Control Exemption: Article VIII, Section 1-1, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Tax Abatement

Williamson County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Williamson County, the District, and the City (after annexation of the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. The District has not entered into 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. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use, open space or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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

SB 2 classifies 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 can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 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 Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT – Overlapping Tax Rates for 2018"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS."

WATER AND SEWER OPERATIONS

General

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

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Operating Statement

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

	Fiscal Year Ended February 28				
	2019 ^(a)	2018	2017	2016	2015
Revenues					
Water and Wastewater Service	\$ 1,553,253	\$ 1,534,449	\$ 1,467,278	\$ 1,450,206	\$ 1,375,002
Property Taxes/Penalties	731,872	711,606	683,954	799,240	722,081
Tap Fees and Inspections	13,475	20,000	13,425	9,450	71,600
Other	51,606	24,946	11,300	4,326	5,923
Total Revenues	\$ 2,350,206	\$ 2,291,001	\$ 2,175,957	\$ 2,263,222	\$ 2,174,606
Expenditures					
Water and Wastewater Purchases	\$ 1,148,392	\$ 1,152,216	\$ 1,023,337	\$ 950,268	\$ 919,700
Garbage Service	250,586	243,650	239,616	215,012	203,579
Operations and Management Fees	120,773	120,465	119,547	118,881	117,231
Repairs and Maintenance	202,349	193,720	142,971	126,967	134,535
Meter Sets/Inspection Fees	5,481	4,949	2,656	4,588	23,632
Utilities/Telephone	4,393	3,937	4,009	4,096	3,756
Security Lights	30,121	29,782	29,881	31,643	32,144
Patrol Services	53,940	54,642	54,140	62,956	44,504
Director Fees/Payroll	12,790	11,949	11,788	7,777	10,205
Legal Fees	119,942	80,828	81,054	64,381	73,481
Engineering Fees	15,917	16,900	23,217	22,023	22,425
Bookkeeping Fees	30,750	30,400	30,000	30,750	30,750
Audit Fees	15,750	15,500	15,000	14,500	14,000
Insurance	9,426	8,127	7,967	7,581	7,253
Tax Appraisal/Collection Fees	4,506	4,588	5,245	5,714	4,703
Other	63,020	38,311	34,256	36,031	31,799
Capital Outlay	-	-	306,521	167,432	209,633
Total Expenditures	\$ 2,088,136	\$ 2,009,964	\$ 2,131,205	\$ 1,870,600	\$ 1,883,330
Net Change in Fund Balance	\$ 262,070	\$ 281,037	\$ 44,752	\$ 392,622	\$ 291,276
Transfers In (Out)	-	-	278,714	-	-
Beginning Fund Balance	2,727,895	2,446,858	2,123,392	1,730,770	1,439,494
Ending Fund Balance	\$ 2,989,965	\$ 2,727,895	\$ 2,446,858	\$ 2,123,392	\$ 1,730,770

(a) Unaudited, provided by the Bookkeeper.

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DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service	Debt Service on the Bonds			Debt Service
	Requirements ^(a)	Principal	Interest	Total	Requirements
2019	\$ 1,899,431	\$ -	\$ -	\$ -	\$ 1,899,431
2020	1,207,731	510,000	140,425	650,425	1,858,156
2021	1,298,094	425,000	120,025	545,025	1,843,119
2022	1,515,356	220,000	103,025	323,025	1,838,381
2023	1,515,444	220,000	94,225	314,225	1,829,669
2024	1,518,231	220,000	85,425	305,425	1,823,656
2025	1,531,144	225,000	76,625	301,625	1,832,769
2026	1,530,469	220,000	69,875	289,875	1,820,344
2027	1,533,394	220,000	65,475	285,475	1,818,869
2028	1,524,188	215,000	61,075	276,075	1,800,263
2029	1,528,781	210,000	56,775	266,775	1,795,556
2030	1,526,075	205,000	52,050	257,050	1,783,125
2031	1,526,769	200,000	45,900	245,900	1,772,669
2032	1,519,569	200,000	39,900	239,900	1,759,469
2033	1,520,706	195,000	33,900	228,900	1,749,606
2034	1,514,844	190,000	28,050	218,050	1,732,894
2035	1,512,181	185,000	22,350	207,350	1,719,531
2036	847,519	560,000	16,800	576,800	1,424,319
2037	1,162,256	-	-	-	1,162,256
2038	457,944	-	-	-	457,944
Total	\$ 28,190,125	\$ 4,420,000	\$ 1,111,900	\$ 5,531,900	\$ 33,722,025

Average Annual Debt Service Requirements (2019-2038)\$1,686,101
 Maximum Annual Debt Service Requirements (2019)\$1,899,431

(a) Excludes the Refunded Bonds.

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Williamson County, the City, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities.

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2018 taxable assessed valuation of the District (see "FINANCIAL STATEMENT") is \$430,943,456. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,899,431 (2019) and the average annual debt service requirement will be \$1,686,101 (2019-2038). Assuming no increase or decrease from the 2018 taxable assessed valuation and no use of funds other than tax collections, a tax rate of \$0.47 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,899,431 and a tax rate of \$0.42 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,686,101 (see "DEBT SERVICE REQUIREMENTS"). Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2018 taxable assessed valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA – Tax Adequacy for Debt Service."

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$41,663,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities, \$43,948,554 principal amount of authorized but unissued unlimited tax bonds for refunding purposes, and the District may issue additional bonds which may be voted hereafter. See "THE BONDS – Issuance of Additional Debt" and "THE SYSTEM – Future Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

Tax Collection Limitations

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

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Based on recent Texas court decisions, it is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Environmental Regulation

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

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

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water

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

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

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

In 2015, the EPA and the United States Army Corps of Engineers ("USACE") promulgated a rule known as the Clean Water Rule ("CWR") aimed at redefining "waters of the United States" over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of "waters of the United States." In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of "waters of the United States" to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of "waters of the United States." Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 12, 2018, remain in place pending the proceedings on remand.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of "waters of the United States." The proposed definition outlines six categories of waters that would be considered "waters of the United States," including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not "waters of the United States," such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies took comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

Due to the pending rulemaking activity and rule challenge litigation, there is significant uncertainty regarding the ultimate scope of "waters of the United States" and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including permitting requirements.

2019 Legislative Session – Legislation Affecting Ad Valorem Taxation

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 (“SB 2”), a law that materially changes ad valorem tax matters, including rollback elections for maintenance tax increases, and other matters which may have an adverse impact on the District’s operations and financial condition.

SB 2 was signed into law by the Governor on June 12, 2019.

SB 2 includes provisions that address the following goals as described by the Texas Senate Research Center: (1) lowering the rollback rate for maintenance and operations taxes from the existing 8.0% for the largest taxing units in the State (but this provision does not apply to school districts); (2) requiring a tax ratification election if the rollback rate is exceeded, eliminating the petition requirement in current statute; (3) making information about the tax rates proposed by local taxing units more accessible to property owners and more timely; and (4) making it easier for property owners to express their opinions about proposed tax rates to local elected officials before tax rates are adopted.

The District cannot predict whether the Governor will call one or more special sessions to address other property tax reforms not included in SB 2.

The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The District can make no representations or predictions regarding legislation that may pass during future sessions of the Legislature.

Changes in Tax Legislation

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

BOND INSURANCE RISKS

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable Bond documents. In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the Order. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bond are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured

by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “BOND INSURANCE.”

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

Neither the District nor the Underwriter has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of any insurer, particularly over the life of the investment.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

S&P, Moody’s and Fitch Ratings (the “Rating Agencies”) have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including the Bond Insurer of the Bonds.

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT – General,” “MANAGEMENT – Attorney,” “TAX PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” “SALE AND DISTRIBUTION OF THE BONDS – Securities Laws,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District from that set forth or contemplated in the Official Statement as amended or supplemented through the date of sale.

No-Litigation Certificate

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

TAX MATTERS

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

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

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

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

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

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service

is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount Bonds

The issue price of certain of the Bonds (the “Original Issue Discount Bonds”) is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated, (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

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

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

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

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

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution’s investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the Issuer under the Code during calendar year 2019 is not expected to exceed \$10,000,000 and that the Issuer and entities aggregated with the District

under the Code have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2019.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Bonds are being purchased by SAMCO Capital Markets, Inc. (the “Underwriter”) pursuant to a bond purchase agreement with the District (the “Bond Purchase Agreement”) at a price of \$4,456,802.23 (representing the par amount of the Bonds plus a net reoffering premium of \$75,804.45 less an underwriting discount of \$39,002.22) plus accrued interest on the Bonds. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

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

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

Securities Laws

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

MUNICIPAL BOND RATING

The Bonds are expected to be rated “AA” by S&P Global Ratings (“S&P”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (“AGM”) at the time of delivery of the Bonds. The Bonds have an underlying rating of “A-” by S&P without regard to credit enhancement.

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

The District is not aware of any ratings assigned the Bonds other than the ratings of S&P.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings: On June 27, 2019, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 21, 2018, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On May 7, 2018, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Capitalization of AGM: At March 31, 2019:

- The policyholders’ surplus of AGM was approximately \$2,523 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described

below) were approximately \$1,054 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,848 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference: Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019).

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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 for the sale of the Bonds. In its capacity as Financial Advisor, the Financial Advisor has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM” has been provided by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

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

Auditor: The District’s financial statements for the year ended February 28, 2018, were audited by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District’s February 28, 2018 audited financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”), or any successor, through its Electronic Municipal Market Access System (“EMMA”).

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “TAX DATA,” “WATER AND SEWER OPERATIONS,” “DEBT SERVICE REQUIREMENTS,” and “APPENDIX A” (Annual Financial Report and supplemental schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2019.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period and audited financial statements when the audit report of such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District’s current fiscal year end is the last day of February. Accordingly, it must provide updated information by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Williamson County Municipal Utility District No. 11, as of the date shown on the cover page.

/s/ ALAN ROY TILLMAN
President, Board of Directors
Williamson County Municipal Utility District No. 11

ATTEST:

/s/ GARY N. BEASLEY
Secretary, Board of Directors
Williamson County Municipal Utility District No. 11

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Unlimited Tax Bonds, Series 2009		
Amount	Maturity	Coupon
\$ 195,000	8/1/2020 ^(a)	4.000%
205,000	8/1/2021 ^(a)	4.000%
\$ 400,000		

Redemption Date: 8/7/2019
Redemption Price: 100%

Unlimited Tax Bonds, Series 2010		
Amount	Maturity	Coupon
\$ 95,000	8/1/2020	3.750%
\$ 95,000		

Redemption Date: 8/7/2019
Redemption Price: 100%

Unlimited Tax Bonds, Series 2011		
Amount	Maturity	Coupon
\$ 200,000	8/1/2020 ^(a)	4.000%
200,000	8/1/2021 ^(a)	4.000%
200,000	8/1/2022 ^(a)	4.000%
200,000	8/1/2023 ^(a)	4.000%
200,000	8/1/2024 ^(a)	4.125%
200,000	8/1/2025 ^(a)	4.125%
200,000	8/1/2026 ^(a)	4.250%
200,000	8/1/2027 ^(a)	4.250%
200,000	8/1/2028 ^(a)	4.625%
200,000	8/1/2029 ^(a)	4.625%
200,000	8/1/2030 ^(a)	4.625%
200,000	8/1/2031 ^(a)	4.625%
200,000	8/1/2032 ^(a)	5.000%
200,000	8/1/2033 ^(a)	5.000%
200,000	8/1/2034 ^(a)	5.000%
200,000	8/1/2035 ^(a)	5.000%
580,000	8/1/2036 ^(a)	5.000%
\$ 3,780,000		

Redemption Date: 8/7/2019
Redemption Price: 100%

^(a) Term Bonds.

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APPENDIX A

Audited Financial Statements for the fiscal year ended February 28, 2018

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McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Williamson County Municipal
Utility District No. 11
Williamson County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Williamson County Municipal Utility District No. 11 (the "District"), as of and for the year ended February 28, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District'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 February 28, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Austin, Texas

June 12, 2018

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Williamson County Municipal Utility District No. 11 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the fiscal year ended February 28, 2018. Since this information is designed to focus on current period's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the fund balance was \$2,727,895. Current year net revenues exceeded expenses by \$281,037. General Fund revenues increased from \$2,175,957 in the previous fiscal year to \$2,291,001 in the current fiscal year.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$2,451,871 in the previous fiscal year to \$2,443,865 in the current fiscal year. The Debt Service Fund remitted \$915,000 of bond principal and \$972,350 in bond interest during the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$539,870. Net position increased from a prior year balance of \$1,821,615 to a balance of \$2,361,485 at the end of the current fiscal year.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created effective May 14, 1999. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect and treat wastewater and providing and operating park and recreational facilities and operates pursuant to Chapter 49 and 54 of the Texas Water Code and Article XVI, Section 59 of the Texas Constitution, both as amended.

The District presently contains approximately 498 acres of land and is located in eastern Williamson County and lies approximately three miles north of downtown Round Rock, TX and four miles south of the City of Georgetown, TX. The District is contained entirely within the extraterritorial jurisdiction of Round Rock, TX.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

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

The *Notes to the 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 Statement of Revenues, Expenditures, and Changes in Fund Balances*.

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

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2018	2017	
Current and other assets	\$ 5,575,897	\$ 5,270,669	\$ 305,228
Capital and non-current assets	21,536,200	22,156,120	(619,920)
Total Assets	27,112,097	27,426,789	(314,692)
Deferred Outflows of Resources	825,094	876,710	(51,616)
Current Liabilities	1,379,145	1,332,561	46,584
Long-term Liabilities	24,196,561	25,149,323	(952,762)
Total Liabilities	25,575,706	26,481,884	(906,178)
Net Investment in Capital Assets	(2,775,267)	(3,031,493)	256,226
Restricted	2,398,890	2,398,763	127
Unrestricted	2,737,862	2,454,345	283,517
Total Net Position	\$ 2,361,485	\$ 1,821,615	\$ 539,870

The District's combined net position increased by \$539,870 to a balance of \$2,361,485 from the previous year's balance of \$1,821,615. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$2,737,862.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2018	2017	
Property taxes	\$ 2,604,247	\$ 2,587,996	\$ 16,251
Service account revenues	1,534,449	1,467,278	67,171
Tap fees and inspections	20,000	13,425	6,575
Other	46,363	22,695	23,668
Total Revenues	4,205,059	4,091,394	113,665
Water, wastewater and garbage	1,395,866	1,023,337	372,529
Management services	120,465	119,547	918
Repairs and maintenance	193,720	142,971	50,749
Professional fees	143,628	149,271	(5,643)
Other	178,829	408,166	(229,337)
Debt service	1,012,761	1,275,783	(263,022)
Depreciation	619,920	616,853	3,067
Total Expenses	3,665,189	3,735,928	(70,739)
Change in Net Position	539,870	355,466	184,404
Beginning Net Position	1,821,615	1,466,149	355,466
Ending Net Position	\$ 2,361,485	\$ 1,821,615	\$ 539,870

Revenues were \$4,205,059 for the fiscal year ended February 28, 2018 while expenses were \$3,665,189. Net position increased \$539,870.

Property tax revenues in the current fiscal year totaled \$2,604,247. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2017 tax year (February 28, 2018 fiscal year) were based upon a current assessed value of \$419,934,127 and a tax rate of \$0.62 per \$100 of assessed valuation. Property taxes levied for the 2016 tax year were based upon an adjusted assessed value of \$398,144,983 and a tax rate of \$0.65 per \$100 of assessed valuation. The tax rate levied is determined after the District reviews the General Fund budget requirements and the Debt Service Fund debt service obligations of the District. The District's primary revenue sources are property taxes, service account revenues and system connection fees.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	<u>2018</u>	<u>2017</u>
Cash on deposit	\$ 448,517	\$ 150,850
Cash equivalents / investments	4,929,299	4,938,044
Receivables	409,174	380,956
Total Assets	<u>\$ 5,786,990</u>	<u>\$ 5,469,850</u>
Accounts payable	182,068	163,541
Other	396,843	379,481
Total Liabilities and Deferred Inflows	<u>578,911</u>	<u>543,022</u>
Deferred Inflows of Resources	<u>36,319</u>	<u>28,099</u>
Restricted	2,443,865	2,451,871
Assigned	791,363	-
Unassigned	1,936,532	2,446,858
Total Fund Balances	<u>5,171,760</u>	<u>4,898,729</u>
Total Liabilities and Fund Balances	<u>\$ 5,786,990</u>	<u>\$ 5,469,850</u>

For the fiscal year ended February 28, 2018, the District's governmental funds reflect a combined fund balance of \$5,171,760. This fund balance includes an increase of \$281,037 in the fund balance of the General Fund.

The Debt Service Fund reflects a decrease in fund balance of \$8,006. The Debt Service Fund remitted principal payments of \$915,000 and interest payments of \$972,350.

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating costs. On February 14, 2017, the Board of Directors approved a budget including revenues of \$2,132,003 as compared to expenditures of \$2,088,039. When comparing actual results to the amended budget, the District had a positive variance of \$237,073. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

CAPITAL ASSETS

The District's governmental activities had \$21,536,200 invested in infrastructure. More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*. The detail is reflected in the following schedule:

	<u>Summary of Capital Assets, net</u>	
	<u>2/28/2018</u>	<u>2/28/2017</u>
Land	\$ 275,847	\$ 275,847
Water/Wastewater/Drainage	26,658,350	26,658,350
Less: Accumulated Depreciation	(5,397,997)	(4,778,077)
Total Net Capital Assets	<u>\$ 21,536,200</u>	<u>\$ 22,156,120</u>

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	<u>Payable</u>
Series 2009	\$ 755,000
Series 2010	270,000
Series 2011	4,180,000
Series 2012	4,980,000
Series 2012A	3,595,000
Series 2013	1,280,000
Series 2013A	1,475,000
Series 2014	790,000
Series 2016	7,465,000
Total	<u>\$ 24,790,000</u>

The District owes approximately \$24.8 million to bond holders. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2019 projects an operating fund balance decrease of \$791,363. Compared to the fiscal year 2018 budget, revenues are expected to increase by approximately \$73,000 and expenditures are expected to increase by approximately \$908,000.

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
MANAGEMENT'S DISCUSSION AND ANALYSIS
FEBRUARY 28, 2018**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Allen Boone Humphries Robinson LLP, 1108 Lavaca St., Suite 510, Austin, TX 78701.

FINANCIAL STATEMENTS

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
FEBRUARY 28, 2018

	General Fund	Debt Service Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<u>ASSETS</u>					
Cash and cash equivalents:					
Cash on deposit	\$ 448,517	\$ -	\$ 448,517	\$ -	\$ 448,517
Cash equivalent investments	2,292,648	2,636,651	4,929,299	-	4,929,299
Receivables:					
Service, net of allowance for doubtful accounts of \$-0-	119,497	-	119,497	-	119,497
Taxes	16,883	44,659	61,542	-	61,542
Interfund receivable	211,093	-	211,093	(211,093)	-
Intergovernmental receivable	11,661	-	11,661	-	11,661
Other	5,381	-	5,381	-	5,381
Capital assets, net of accumulated depreciation:					
Land	-	-	-	275,847	275,847
Water/Wastewater/Drainage System	-	-	-	21,260,353	21,260,353
TOTAL ASSETS	\$ 3,105,680	\$ 2,681,310	\$ 5,786,990	21,325,107	27,112,097
<u>DEFERRED OUTFLOWS OF RESOURCES</u>					
Deferred charges on refunding	-	-	-	825,094	825,094
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	825,094	825,094
<u>LIABILITIES</u>					
Accounts payable	\$ 182,068	\$ -	\$ 182,068	-	182,068
Accrued interest payable	-	-	-	71,327	71,327
Refundable deposits	185,750	-	185,750	-	185,750
Interfund payable	-	211,093	211,093	(211,093)	-
Bonds payable:					
Due within one year	-	-	-	940,000	940,000
Due after one year	-	-	-	24,196,561	24,196,561
TOTAL LIABILITIES	367,818	211,093	578,911	24,996,795	25,575,706
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Property taxes	9,967	26,352	36,319	(36,319)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	9,967	26,352	36,319	(36,319)	-
<u>FUND BALANCES / NET POSITION</u>					
Fund balances:					
Assigned for 2018 - 2019 budget deficit	791,363	-	791,363	(791,363)	-
Restricted for debt service	-	2,443,865	2,443,865	(2,443,865)	-
Unassigned	1,936,532	-	1,936,532	(1,936,532)	-
TOTAL FUND BALANCES	2,727,895	2,443,865	5,171,760	(5,171,760)	-
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 3,105,680	 \$ 2,681,310	 \$ 5,786,990		
Net Position:					
Net investment in capital assets				(2,775,267)	(2,775,267)
Restricted for debt service				2,398,890	2,398,890
Unrestricted				2,737,862	2,737,862
TOTAL NET POSITION				\$ 2,361,485	\$ 2,361,485

The accompanying notes are an integral part of this statement.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED FEBRUARY 28, 2018

	General Fund	Debt Service Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
<u>REVENUES:</u>					
Water and wastewater service, including penalties	\$ 1,534,449	\$ -	\$ 1,534,449	\$ -	\$ 1,534,449
Property taxes, including penalties	711,606	1,884,421	2,596,027	8,220	2,604,247
Tap fees and inspections	20,000	-	20,000	-	20,000
Interest and other	24,946	21,417	46,363	-	46,363
TOTAL REVENUES	2,291,001	1,905,838	4,196,839	8,220	4,205,059
<u>EXPENDITURES / EXPENSES:</u>					
Current:					
Water and wastewater purchases	1,152,216	-	1,152,216	-	1,152,216
Garbage service	243,650	-	243,650	-	243,650
Operations and management fees	120,465	-	120,465	-	120,465
Repairs and maintenance	193,720	-	193,720	-	193,720
Meter sets/inspection fees	4,949	-	4,949	-	4,949
Utilities/telephone	3,937	-	3,937	-	3,937
Security lights	29,782	-	29,782	-	29,782
Patrol service	54,642	-	54,642	-	54,642
Director fees, including payroll taxes	11,949	-	11,949	-	11,949
Legal fees	80,828	-	80,828	-	80,828
Engineering fees	16,900	-	16,900	-	16,900
Bookkeeping fees	30,400	-	30,400	-	30,400
Audit fees	15,500	-	15,500	-	15,500
Insurance	8,127	-	8,127	-	8,127
Tax appraisal/collection fees	4,588	12,544	17,132	-	17,132
Other	38,311	10,000	48,311	-	48,311
Debt service:					
Principal	-	915,000	915,000	(915,000)	-
Interest	-	972,350	972,350	36,461	1,008,811
Fiscal agent and other	-	3,950	3,950	-	3,950
Depreciation	-	-	-	619,920	619,920
TOTAL EXPENDITURES / EXPENSES	2,009,964	1,913,844	3,923,808	(258,619)	3,665,189
NET CHANGE IN FUND BALANCES	281,037	(8,006)	273,031	(273,031)	-
CHANGE IN NET POSITION				539,870	539,870
<u>FUND BALANCES / NET POSITION:</u>					
Beginning of the year	2,446,858	2,451,871	4,898,729	(3,077,114)	1,821,615
End of the year	<u>\$ 2,727,895</u>	<u>\$ 2,443,865</u>	<u>\$ 5,171,760</u>	<u>\$ (2,810,275)</u>	<u>\$ 2,361,485</u>

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Williamson County Municipal Utility District No. 11 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created, organized and established on May 14, 1999, and operates pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. A five member Board of Directors, which has been elected by District residents or appointed by the Board of Directors, governs the District. The District is not included in any other governmental "reporting entity" as defined by GASB standards, 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 as defined by GASB standards which are included in the District's reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

GASB Codification, which sets forth standards for external financial reporting for all state and local government entities, includes a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets, Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of net position imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of net position that does not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

- **Government-wide Statements:**

The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation expense on the District's capital assets, including infrastructure.

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

- **Fund Financial Statements:**

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

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

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.

- **Debt Service Fund** - The Debt Service Fund is used to account for resources restricted, committed or assigned for the payment of debt principal, interest and related costs.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

Basis of Accounting

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

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

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

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

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting – An unappropriated budget was adopted on February 14, 2017 for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end. The budget was not amended during the fiscal year.

Pensions – The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes only.

Cash and Cash Equivalents – Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of certificates of deposit, money market funds, and obligations in the Texas Local Government Investment Pool and the Local Government Investment Cooperative, are recorded at amortized cost.

Capital Assets – Capital assets, which include land and the water, wastewater and drainage system, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including water, wastewater and drainage system, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received. Interest incurred during construction of capital facilities is not capitalized.

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

<u>Asset</u>	<u>Years</u>
Water/Wastewater/Drainage System	10 - 50

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

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. Bond premiums and discounts 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.

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, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Fund Balance – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 in nonspendable form or are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.
- Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation.
- Committed - amounts that can only be spent for purposes determined by a formal action of the Board of Directors. The District does not have any committed fund balances.
- Assigned - amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. At February 28, 2018, the District had assigned fund balance of \$791,363 in its General Fund to cover the deficit in the fiscal year 2019 budget.
- Unassigned - all other spendable amounts in the General Fund.

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

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

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

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

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

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

Fund balances - total governmental funds		\$ 5,171,760
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds -		
Capital assets	26,934,197	
Less: Accumulated depreciation	<u>(5,397,997)</u>	21,536,200
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.		36,319
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(24,790,000)	
Bond premium/discount, net of accumulated amortization	(346,561)	
Deferred charges, net of accumulated amortization	825,094	
Accrued interest	<u>(71,327)</u>	<u>(24,382,794)</u>
Net Position - Governmental Activities		<u><u>\$ 2,361,485</u></u>

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

Net Change in Fund Balances - Governmental Funds		\$ 273,031
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond principal in year paid	915,000	
Interest expenditures in year paid	2,393	
Tax revenue when collected	<u>8,220</u>	925,613
Governmental funds do not report:		
Depreciation	(619,920)	
Amortization	<u>(38,854)</u>	<u>(658,774)</u>
Change in Net Position - Governmental Activities		<u><u>\$ 539,870</u></u>

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

3. CASH AND INVESTMENTS

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

Cash – At February 28, 2018, the carrying amount of the District's deposits was \$448,517 and the bank balance was \$449,885. The bank balance was covered by federal depository insurance and other pledged collateral.

Investments –

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

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

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

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

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

3. CASH AND INVESTMENTS (continued) -

Investments (continued) –

At February 28, 2018, the District held the following investments:

Investment	Fair Value at 2/28/2018	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)		
Texpool	\$ 2,785,072	\$ 776,583	\$ 2,008,489	\$ -	AAA-m	Standard & Poors
LOGIC	2,144,227	1,516,065	628,162	-	AAA	Standard & Poors
	<u>\$ 4,929,299</u>	<u>\$ 2,292,648</u>	<u>\$ 2,636,651</u>	<u>\$ -</u>		

(1) Restricted for payment of debt service and cost of assessing and collecting taxes.

The District invests in the Texas Local Government Investment Pool (“Texpool”), an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. Texpool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in Texpool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from Texpool.

The District also invests in Local Government Investment Cooperative (“LOGIC”), a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District’s funds. LOGIC is a member-owned, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials (“TASBO”). LOGIC meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

Concentration of credit risk. In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of February 28, 2018, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of February 28, 2018, the District’s bank deposits were fully insured.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 12, 2017.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2017 tax roll. The tax rate, based on total taxable assessed valuation of \$419,934,127 was \$0.62 on each \$100 valuation and was allocated \$0.17 to the General Fund and \$0.45 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.50 was established by the voters at an election held on November 2, 1999.

Property taxes receivable at February 28, 2018, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 14,061	\$ 37,220	\$ 51,281
Prior years' levies	2,822	7,439	10,261
	\$ 16,883	\$ 44,659	\$ 61,542

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

5. INTERFUND ACCOUNTS AND TRANSFERS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at February 28, 2018:

	Interfund	
	Receivable	Payable
General Fund -		
Debt Service Fund	\$ 211,093	\$ -
Debt Service Fund -		
General Fund	-	211,093
	\$ 211,093	\$ 211,093

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 2/28/2017	Additions	Deletions	Balance 2/28/2018
Capital assets not being depreciated -				
Land	\$ 275,847	\$ -	\$ -	\$ 275,847
Total capital assets not being depreciated	<u>275,847</u>	<u>-</u>	<u>-</u>	<u>275,847</u>
Capital assets being depreciated -				
Water/Wastewater and Drainage	26,658,350	-	-	26,658,350
Total capital assets being depreciated	<u>26,658,350</u>	<u>-</u>	<u>-</u>	<u>26,658,350</u>
Less accumulated depreciation for -				
Water/Wastewater and Drainage	(4,778,077)	(619,920)	-	(5,397,997)
Total accumulated depreciation	<u>(4,778,077)</u>	<u>(619,920)</u>	<u>-</u>	<u>(5,397,997)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>21,880,273</u>	<u>(619,920)</u>	<u>-</u>	<u>21,260,353</u>
Total capital assets, net	<u>\$ 22,156,120</u>	<u>\$ (619,920)</u>	<u>\$ -</u>	<u>\$ 21,536,200</u>

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of deferred outflow transactions for the year ended February 28, 2018:

Deferred charges on refunding bonds at February 28, 2017	\$ 876,710
Less: Amortization of deferred charges	<u>(51,616)</u>
Deferred charges on refunding bonds at February 28, 2018	<u>\$ 825,094</u>

8. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended February 28, 2018:

	Unlimited Tax and Revenue Bonds
Bonds payable at February 28, 2017	\$ 25,705,000
Bonds retired	(915,000)
Bond discount, net of accumulated amortization	(340,279)
Bond premium, net of accumulated amortization	686,840
Bonds payable at February 28, 2018	<u>\$ 25,136,561</u>

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

8. BONDED DEBT (continued) -

Bonds payable at February 28, 2018, were comprised of the following individual issues:

Unlimited Tax Bonds:

\$755,000 – 2009 Unlimited Tax Bonds payable serially through the year 2021 at interest rates which range from 4.00% to 5.50%. Bonds maturing on or after August 1, 2019 are callable prior to maturity beginning August 1, 2018, or any date thereafter.

\$270,000 – 2010 Unlimited Tax Bonds payable serially through the year 2020 at interest rates which range from 3.50% to 3.75%. Bonds maturing on or after August 1, 2019 are callable prior to maturity beginning August 1, 2018, or any date thereafter.

\$4,180,000 – 2011 Unlimited Tax Bonds payable serially through the year 2036 at interest rates which range from 4.00% to 5.00%. Bonds maturing on or after August 1, 2020 are callable prior to maturity beginning August 1, 2019, or any date thereafter. Bonds maturing August 1, 2021, 2023, 2025, 2027, 2031 and 2036 are term bonds and are subject to mandatory sinking fund redemption.

\$4,980,000 – 2012 Unlimited Tax Bonds payable serially through the year 2037 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after August 1, 2022 are callable prior to maturity beginning August 1, 2020, or any date thereafter. Bonds maturing August 1, 2022, 2024, 2026, 2028, 2030, 2034 and 2037 are term bonds and are subject to mandatory sinking fund redemption.

\$1,475,000 – 2013A Unlimited Tax Bonds payable serially through the year 2038 at interest rates which range from 4.00% to 4.125%. Bonds maturing on or after August 1, 2021 are callable prior to maturity beginning August 1, 2020, or any date thereafter. Bonds maturing August 1, 2027, 2031, 2035, and 2038 are term bonds and are subject to mandatory sinking fund redemption.

\$790,000 – 2014 Unlimited Tax Bonds payable serially through the year 2038 at interest rates which range from 3.00% to 4.00%. Bonds maturing on or after August 1, 2022 are callable prior to maturity beginning August 1, 2021, or any date thereafter. Bonds maturing August 1, 2030, 2035, and 2038 are term bonds and are subject to mandatory sinking fund redemption.

Unlimited Tax Refunding Bonds:

\$3,595,000 – 2012A Unlimited Tax Refunding Bonds payable serially through the year 2035 at interest rates which range from 2.50% to 4.00%. Bonds maturing on or after August 1, 2021 are callable prior to maturity beginning August 1, 2020, or any date thereafter. Bonds maturing August 1, 2019, 2021, 2024 and 2030 are term bonds and are subject to mandatory sinking fund redemption.

\$1,280,000 – 2013 Unlimited Tax Refunding Bonds payable serially through the year 2024 at interest rates which range from 2.00% to 3.25%. Bonds maturing on or after August 1, 2022 are callable prior to maturity beginning August 1, 2021, or any date thereafter. Bonds maturing August 1, 2022 and 2024 are term bonds and are subject to mandatory sinking fund redemption.

\$7,465,000 – 2016 Unlimited Tax Refunding Bonds payable serially through the year 2035 at interest rates which range from 3.00% to 4.00%. Bonds maturing on or after August 1, 2024 are callable prior to maturity beginning August 1, 2023, or any date thereafter.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

8. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at February 28, 2018, including interest, are as follows:

Year Ended	Annual Requirements for All Series		
	February 28/29	Principal	Interest
2019	\$ 940,000	\$ 940,369	\$ 1,880,369
2020	975,000	909,113	1,884,113
2021	995,000	876,793	1,871,793
2022	1,015,000	842,825	1,857,825
2023	1,045,000	809,399	1,854,399
2024-2028	5,715,000	3,463,052	9,178,052
2029-2033	6,680,000	2,247,641	8,927,641
2034-2038	6,985,000	782,626	7,767,626
2039	440,000	8,972	448,972
	\$ 24,790,000	\$ 10,880,790	\$ 35,670,790

In prior years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At February 28, 2018, outstanding bonds of \$7,220,000 are considered defeased.

Bonds authorized but not issued as of February 28, 2018 are as follows:

Unlimited Tax Bonds	\$ 41,663,000
Refunding Bonds	\$ 44,395,356

\$2,443,865 is available in the Debt Service Fund to service the bonded debt.

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

9. IMPACT FEES

Impact fees as assessed by the City of Round Rock (the "City") are collected on tap connections for each new water and wastewater connection as required under the District's consent agreement with the City. Collected fees are submitted to the City of Round Rock by the 15th day of the month following collection. There were impact fees of \$57,419 collected or remitted for the year ended February 28, 2018.

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

10. WATER AND WASTEWATER CONTRACT

On March 22, 2001, the District entered into an agreement with the City of Round Rock, Texas (“City”) for wholesale water and wastewater services. The City agrees to sell and deliver to the District all water that may be required by users within the District for domestic and commercial uses. The City agrees to accept, treat and dispose of all wastewater that is generated by users within the District, collected by the District and delivered to the point of delivery into the City wastewater system. The District will construct, finance and own its water and wastewater system, as well as meter reading and billing its customers. The contract term is 40 years from the effective date and will automatically renew for consecutive ten-year terms, unless terminated. This contract will automatically terminate on the date the District is annexed by the City and dissolved.

11. COMMITMENTS AND CONTINGENCIES

The District has entered into various agreements in the ordinary conduct of business including a reimbursement agreement to purchase existing utility facilities. As approved by the Texas Commission on Environmental Quality and the Board of Directors, the District will sell bonds to the general public for the purpose of reimbursing qualified construction costs.

The developer of the land within the District has incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality, or from operating revenue. Voters within the District have approved the issuance of \$70,668,000 of bonds to fund cost of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District Engineer’s reports. As of February 28, 2018, the District has issued \$29,005,000 of unlimited tax bonds to reimburse the developer for eligible costs.

12. RISK MANAGEMENT

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

WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 11
NOTES TO THE FINANCIAL STATEMENTS
FEBRUARY 28, 2018

12. RISK MANAGEMENT (continued) -

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

13. COST SHARING AGREEMENT

The District entered into an agreement with Williamson County Municipal Utility District No. 10 ("District No. 10") effective October 11, 2011 in order to share in the financing and operations of a non-potable irrigation water well serving areas within both districts. Both districts will share equally in the costs to purchase, own, operate and maintain the water well property, the distribution facilities and the revenue generated by the water well. The District will hold legal title to the water well and property, however, each district will maintain an equitable ownership interest. The District will maintain the water well and distribution facilities and be responsible for the billing and collections from the water well customers. The District will bill District No. 10 for its share of the operations and maintenance costs and credit District No. 10 for its share of revenues generated on a monthly basis. This agreement will be in place for a period of 40 years from the effective date.

14. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The District has covenanted that it will take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the Bonds, within the meaning of section 148(f) of the Internal Revenue Code, be rebated to the federal government. The minimum requirement for determination of the rebatable amount is on the five-year anniversary of the bond issues.

The District is required to provide continuing disclosure of annual financial information and operating data with respect to the District. The information is of the general type included in the annual audit report and must be filed within six months after the end of each fiscal year of the District. The District files such information in accordance with the requirements of the Municipal Securities Rulemaking Board, then the Electronic Municipal Market Access ("EMMA") system.

APPENDIX B

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES