

OFFICIAL STATEMENT DATED APRIL 30, 2020

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

THE BONDS HAVE **NOT** BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

Insured Rating (AGM): S&P "AA" (stable outlook)
 Moody's "A2" (stable outlook)
 Underlying Rating: Moody's "Baa1"
 See "MUNICIPAL BOND RATING" and
 "MUNICIPAL BOND INSURANCE" herein.

\$4,575,000

LAZY NINE MUNICIPAL UTILITY DISTRICT NO. 1B
(A political subdivision of the State of Texas located within Travis County)
UNLIMITED TAX REFUNDING BONDS
SERIES 2020

The bonds described above (the "Bonds") are obligations solely of Lazy Nine Municipal Utility District No. 1B (the "District") and are not obligations of the State of Texas, Travis County, or any entity other than the District.

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

Dated Date: June 1, 2020

Due: March 1, as shown below

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Registrar/Paying Agent") upon surrender of the Bonds for payment. Interest on the Bonds accrues from June 1, 2020, and is payable each September 1 and March 1, commencing September 1, 2020, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "MUNICIPAL BOND INSURANCE" herein.

MATURITY SCHEDULE

Due	Principal	Interest	Initial Reoffering	CUSIP	Due	Principal	Interest	Initial Reoffering	CUSIP
(March 1)	Amount	Rate	Yield (c)	Number (b)	(March 1)	Amount	Rate	Yield (c)	Number (b)
2022	\$ 155,000	5.00%	1.91%	52109H KT9	2027	\$ 205,000 (a)	5.00%	2.30%	52109H KY8
2023	160,000	5.00	2.00	52109H KU6	2028	215,000 (a)	5.00	2.32	52109H KZ5
2024	170,000	5.00	2.15	52109H KV4	2029	225,000 (a)	5.00	2.34	52109H LA9
2025	180,000	5.00	2.25	52109H KW2	2030	240,000 (a)	5.00	2.36	52109H LB7
2026	190,000	5.00	2.28	52109H KX0					

\$495,000 Term Bonds due March 1, 2032 (a), 52109H LD3 (b), 3.000% Interest Rate, 2.86% Yield (c)
 \$1,105,000 Term Bonds due March 1, 2036 (a), 52109H LH4 (b), 3.125% Interest Rate, 3.10% Yield (c)
 \$1,235,000 Term Bonds due March 1, 2040 (a), 52109H LM3 (b), 3.250% Interest Rate, 3.27% Yield (c)

- (a) Bonds maturing on and after March 1, 2027, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on March 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. The Term Bonds (as defined herein) are also subject to mandatory redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as herein defined) 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 June 1, 2020, is to be added to the price.

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. See "LEGAL MATTERS." Certain legal matters will be reviewed by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Underwriter's Counsel. Delivery of the Bonds through DTC is expected on or about June 4, 2020.

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

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 (as herein defined) and thereafter only as specified in "PREPARATION OF THE 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 "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

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 \$4,750,421.20 (representing the par amount of the Bonds of \$4,575,000.00, plus a net premium on the Bonds of \$215,631.90, less an Underwriter’s discount of \$40,210.70) plus accrued interest. The Underwriter’s obligation is to purchase all of the Bonds, if any are purchased. See “PLAN OF FINANCING—Sources and Uses of Funds.”

The Underwriter has reviewed the information in this OFFICIAL STATEMENT pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed 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 Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; 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.

OFFICIAL STATEMENT SUMMARY

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

INFECTIOUS DISEASE OUTBREAK (COVID-19)

General...

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the “Pandemic”), which is currently affecting many parts of the world, including the United States and Texas. As described herein under “Investment Considerations- Infectious Disease Outlook (COVID-19)”, federal, state and local governments have all taken actions to respond to the Pandemic, including disaster declarations by both the President of the United States and the Governor of Texas. Such actions are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas.

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

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

THE DISTRICT

Description...

The District is one of the five municipal utility districts that were created by the division of Lazy Nine Municipal Utility District. Lazy Nine Municipal Utility District was originally created by Acts of the 78th Legislature, Regular Session, pursuant to House Bill 3565. House Bill 3565 authorized Lazy Nine Municipal Utility District to divide into multiple districts, subject to a division election. Under this authority and with the approval of the voters at a division election held on November 6, 2007, Lazy Nine Municipal Utility District divided into five municipal utility districts, including the District. The District presently contains approximately 723 acres of land. The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.”

Location...

The District is located in western Travis County along U.S. Highway 71, approximately five miles west of the City of Bee Cave, Texas and approximately 20 miles west of downtown Austin, Texas. The District is not within the extraterritorial jurisdiction of any city.

The Developers and Major Property Owners...

NASH-Sweetwater, LLC (“NASH-Sweetwater” or “Developer”), a Delaware limited liability company, is the developer of the land in the District. NASH-Sweetwater was created for the sole purpose of developing the District and its only substantial asset consists of land in the District. The sole member of NASH-Sweetwater is NASH-CB Holdings, LLC, a Delaware limited liability company. Development of the District is being managed by Newland Real Estate Group, LLC, which is wholly owned by American Newland Communities, L.P., a Delaware limited partnership. Newland Real Estate Group, LLC is a planned community developer in the United States and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects in the United States and Canada for more than thirty-eight years. See “THE DEVELOPER.”

<i>Sweetwater...</i>	The District is part of a master-planned community being developed as Sweetwater. The District is one of two active municipal utility districts created to encompass approximately 1,400 acres. Lazy Nine Municipal Utility District No. 1A owns and operates the water supply and wastewater treatment facilities serving the District. See “THE SYSTEM.”
<i>Status of Development...</i>	As of February 29, 2020, water, wastewater and storm drainage facilities were constructed to serve 1,289 single-family residential lots on approximately 402 acres, 872 homes had been completed (including 872 occupied homes and no unoccupied homes), 90 new homes were under construction or continued to be in a builder's name and 327 vacant developed lots were available for home construction. Homes in the District have a sales price ranging from approximately \$295,000 to \$1,250,000. Recreational facilities have been constructed on approximately 10 acres that include a 2,500 square foot clubhouse, pool, bath house, pavilion, multi-use ball facility and a basketball court. A daycare center has been constructed on approximately 2.5 acres, and a convenience store and retail building are under construction on approximately 2.5 acres. An additional approximately 13 acres are served with trunk utilities; however, no commercial improvements have been constructed. In addition, the District includes approximately 163 developable acres which are not yet provided with utility service and approximately 130 acres of land which are not developable (utility easements, detention, open space and right-of way). See “THE DISTRICT—Land Use” and “—Status of Development.”
<i>Builders...</i>	Homes are being built in the District by Perry Homes, Westin Homes, M/I Homes, Pulte Homes, River Oaks, Lennar and Chesmar Homes pursuant to lot sales contracts with the Developer. See “THE DEVELOPER—Homebuilding.”
<i>Payment Record...</i>	The District has previously issued seven series of unlimited tax bonds for water, wastewater, and drainage facilities in the aggregate principal amount of \$40,645,000 and two series of unlimited tax road bonds for road facilities in the aggregate principal amount of \$6,885,000, \$44,845,000 of which collectively remains outstanding as of the date hereof (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on its Outstanding Bonds. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”
<i>Future Debt...</i>	The District has submitted a bond application to the Texas Commission on Environmental Quality (the “TCEQ”) requesting approval to issue unlimited tax bonds in the principal amount of approximately \$11,000,000 for water, wastewater and drainage facilities. The District expects approval of such application and sale of such bonds in the fourth quarter of 2020.
<i>Short Term Debt...</i>	The District issued a \$7,736,000 principal amount Bond Anticipation Note, Series 2019 (the “2019 BAN”) on November 27, 2019, with a maturity date of November 25, 2020. Proceeds from the 2019 BAN were used to reimburse the Developer for construction costs of water, wastewater and drainage facilities. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Short Term Debt” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE BONDS

<i>Description...</i>	The \$4,575,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) are being issued as fully registered bonds pursuant to a resolution authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”). The Bonds are scheduled to mature serially on March 1 in each of the years 2022 through 2030, both inclusive, and as term bonds on March 1 in each of the years 2032, 2036 and 2040 (the “Term Bonds”) in the principal amounts and on the dates shown on the cover page hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from June 1, 2020, and is payable September 1, 2020, and each March 1 and September 1 thereafter, until the earlier of maturity or prior redemption. See “THE BONDS.”
<i>Book-Entry-Only...</i>	The Depository Trust Company (defined as “DTC”), New York, New York, 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 certificate will be issued for each maturity of the Bonds and will be deposited with DTC. See “BOOK-ENTRY-ONLY SYSTEM.”

<i>Redemption...</i>	Bonds maturing on or after March 1, 2027 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on March 1, 2026, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds, together with lawfully available debt service funds, will be used to pay certain costs incurred in connection with the issuance of the Bonds and to currently refund and defease \$4,525,000 principal amount of the Outstanding Bonds in order to achieve net savings in the District’s annual debt service expense. See “PLAN OF FINANCING—Refunded Bonds.” The bonds to be refunded and discharged with Bond proceeds are referred to herein as the “Refunded Bonds.” After the issuance of the Bonds, \$40,320,000 principal amount of the Outstanding Bonds will remain outstanding (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT—Outstanding Bonds.”
<i>Authority for Issuance...</i>	The Bonds are the first series of refunding bonds issued out of an aggregate of \$216,182,435 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing water, wastewater and/or drainage facilities and refunding such bonds. The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “THE BONDS—Authority for Issuance.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Remaining Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Travis County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating and Municipal Bond Insurance...</i>	It is expected that S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) and Moody’s Investors Service (Moody’s) will assign municipal bond ratings of “AA” (stable outlook) and “A2” (stable outlook), respectively, to this issue of Bonds with the understanding that, upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp (“AGM” or the “Insurer”). Moody’s has also assigned an underlying rating of “Baa1” to the Bonds. An explanation of the ratings may be obtained from S&P and Moody’s. See “INVESTMENT CONSIDERATIONS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND RATING,” MUNICIPAL BOND INSURANCE” and “APPENDIX B.”
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds have not been designated “qualified tax-exempt obligations” within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Austin, Texas. See “MANAGEMENT OF THE DISTRICT,” “LEGAL MATTERS,” and “TAX MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Underwriter’s Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”
<i>Escrow Agent...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “PLAN OF FINANCING—Escrow Agreement.”
<i>Verification Agent...</i>	Public Finance Partners LLC, Rockford, Minnesota. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.”

INVESTMENT CONSIDERATIONS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$375,482,986	(a)
2020 Preliminary Taxable Assessed Valuation.....	\$440,772,418	(b)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$44,895,000	(c)
Estimated Overlapping Debt	13,844,557	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	<u>\$58,739,557</u>	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	11.96%	
2020 Preliminary Taxable Assessed Valuation	10.19%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	15.64%	
2020 Preliminary Taxable Assessed Valuation.....	13.33%	
Funds Available for Debt Service as of April 15, 2020:		
Water, Wastewater and Drainage Debt Service Funds.....	\$2,666,820	(e)
Road Debt Service Funds.....	<u>539,139</u>	
Total Funds Available for Debt Service.....	<u>\$3,205,959</u>	
Funds Available for Operating Funds as of April 15, 2020.....	\$3,059,077	
Funds Available for Capital Projects as of April 15, 2020:		
Water, Wastewater and Drainage Capital Projects Funds	\$26,851	
Road Capital Projects Funds	<u>5,584</u>	
Total Funds Available for Capital Projects	<u>\$32,435</u>	
2019 Debt Service Tax Rate	\$0.76	
2019 Maintenance and Operations Tax Rate	<u>0.25</u>	
Total Tax Rate	\$1.01	
Average Annual Debt Service Requirement (2021-2045).....	\$2,478,015	(f)
Maximum Annual Debt Service Requirement (2021).....	\$3,056,763	(f)
Tax Rates Required to Pay Average Annual Debt Service (2021-2045) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation.....	\$0.70	(g)
Based upon 2020 Preliminary Taxable Assessed Valuation	\$0.60	(g)
Tax Rates Required to Pay Maximum Annual Debt Service (2021) at a 95% Collection Rate		
Based upon 2019 Certified Taxable Assessed Valuation.....	\$0.86	(g)
Based upon 2020 Preliminary Taxable Assessed Valuation	\$0.74	(g)
Status of Development as of February 29, 2020 (h):		
Occupied Completed Homes.....	872	
Unoccupied Completed Homes.....	0	
Homes Under Construction or in a Builder's Name.....	90	
Lots Available for Home Construction	327	
Estimated Population	<u>3,052</u>	(i)

- (a) As certified by the Travis Central Appraisal District (the "Appraisal District"). See "TAXING PROCEDURES."
- (b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020). Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See "TAXING PROCEDURES."
- (c) After issuance of the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) The District will contribute \$45,000 of available debt service funds towards the purpose for which the Bonds are being issued. See "PLAN OF FINANCING—Sources and Uses of Funds." Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.
- (f) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (g) See "TAX DATA—Tax Adequacy for Debt Service."
- (h) See "THE DISTRICT—Land Use" and "—Status of Development."
- (i) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$4,575,000

LAZY NINE MUNICIPAL UTILITY DISTRICT NO. 1B
(A political subdivision of the State of Texas located within Travis County)

UNLIMITED TAX REFUNDING BONDS
SERIES 2020

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Lazy Nine Municipal Utility District No. 1B (the “District”) of its \$4,575,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government Code, as amended, the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas, elections held within the District and a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”). See “THE BONDS—Authority for Issuance.”

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, NASH-Sweetwater, LLC (“NASH-Sweetwater” or “Developer”) and development activity in the District. Other 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 Allen Boone Humphries Robinson LLP, Bond Counsel, 1108 Lavaca Street, Suite 510, Austin, Texas 78701.

PLAN OF FINANCING

Purpose

The proceeds of the Bonds and lawfully available debt service funds will be used to currently refund and defease a portion of the District’s Unlimited Tax Bonds, Series 2013, totaling an aggregate principal amount of \$4,525,000 (the “Refunded Bonds”) in order to achieve a net savings in the District’s debt service expense. See “Refunded Bonds” herein. The proceeds will also be used to pay the costs of issuance of the Bonds. See “Sources and Uses of Funds” herein. A total of \$40,320,000 in principal amount of the Outstanding Bonds will remain outstanding after the issuance of the Bonds (the “Remaining Outstanding Bonds”). See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Bonds.”

Refunded Bonds

Proceeds of the Bonds, together with lawfully available debt service funds, will be applied to currently refund and defease the Refunded Bonds in the principal amounts and with maturity dates set forth below and to pay certain costs of issuing the Bonds.

<u>Maturity Date</u> <u>September 1</u>	<u>Series</u> <u>2013</u>
2022	\$ 150,000
2023	155,000
2024	165,000
2025	170,000
2026	180,000
2027	190,000
2028	200,000
2029	210,000
2030	220,000 (a)
2031	230,000 (a)
2032	240,000 (a)
2033	255,000 (a)
2034	265,000 (b)
2035	280,000 (b)
2036	295,000 (b)
2037	305,000 (b)
2038	320,000 (b)
2039	340,000 (b)
2040	<u>355,000 (b)</u>
	\$ 4,525,000

Redemption Date: September 1, 2020

Escrow Agreement

The Refunded Bonds, and the interest due thereon, are to be paid on each principal or Interest Payment Date and on their redemption date from funds to be deposited with The Bank of New York Mellon Trust Company, N.A. as escrow agent (the “Escrow Agent”).

The Bond Resolution provides that the District and the Escrow Agent will enter into an escrow agreement (the “Escrow Agreement”) to provide for the discharge and defeasance of the Refunded Bonds. The Bond Resolution further provides that from the proceeds of the sale of the Bonds and other lawfully available debt service funds of the District, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a segregated escrow account (the “Escrow Fund”) and used to purchase issued or guaranteed by the United States Treasury. At the time of delivery of the Bonds, Public Finance Partners LLC, will verify to the District, the Escrow Agent and the Underwriter that the Escrowed Securities are sufficient in principal amount and are scheduled to mature at such times and to yield interest in such amounts, together with cash, in the Escrow Fund, to pay, when due, the principal of and interest on the Refunded Bonds. See “VERIFICATION OF MATHEMATICAL CALCULATIONS.” Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the related series of Refunded Bonds and will not be available to pay principal of and interest on the Bonds.

Defeasance of Refunded Bonds

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, and the making of irrevocable arrangements for the giving of notice of redemption of the Refunded Bonds, the terms of the prior resolution 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 amounts so deposited, and the amounts so deposited and invested in the Escrow Fund will constitute firm banking arrangements under Texas law for the discharge and final payment of the Refunded Bonds.

Sources and Uses of Funds

The proceeds derived from the sale of the Bonds, exclusive of accrued interest, together with available debt service funds, will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$4,575,000.00
Plus: Net Premium on the Bonds	215,631.90
Plus: Transfer from Debt Service Fund	<u>45,000.00</u>
Total Sources of Funds.....	\$4,835,631.90

Uses of Funds:

Deposit to Escrow Fund.....	\$4,632,609.83
Issuance Expenses and Underwriters' Discount (a).....	<u>203,022.07</u>
Total Uses of Funds	\$4,835,631.90

(a) Includes municipal bond insurance premium.

THE BONDS

Description

The Bonds will be dated and accrue interest from June 1, 2020, with interest payable each September 1 and March 1, beginning September 1, 2020 (the "Interest Payment Date"), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed The Bank of New York Mellon Trust Company, N.A. as the initial Paying Agent/Registrar for the Bonds. The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolution.

Source of Payment

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

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

Funds

In the Bond Resolution, the Water, Sewer, and Drainage 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.

The District also maintains a Road Debt Service Fund that is not pledged to Water, Sewer, and Drainage Bonds, including the Bonds. Funds in the Water, Sewer, and Drainage Debt Service Fund are not available to pay principal and interest on the outstanding Road Bonds and funds in the Road Debt Service Fund are not available to pay principal and interest on the Water, Sewer, and Drainage Bonds, including the Bonds.

Accrued interest on the Bonds shall be deposited into the Water, Sewer, and Drainage Debt Service Fund upon receipt. Any monies remaining after the refunding of the Refunded Bonds and 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 prescribed 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.

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after March 1, 2027, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on March 1, 2026, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

Mandatory Redemption: The Bonds due on March 1 in each of the years 2032, 2036 and 2040 (the “Term Bonds”) are also subject to mandatory sinking fund redemption by the District by lot or other customary random method prior to scheduled maturity on September 1 in the years (“Mandatory Redemption Dates”) and in the amounts set forth below, subject to proportionate reduction at a redemption price of par plus accrued interest to the date of redemption:

\$495,000 Term Bonds		\$1,105,000 Term Bonds		\$1,235,000 Term Bonds	
Due March 1, 2032		Due March 1, 2036		Due March 1, 2040	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2031	\$ 245,000	2033	\$ 265,000	2037	\$ 295,000
2032 (maturity)	250,000	2034	270,000	2038	305,000
		2035	280,000	2039	315,000
		2036 (maturity)	290,000	2040 (maturity)	320,000

On or before 30 days prior to each Mandatory Redemption Date set forth above, the Registrar shall (i) determine the principal amount of such Term Bond that must be mandatorily redeemed on such Mandatory Redemption Date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the Term Bond or portions of the Term Bond of such maturity to be mandatorily redeemed on such Mandatory Redemption Date, and (iii) give notice of such redemption as provided in the Bond Resolution. The principal amount of any Term Bond to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bond, which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

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 therefore 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 less than all the Bonds outstanding 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 which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on 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 which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At bond elections held within the District, voters of the District authorized the issuance of \$216,182,435 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and drainage facilities and refunding such bonds. The Bonds are being issued pursuant to such authorization.

The Bonds are issued by the District pursuant to the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 1207 of the Texas Government 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.

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

Registration and Transfer

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

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

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

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

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

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

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/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar 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's voters have authorized the issuance of \$216,182,435 principal amount of unlimited tax bonds for a water, wastewater and storm drainage system and refunding such bonds, \$31,810,000 principal amount of unlimited tax bonds for roads and refunding such bonds, and \$36,925,000 principal amount of unlimited tax bonds for parks and recreational facilities and refunding such bonds. After the issuance of the Bonds, the District will have \$175,487,435 principal amount of unlimited tax bonds for a water, wastewater and storm drainage system and refunding such bonds, \$24,925,000 principal amount of unlimited tax bonds for roads and related improvements and refunding such bonds, and all of the unlimited tax bonds authorized for parks and recreational facilities and refunding such bonds authorized but unissued. The District has submitted a bond application to the Texas Commission on Environmental Quality (the "TCEQ") requesting approval to issue unlimited tax bonds in the principal amount of approximately \$11,000,000 for water, sewer and drainage facilities. The District expects approval of such application and sale of such bonds in the fourth quarter of 2020. See "INVESTMENT CONSIDERATIONS—Future Debt."

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. 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. 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 noncallable 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 the 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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation of ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 “Procedure” of DTC to be followed in dealing with DTC Direct Participants are on file with DTC.

The Depository Trust Company (“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 rating from S&P Global Ratings 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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.

Principal, premium, if any, interest payments and redemption proceeds 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, 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, 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, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. 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 information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

SWEETWATER

The District represents the initial development of a master-planned community being developed as Sweetwater. The District is one of two active municipal utility districts created to encompass approximately 1,400 acres at build out. The other District is Lazy Nine Municipal Utility District No. 1A ("MUD 1A"), which owns and operates the water supply and wastewater treatment facilities serving the District. See "THE SYSTEM."

THE DISTRICT

General

The District was created by division of Lazy Nine Municipal Utility District at a division election duly called and held on November 6, 2007. Lazy Nine Municipal Utility District was originally created by Acts of the 78th Legislature, Regular Session, pursuant to House Bill 3565. Lazy Nine Municipal Utility District divided into five municipal utility districts, including the District. The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. The District is not within the extraterritorial jurisdiction of any 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, to construct certain roads within its boundaries and to establish parks and recreational facilities for the residents of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to contract for or employ its own peace officers and, after approval by the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities. See "THE BONDS—Issuance of Additional Debt."

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements which, along with Texas law, limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, drainage, road and recreational facilities and the refunding of outstanding debt obligations; limit the net effective interest rate on such bonds and other terms of such bonds; and require public water, sewer, and drainage facilities to be designed in accordance with certain standards. Construction and operation of the District's system are subject to the regulatory jurisdiction of additional government agencies. See "THE SYSTEM."

Description and Location

The District currently contains approximately 723 acres of land and is located in western Travis County approximately five miles west of the City of Bee Cave, Texas and 20 miles west of downtown Austin, Texas. The District is not within the extraterritorial jurisdiction of any city. Principal access to the District is provided from U.S. Highway 71. Several small, undeveloped tracts of land within the District are also located with the boundaries of Lazy Nine Municipal Utility District No. 1A.

Land Use

The District currently includes approximately 402 developed acres of single-family residential development (1,289 lots), approximately 10 acres of recreational facilities, approximately 130 undevelopable acres (utility easements, detention, open space and right-of-way) and approximately 163 developable acres that have not been provided with water distribution, wastewater collection and storm drainage facilities. The table below represents a detailed breakdown of the current acreage and development in the District.

	Approximate <u>Acres</u>	<u>Lots</u>
<i>Single-Family Residential</i>		
Village G1	21	72
Village G2	19	64
Village H	14	47
Village H2	4	18
Village I	32	123
Village J	11	49
Village K	15	68
Village L1	9	33
Village L2	15	48
Village P1	4	14
Village P2	8	35
Village P3A	13	63
Village P3B	14	75
Village E1	29	50
Village F1	11	25
Village F2	10	23
Village F3	12	27
Village Z1	22	61
Village Z2	13	38
Village AA	31	60
Village N	41	110
Village B	34	109
Village O	<u>20</u>	<u>77</u>
Subtotal	402	1,289
<i>Recreation</i>	10	---
<i>Commercial Reserves</i>	18	---
<i>Future Development</i>	163	---
<i>Non-Developable (a)</i>	<u>130</u>	<u>---</u>
Totals	723	1,289

(a) Includes public rights-of-way, detention, open spaces, easements and utility sites.

Status of Development

Single-Family Residential: The District is being developed as Sweetwater, a single-family residential master-planned community. As of February 29, 2020, water, wastewater and storm drainage facilities have been constructed to serve 1,289 single-family residential lots on approximately 402 acres, 872 homes have been completed (including 872 occupied homes and no unoccupied homes), 90 new homes were under construction or continue to be in a builder's name and 327 vacant developed lots were available for home construction. Homes in the District have a sales price ranging from approximately \$295,000 to \$1,250,000. In addition, the District includes approximately 163 developable acres that are not yet provided with utility service and approximately 130 acres of land are not developable (utility easements, detention, open space and right-of way). The estimated population in the District (based upon 3.5 persons per occupied single-family residence) is 3,052. See "Land Use" above.

Recreation: A recreation facility has been constructed on approximately 10 acres that includes a 2,500 square foot club house, pool, bath house, pavilion, multi-use ball field, and a basketball court.

Commercial: A daycare center has been constructed on approximately 2.5 acres, and a convenience store and retail building are under construction on approximately 2.5 acres. An additional approximately 13 acres are served with trunk utilities; however, no commercial improvements have been constructed.

Future Development

The District is currently planned as a primarily single-family residential development. Approximately 163 developable acres of land currently within the District are not yet fully served with water distribution, wastewater collection, storm drainage or roads. While the Developer anticipates future development of this acreage as business conditions warrant, there can be no assurances if and when any of such undeveloped land will ultimately be developed. The District anticipates issuing additional bonds to accomplish full development of the District. See “INVESTMENT CONSIDERATIONS—Undeveloped Acreage and Vacant Lots” and “—Future Debt.” Malone/Wheeler Inc. (the “Engineer”) has stated that under current development plans, the remaining authorized but unissued bonds (\$175,487,435) should be sufficient to finance the construction of water, wastewater, storm drainage, recreation and road facilities to complete full development of the District. See “THE SYSTEM” and “INVESTMENT CONSIDERATIONS—Future Debt.”

THE DEVELOPER

Role of a Developer

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

NASH-Sweetwater, LLC

NASH-Sweetwater, LLC a Delaware limited liability company (“NASH-Sweetwater” or “Developer”) was created for the sole purpose of developing the District and its only substantial asset consists of land in the District. The sole member of NASH-Sweetwater is NASH-CB Holdings, LLC, a Delaware limited liability company. Development of the District is being managed by Newland Real Estate Group, LLC, which is wholly owned by American Newland Communities, L.P., a Delaware limited partnership. Newland Real Estate Group, LLC is a planned community developer in the United States and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects in the United States and Canada for more than thirty-seven years.

The Developer is not responsible for, liable for, or committed to pay the Bonds or other obligations of the District. The Developer does not have any legal commitment to the District or the owners of the Bonds to continue development of land within the District and the Developer may sell or otherwise dispose of property within the District, or any assets, at any time. Further, the financial condition of the Developer is subject to change.

Acquisition and Development Financing

NASH-Sweetwater has financed its development activities in the District with funds provided by its indirect parent, NASH Financing LLC, which is a wholly-owned subsidiary of North America Sekisui House, LLC. North America Sekisui House, LLC is a wholly-owned subsidiary of Sekisui House, Ltd., which is listed on the Tokyo Stock Exchange.

Homebuilding

The Developer has entered into lot sales contracts with Perry Homes, Westin Homes, M/I Homes, Pulte Homes, River Oaks, Lennar and Chesmar Homes. Pursuant to such lot sales agreements, each builder is required to make an earnest money deposit and to take down single-family lots at a pace ranging from 9 to 20 lots per quarter, depending upon lot size and home sales price point. According to the Developer, each of the homebuilders is in substantial compliance with all of the terms of its respective lot sales contract. Homebuilders in the District contract directly with the Developer and have no obligation to or agreement with the District to construct any homes or other improvements in the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

The District is governed by the Board, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held in May in even numbered years only. None of the Board members resides within the District; however, all of the board members own land within the District subject to a note and deed of trust in favor of the Developer. Directors have staggered four-year terms. The current members and officers of the Board along with their titles and terms are listed as follows:

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Ms. Sharon Carter	President	May 2022
Mr. Grant Gist	Vice President	May 2022
Mr. Derrick Jones	Secretary	May 2024
Mr. Brett Burke	Assistant Secretary	May 2024
Mr. Harry Savio	Assistant Secretary	May 2024

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as general counsel to the District and as Bond Counsel in connection with the issuance of the District's bonds. The fees of the attorneys in their capacity as Bond Counsel are contingent upon the sale and delivery of the Bonds. Compensation to the attorneys for other services to the District is based on time charges actually incurred.

Financial Advisor: Masterson Advisors LLC serves as the District's Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The District's financial statements for the year ended September 30, 2019, were audited by McGrath & Co., PLLC. See APPENDIX A for a copy of the District's September 30, 2019 audited financial statements.

Engineer: The consulting engineer for the District in connection with the design and construction of the District's facilities is Malone/Wheeler Inc. The District engaged Jones-Heroy & Associates, Inc. to assist in the preparation of the District's bond application to the TCEQ.

Tax Appraisal: The Travis Central Appraisal District (the "Appraisal District") has the responsibility of appraising all property within the District located within their respective jurisdictions. The Appraisal District also contracts with the District of the collection of taxes. See "TAXING PROCEDURES."

Bookkeeper: The District has engaged Bott & Douthitt PLLC to serve as the District's bookkeeper (the "Bookkeeper").

Utility System Operator: The operator of the water and wastewater system serving the District is Crossroads Utility Services, LLC.

Tax Assessor/Collector: The tax assessor/collector for the District is the Travis County Tax Office (the "Tax Assessor/Collector").

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. 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, Wastewater and Drainage Facilities

Water Supply: MUD 1A, on behalf of the District, has a raw water contract with the Lower Colorado River Authority ("LCRA") whereby the District and the other municipal utility districts in the Sweetwater development have the right to a maximum of 973.81 acre-feet of raw water per year. The District is provided wholesale potable water supply by the West Travis County Public Utility Agency ("WTCPUA") through a wholesale water agreement assigned by the LCRA to WTCPUA. MUD 1A, on behalf of the District, also entered into a Water Utility Facilities Acquisition, Construction and Service Agreement, as amended (the "Water Supply Agreement") with the LCRA. In 2012, the WTCPUA purchased the water system of LCRA and assumed the obligations of the Water Supply Agreement. Pursuant to the terms of the First Amendment to the Water Supply Agreement dated December 30, 2013, LCRA (now the WTCPUA) is obligated to provide wholesale water service for up to 400 equivalent single family connections initially with an option to add additional connections once storage facilities are constructed. The Developer has paid for the District's share of the water storage facilities per the First Amendment to the Water Supply Agreement, and the WTCPUA is now obligated to supply treated wholesale water service for a total of 2,595 Living Unit Equivalents to MUD 1A on behalf of the districts in the Sweetwater development, including the District. The District has entered into a Joint Facilities Agreement with MUD 1A dated June 20, 2012, as amended. Pursuant to the terms of the Second Amendment to the Joint Facilities Agreement, the District has a 68.75% share in the water capacity supplied from LCRA/WTCPUA which will adequately serve 1,650 equivalent single family connections. As of February 29, 2020, the District was serving 962 active residential connections (including 90 homes under construction or in a builder's name). The Developer has advanced funds on behalf of the District to pay LCRA, and now WTCPUA, for the connection fees to obtain service capacity rights to serve 962 connections in the District (including 90 homes under construction or in a builder's name). Proceeds from the sale of future bonds will be used to reimburse the Developer for such fees.

Wastewater Treatment: Wastewater treatment for the District is provided by a wastewater treatment plant owned and operated by MUD 1A. The capacity of the treatment plant is currently 400,000 gallons per day. The District has entered into a Joint Facilities Agreement with MUD 1A to share the costs and capacity in the treatment plant and other regional facilities. Pursuant to the terms of the Second Amendment to the Joint Facilities Agreement, dated April 15, 2015, 68.75% of capacity is allocated to the District. According to the Engineer, the District's 68.75% capacity is capable of serving up to as many as 1,850 equivalent single family connections depending on actual flow rates. This capacity should be able to accommodate the demands generated from development within the District at total build out. As of February 29, 2020, the District was serving 962 active single family connections (including 90 homes under construction or in a builder's name).

Water Distribution, Wastewater Collection and Storm Drainage Facilities: Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 1,153 single-family residential lots and 10 acres where recreational facilities are located. In addition, such utilities are under construction for an additional 107 lots.

100-Year Flood Plain: According to the Engineer, no developable land within the District is located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency ("FEMA") Flood Insurance Rate Map.

Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending September 30, 2015 through September 30, 2019. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 1,085,044	\$ 991,374	\$ 827,584	\$ 611,758	\$ 472,902
Sewer service	223,895	191,750	187,356	140,967	102,586
Property taxes	712,709	551,800	453,354	700,528	334,449
Penalties and interest	27,602	23,316	30,339	14,868	8,592
Tap connection and inspection	1,133,800	1,060,025	999,350	1,070,500	678,675
Miscellaneous	-	35,963	139	457	9,213
Investment earnings	52,595	28,659	10,304	2,339	250
Total Revenues	\$ 3,235,645	\$ 2,882,887	\$ 2,508,426	\$ 2,541,417	\$ 1,606,667
Expenditures					
Current service operations					
Professional fees	\$ 279,004	\$ 214,545	\$ 180,293	\$ 127,319	\$ 155,857
Contracted services	1,041,905	889,604	807,312	703,273	520,935
Repairs and maintenance	503,967	313,973	214,050	147,967	81,639
Administrative	21,748	22,196	17,849	13,351	11,461
Other	28,987	26,202	25,533	29,157	19,861
Joint Facilities					
Purchased services	443,420	428,769	401,668	262,581	224,631
Professional fees	64,290	51,492	-	-	-
Contracted services	121,651	100,144	98,394	73,695	72,074
Repairs and maintenance	190,397	139,572	133,207	104,132	83,446
Utilities	59,619	51,804	46,630	39,725	33,451
Water reservation fees	29,991	33,439	36,760	46,694	30,945
Administrative	12,813	10,087	7,812	7,115	6,188
Other	945	1,426	1,393	29,972	426
Capital outlay	-	85,937	41,465	-	-
Right-to-use leased Asset	-	619,927	-	-	-
Interest fees	-	-	-	-	38,707
Lease - principal	107,651	42,232	-	-	-
Lease - interest	44,974	21,362	-	-	-
Total Expenditures	\$ 2,951,362	\$ 3,052,711	\$ 2,012,366	\$ 1,584,981	\$ 1,279,621
Revenues Over (Under) Expenditures	\$ 284,283	\$ (169,824)	\$ 496,060	\$ 956,436	\$ 327,046
Other Financing Sources/(Uses)					
Repayment of operating advances	\$ -	\$ -	\$ -	\$ -	\$ (18,538)
Internal transfers	-	-	-	18,666	62,245
Lease liability	-	619,927	-	-	-
Net Change in Fund Balance	\$ 284,283	\$ 450,103	\$ 496,060	\$ 975,102	\$ 370,753
Fund Balance :					
Beginning of Year	<u>\$ 2,390,466</u>	<u>\$ 1,940,363</u>	<u>\$ 1,407,303</u>	<u>\$ 432,201</u>	<u>\$ 61,448</u>
End of Year	<u>\$ 2,674,749</u>	<u>\$ 2,390,466</u>	<u>\$ 1,903,363</u>	<u>\$ 1,407,303</u>	<u>\$ 432,201</u>

ROAD SYSTEM

Pedernales Summit Parkway, a major collector street, currently exists within the District's boundaries. The roadway is designed and constructed in accordance with Travis County standards, rules, and regulations. Upon acceptance of the roadway facilities, Travis County will be responsible for operation and maintenance thereof.

The roadway lies within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer and drainage facilities are located within the right-of-way. The right-of-way is also shared by street lights, sidewalks and franchise utilities (power, gas, telephone, and cable).

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2019 Certified Taxable Assessed Valuation.....	\$375,482,986	(a)
2020 Preliminary Taxable Assessed Valuation.....	\$440,772,418	(b)
Gross Direct Debt Outstanding (the Bonds and the Remaining Outstanding Bonds)	\$ 44,895,000	(c)
Estimated Overlapping Debt	13,844,557	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$58,739,557	
Ratios of Gross Direct Debt to:		
2019 Certified Taxable Assessed Valuation.....	11.96%	
2020 Preliminary Taxable Assessed Valuation.....	10.19%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2019 Certified Taxable Assessed Valuation.....	15.64%	
2020 Preliminary Taxable Assessed Valuation.....	13.33%	
Funds Available for Debt Service as of April 15, 2020:		
Water, Wastewater and Drainage Debt Service Funds.....	\$2,666,820	(e)
Road Debt Service Funds	539,139	
Total Funds Available for Debt Service.....	\$3,205,959	
Funds Available for Operating Funds as of April 15, 2020.....	\$3,059,077	
Funds Available for Capital Projects as of April 15, 2020:		
Water, Wastewater and Drainage Capital Projects Funds	\$26,851	
Road Capital Projects Funds	5,584	
Total Funds Available for Capital Projects	\$32,435	

- (a) As certified by the Appraisal District. See “TAXING PROCEDURES.”
- (b) Provided by the Appraisal District as a preliminary indication of the 2020 taxable value (as of January 1, 2020). Such amount is subject to protest, review and downward adjustment prior to certification. No tax will be levied on such amount until it is certified. See “TAXING PROCEDURES.”
- (c) After issuance of the Bonds. See “—Outstanding Bonds” herein.
- (d) See “—Estimated Overlapping Debt” herein.
- (e) The District will contribute \$45,000 of available debt service funds towards the purpose for which the Bonds are being issued. See “PLAN OF FINANCING—Sources and Uses of Funds.” Neither Texas law nor the Bond Resolution requires the District to maintain any particular balance in the Debt Service Fund.

Short Term Debt

The District issued a \$7,736,000 principal amount Bond Anticipation Note, Series 2019 (the “2019 BAN”) on November 27, 2019, with a maturity date of November 25, 2020. Proceeds from the 2019 BAN were used to reimburse the Developer for construction costs. See “INVESTMENT CONSIDERATIONS—Future Debt.”

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District’s goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District will be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation (“FDIC”) or secured by collateral evidenced by perfected safekeeping receipts held by a third-party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio.

Outstanding Bonds

The following table lists the original principal amount of Outstanding Bonds, and the current principal balance of the Outstanding Bonds, the Refunded Bonds and the Remaining Outstanding Bonds.

Series	Original Principal Amount	Principal Amount Currently Outstanding	Refunded Bonds	Remaining Outstanding Bonds
2013	\$ 5,375,000	\$ 4,800,000	\$ 4,525,000	\$ 275,000
2014	5,000,000	4,630,000	-	4,630,000
2015	4,520,000	4,235,000	-	4,235,000
2016	7,000,000	6,470,000	-	6,470,000
2016A (a)	4,200,000	3,880,000	-	3,880,000
2017 (a)	2,685,000	2,580,000	-	2,580,000
2017A	3,500,000	3,240,000	-	3,240,000
2018	6,250,000	6,010,000	-	6,010,000
2019	9,000,000	9,000,000	-	9,000,000
Total	\$ 47,530,000	\$ 44,845,000	\$ 4,525,000	\$ 40,320,000
The Bonds				4,575,000
The Bonds and Remaining Outstanding Bonds				\$ 44,895,000

(a) Unlimited tax road bonds.

Debt Service Requirements

The following sets forth the debt service requirements for the Outstanding Bonds, less the debt service on the Refunded Bonds (\$4,525,000 principal amount), plus the debt service on the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Less: Debt Service on the Refunded Bonds	Plus: Debt Service on the Bonds			Total Debt Service Requirements
			Principal	Interest	Total	
2020	\$ 2,000,296.88 (a)	\$ 108,512.50	\$ -	\$ 44,129.69	\$ 44,129.69	\$ 1,935,914.06
2021	3,097,268.75	217,025.00	-	176,518.75	176,518.75	3,056,762.50
2022	3,069,043.75	367,025.00	155,000	172,643.75	327,643.75	3,029,662.50
2023	3,034,543.75	366,400.00	160,000	164,768.75	324,768.75	2,992,912.50
2024	3,009,943.75	370,200.00	170,000	156,518.75	326,518.75	2,966,262.50
2025	2,986,783.75	368,600.00	180,000	147,768.75	327,768.75	2,945,952.50
2026	2,958,696.25	371,375.00	190,000	138,518.75	328,518.75	2,915,840.00
2027	2,933,521.25	373,275.00	205,000	128,643.75	333,643.75	2,893,890.00
2028	2,911,561.25	374,725.00	215,000	118,143.75	333,143.75	2,869,980.00
2029	2,881,955.00	375,225.00	225,000	107,143.75	332,143.75	2,838,873.75
2030	2,852,097.50	375,250.00	240,000	95,518.75	335,518.75	2,812,366.25
2031	2,820,212.50	374,250.00	245,000	85,843.75	330,843.75	2,776,806.25
2032	2,790,868.75	372,750.00	250,000	78,418.75	328,418.75	2,746,537.50
2033	2,764,675.00	375,750.00	265,000	70,528.13	335,528.13	2,724,453.13
2034	2,721,425.00	373,000.00	270,000	62,168.75	332,168.75	2,680,593.75
2035	2,691,637.50	374,750.00	280,000	53,575.00	333,575.00	2,650,462.50
2036	2,663,643.75	375,750.00	290,000	44,668.75	334,668.75	2,622,562.50
2037	2,623,562.50	371,000.00	295,000	35,343.75	330,343.75	2,582,906.25
2038	2,595,775.00	370,750.00	305,000	25,593.75	330,593.75	2,555,618.75
2039	2,565,381.25	374,750.00	315,000	15,518.75	330,518.75	2,521,150.00
2040	2,526,875.00	372,750.00	320,000	5,200.00	325,200.00	2,479,325.00
2041	2,156,025.00	-	-	-	-	2,156,025.00
2042	1,735,362.50	-	-	-	-	1,735,362.50
2043	1,384,612.50	-	-	-	-	1,384,612.50
2044	640,662.50	-	-	-	-	640,662.50
2045	370,800.00	-	-	-	-	370,800.00
Total	\$ 64,787,230.63	\$ 7,403,112.50	\$ 4,575,000	\$ 1,927,176.56	\$ 6,502,176.56	\$ 63,886,294.69

Average Annual Debt Service Requirements (2021-2045)\$2,478,015
Maximum Annual Debt Service Requirement (2021)\$3,056,763

(a) Excludes the March 1, 2020 debt service payment in the amount of \$771,634.

Estimated Overlapping Debt

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Travis County	\$1,042,740,371	02/29/20	0.18%	\$ 1,876,933
Austin Community College District.....	416,737,046	02/29/20	0.16%	666,779
Lake Travis Independent School District.....	393,646,289	02/29/20	2.85%	11,218,919
Travis County Healthcare District.....	8,350,000	02/29/20	0.18%	15,030
Travis County Emergency Services No. 6	2,960,000	02/29/20	2.26%	66,896
Total Estimated Overlapping Debt.....				\$ 13,844,557
The District's Total Direct Debt (a)				<u>44,895,000</u>
Total Direct and Estimated Overlapping Debt				\$58,739,557

Direct and Estimated Overlapping Debt as a Percentage of:

2019 Certified Taxable Assessed Valuation of \$375,482,986.....	15.64%
2020 Preliminary Taxable Assessed Valuation of \$440,772,418	13.33%

(a) The Bonds and the Remaining Outstanding Bonds.

Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "Estimated Overlapping Debt" above), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2019 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions. Several small, undeveloped tracts of land within the District are also located with the boundaries of Lazy Nine Municipal Utility District No. 1A which does levy an ad valorem tax at a 2019 tax rate of \$1.00 per \$100 assessed valuation

	<u>Tax Rate Per \$100 Taxable Assessed Valuation</u>
Travis County.....	\$ 0.369293
Austin Community College District.....	0.104900
Lake Travis Independent School District.....	1.337500
Travis County Emergency Services District No. 6.....	0.100000
Travis County Healthcare District.....	0.105573
Total Overlapping Tax Rate.....	<u>\$ 2.017266</u>
The District (a).....	<u>1.010000</u>
Total Tax Rate.....	\$ 3.027266

(a) See "TAX DATA—Historical Tax Rate Distribution."

TAX DATA

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds and the Outstanding Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds and the Remaining Outstanding Bonds. See “Historical Tax Rate Distribution” and “Tax Roll Information” below, “TAXING PROCEDURES” and “INVESTMENT CONSIDERATIONS—Possible Impact on District Tax Rates.”

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted May 12, 2012, and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.20 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.”

Historical Tax Rate Distribution

	2019	2018	2017	2016	2015
Debt Service	\$ 0.76	\$ 0.77	\$ 0.77	\$ 0.76	\$ 0.51
Maintenance and Operations	0.25	0.24	0.24	0.25	0.50
Total	\$ 1.01	\$ 1.01	\$ 1.01	\$ 1.01	\$ 1.01

Exemptions

The District has not granted an exemption for persons disabled or 65 years of age or older.

Additional Penalties

The Tax Assessor/Collector has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than November 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below. Information in this summary may differ slightly from the assessed valuations shown herein due to differences in dates of data.

	Certified Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Collections as of February 29, 2020 (b)	
				Amount	Percent
2015	\$140,545,676	\$ 1.01	\$ 1,419,511	\$ 1,419,511	100.00%
2016	179,592,441	1.01	1,813,884	1,813,794	100.00%
2017	230,552,154	1.01	2,328,577	2,323,903	99.80%
2018	297,843,248	1.01	3,008,217	2,999,225	99.70%
2019	375,482,986	1.01	3,792,378	3,742,734	98.69%

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

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

Tax Roll Information

The District’s assessed value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES—Valuation of Property for Taxation”). The following represents the composition of property comprising the 2015 through 2019 Certified Taxable Assessed Valuations. A breakdown of the 2020 Preliminary Taxable Assessed Valuation of \$440,772,418, which is subject to review and downward adjustment prior to certification, is not available from the Appraisal District. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Tax Roll Year	Type of Property			Gross Assessed Valuations	Deferments and Exemptions	Net Assessed Valuations
	Land	Improvements	Personal Property			
2015	\$ 47,978,861	\$ 94,671,065	\$ 374,308	\$ 143,024,234	\$ (2,478,558)	\$ 140,545,676
2016	54,430,866	127,707,382	437,521	182,575,769	(2,983,328)	179,592,441
2017	68,067,016	165,301,335	418,636	233,786,987	(3,234,833)	230,552,154
2018	84,187,148	217,484,633	497,904	302,169,685	(4,326,437)	297,843,248
2019	100,806,430	280,206,092	586,076	381,598,598	(6,115,612)	375,482,986

Principal Taxpayers

The following table represents the ten major taxpayers, the taxable assessed valuation of such property, and such property’s taxable assessed valuation as a percentage of the 2019 Certified Taxable Assessed Valuation of \$375,482,986. A principal taxpayer list related to the 2020 Preliminary Taxable Assessed Valuation of \$440,772,418, which is subject to review and downward adjustment prior to certification, is not available from the Appraisal District.

Taxpayer	2019 Certified Taxable Assessed Valuation	% of 2019 Certified Taxable Assessed Valuation
NASH Sweetwater LLC (a)	\$ 19,483,212	5.19%
Westin Homes and Properties LP (b)	2,204,368	0.59%
Perry Homes LLC (b)	2,061,774	0.55%
Pulte Homes of Texas LP (b)	2,020,413	0.54%
Lennar Homes of Texas (b)	1,136,000	0.30%
Individual	1,079,326	0.29%
Chesmar Homes Austin Ltd (b)	1,056,000	0.28%
Individual	962,119	0.26%
Individual	912,000	0.24%
Individual	846,296	0.23%
Total	\$ 31,761,508	8.46%

(a) See “THE DEVELOPER.”

(b) See “THE DEVELOPER—Homebuilding.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2019 Certified Taxable Assessed Valuation of \$375,482,986 or the 2020 Preliminary Taxable Assessed Valuation of \$440,772,418, which is subject to review and downward adjustment prior to certification. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Remaining Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements.”

Average Annual Debt Service Requirement (2021-2045)	\$2,478,015
\$0.70 Tax Rate on 2019 Certified Taxable Assessed Valuation.....	\$2,496,673
\$0.60 Tax Rate on 2020 Preliminary Taxable Assessed Valuation	\$2,512,403
Maximum Annual Debt Service Requirement (2021).....	\$3,056,763
\$0.86 Tax Rate on 2019 Certified Taxable Assessed Valuation.....	\$3,067,342
\$0.74 Tax Rate on 2020 Preliminary Taxable Assessed Valuation	\$3,098,630

No representation or suggestion is made that the 2020 Preliminary Taxable Assessed Valuation will not be adjusted downward prior to certification and no person should rely upon such amount or its inclusion herein as assurance of their attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

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

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 of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election.

The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. 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. 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 spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

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 Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Tax Abatement

Travis County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Travis County and the District, under certain circumstances, 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 appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, the County has not designated land within the District as a reinvestment zone.

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, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing 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 equal 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.

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the tax payer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

Rollback of Operation and Maintenance Tax Rate

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)" 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 year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

The Effect of FIRREA on Tax Collections of the District

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

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

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

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outbreak (COVID-19)

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

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of Executive Order GA-16 on April 17, 2020, which, among other things, requires Texans to minimize in-person contact with people who are not in the same household unless such people are involved in essential services or essential daily activities and closes schools to in-person classroom attendance by students through the 2019-2020 school year, unless such order is otherwise extended, modified, rescinded, or superseded by the Governor. In addition, Travis County, within which the District is located, has issued a “stay home” order for most citizens except when engaged in specified essential activities or essential businesses and government functions. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

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

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

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

Economic Factors and Interest Rates

The majority of the taxable value of the District results from the current market value of single-family residences and commercial tracts and of developed lots which are currently being marketed for sale to homebuilders and homebuyers for the construction of primary residences. The market value of taxable improvements is related to general economic conditions in the Houston region and the national economy. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets”), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 20 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies and the national financial and credit markets. A downturn in the economic conditions of Austin and the nation could adversely affect development and home-building plans in the District and restrain the growth or reduce the value of the District's property tax base.

Competition

The demand for and construction of single-family homes in the District, which is 20 miles from downtown Austin, could be affected by competition from other residential developments located in the Travis County area. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in the area of the District and in more established neighborhoods. Such homes could represent additional competition for new homes proposed to be sold within the District.

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

Undeveloped Acreage and Vacant Lots

As of February 29, 2020, there are approximately 163 developable acres of land within the District that have not been provided with water, wastewater, and storm drainage facilities necessary to the construction of new development. In addition, 346 vacant developed lots were available for new home construction. The District makes no representation as to when or if development of undeveloped acreage will occur or when vacant lots will be sold. See “THE DISTRICT—Land Use.”

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$216,182,435 principal amount of unlimited tax bonds for the purpose of purchasing and constructing a water, wastewater and storm drainage facilities and refunding such bonds, \$36,925,000 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities and refunding such bonds and \$31,810,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements and refunding such bonds has been authorized by voters in the District. After the issuance of the Bonds, the District will have \$175,487,435 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities and refunding such bonds authorized but unissued, \$24,925,000 principal amount of unlimited tax bonds for roads and related improvements and refunding such bonds, and all the unlimited tax bonds authorized for parks and recreational facilities and refunding authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The District has submitted a bond application to the TCEQ requesting approval to issue unlimited tax bonds in the principal amount of approximately \$11,000,000 for water, wastewater and drainage facilities. The District expects approval of such application and sale of such bonds in the fourth quarter of 2020.

To date, the Developer and a former developer have advanced certain funds for construction of water, wastewater and storm drainage facilities, parks and roads for which it has not been reimbursed. The District continues to owe the Developer and a former developer approximately \$14,300,000 for such facilities. The District intends to issue additional bonds in order to fully reimburse the Developer and a former developer and to develop the remainder of undeveloped but developable land (approximately 163 acres) currently in the District. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue; however, the principal amount of bonds issued to finance parks may not exceed 1% of the District's certified value. The issuance of additional bonds for water, wastewater, and drainage facilities and parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds; however, the issuance of bonds for roads is not. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS—Issuance of Additional Debt.”

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners' Remedies 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. 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. 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 (1) is 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 TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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.

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

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

Marketability of the Bonds

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

Continuing Compliance with Certain Covenants

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

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.

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has entered into an agreement with Assured Guaranty Municipal Corp. ("AGM") for the purchase of a municipal bond insurance policy (the "Policy"). At the time of entering into the agreement, the Insurer was rated "AA" (stable outlook) by S&P and "A2" (stable outlook) by Moody's. See "MUNICIPAL BOND INSURANCE."

The long-term ratings on the Bonds are dependent in part on the financial strength of the insurance provider (the "Insurer") providing the Policy and its claim paying ability. The 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 Insurer and of the ratings on the Bonds insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE."

The obligations of the Insurer are contractual obligations and in an event of default by the 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 Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

MUNICIPAL BOND RATING

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") and Moody's Investors Service (Moody's) will assign municipal bond ratings of "AA" (stable outlook) and "A2" (stable outlook, respectively, to this issue of Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. Moody's has also assigned an underlying rating of "Baa1" to the Bonds. An explanation of the ratings may be obtained from S&P and Moody's.

There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by S&P or Moody's, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this OFFICIAL STATEMENT.

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 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 August 13, 2019, Moody’s announced it had affirmed AGM’s insurance financial strength rating of “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At March 31, 2020:

- The policyholders’ surplus of AGM was approximately \$2,573 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. (“MAC”) (as described below) were approximately \$997 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 \$1,997 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 document filed by AGL with the Securities and Exchange Commission (the “SEC”) that relate to AGM are incorporated by reference into this OFFICIAL STATEMENT and shall be deemed to be a part hereof:

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

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 “MUNICIPAL 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 “MUNICIPAL BOND INSURANCE.”

LEGAL MATTERS

Legal Proceedings

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

Bond Counsel has reviewed the information appearing in this OFFICIAL STATEMENT under “PLAN OF FINANCING—Escrow Agreement” and “—Defeasance of Refunded Bonds,” “THE BONDS,” “THE DISTRICT—General,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, 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.

Allen Boone Humphries Robinson LLP also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No 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 condition (financial or otherwise) of the District from that set forth or contemplated in the PRELIMINARY OFFICIAL STATEMENT.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant 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 are not subject to the alternative minimum tax on individuals.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the 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. Bond Counsel will further rely on the report of Public Finance Partners LLC regarding the mathematical accuracy of certain computations. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements of the Refunded Bonds; (b) the mathematical computations of yield used by Bond Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

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

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

Financial Advisor

Masterson Advisors LLC 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. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the 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.

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering and to the description of the District's water, wastewater and storm drainage system and, in particular that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM" has been provided by Malone/Wheeler Inc. and has been included herein in reliance upon the authority of said firm as the District's Engineer.

Auditor: The District's financial statements for the period from inception to September 30, 2019, were audited by McGrath & Co., PLLC. See "APPENDIX A" for a copy of the District's September 30, 2019, 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 the Underwriter 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 the light of the circumstances under which they are made, not misleading. With respect to information included in this OFFICIAL STATEMENT other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered 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"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its Electronic Municipal Market Access System ("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 "THE SYSTEM," "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and "APPENDIX A" (Financial Statement of the District and Certain 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. Any financial statements provided by the District shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited statements for the applicable year to the MSRB within such six month period, and audited financial statements when the audit becomes available.

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

Specified 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) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, 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, 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, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through its Electronic Municipal Market Access (“EMMA”) internet portal 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; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

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

On August 15, 2018, Moody’s Investors Service (“Moody’s”) upgraded its rating on the District’s outstanding general obligation unlimited tax bonds from “Baa3” to “Baa2.” The District filed an Event Notice for the upgrade on July 16, 2019, which was more than 10 business days after the occurrence of the event.

MISCELLANEOUS

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

/s/ Sharon Carter

President, Board of Directors

ATTEST:

/s/ Derrick Jones

Secretary, Board of Directors

APPENDIX A

Financial Statement of the District for the fiscal year ended September 30, 2019

**LAZY NINE MUNICIPAL
UTILITY DISTRICT NO. 1B**

TRAVIS COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2019

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McGRATH & CO., PLLC

Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
Lazy Nine Municipal Utility District No. 1B
Travis County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Lazy Nine Municipal Utility District No. 1B, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement.

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

***Board of Directors
Lazy Nine Municipal Utility District No. 1B
Travis County, Texas***

Opinion

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 Lazy Nine Municipal Utility District No. 1B, as of September 30, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Texas Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

McGuire & Co, P.C.

Houston, Texas
January 15, 2020

Management's Discussion and Analysis

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***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

Using this Annual Report

Within this section of the financial report of Lazy Nine Municipal Utility District No. 1B (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position.

Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at September 30, 2019, was negative \$23,259,889. The District's net position is negative because the District incurs debt to construct public roads which it conveys to Travis County. A comparative summary of the District's overall financial position, as of September 30, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	\$ 5,517,001	\$ 4,912,701
Capital assets	37,661,450	32,590,183
Total assets	<u>43,178,451</u>	<u>37,502,884</u>
Current liabilities	2,490,589	2,617,745
Long-term liabilities	63,947,751	55,383,046
Total liabilities	<u>66,438,340</u>	<u>58,000,791</u>
Net position		
Net investment in capital assets	(11,536,648)	(8,669,695)
Restricted	1,023,858	964,635
Unrestricted	(12,747,099)	(12,792,847)
Total net position	<u>\$ (23,259,889)</u>	<u>\$ (20,497,907)</u>

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

The total net position of the District decreased during the current fiscal year by \$2,761,982. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2019</u>	<u>2018</u>
Revenues		
Water and sewer service	\$ 1,308,939	\$ 1,183,124
Property taxes, penalties and interest	3,040,800	2,349,171
Tap connection and inspection	1,133,800	1,060,025
Other	114,242	103,114
Total revenues	<u>5,597,781</u>	<u>4,695,434</u>
Expenses		
District operations	2,013,507	1,643,122
Joint facilities operations	923,126	816,733
Debt issuance costs	576,512	932,344
Debt interest and fees	1,482,878	1,171,423
Developer interest	602,742	752,182
Depreciation and amortization	1,060,770	802,088
Total expenses	<u>6,659,535</u>	<u>6,117,892</u>
Change in net position before other item	(1,061,754)	(1,422,458)
Other item		
Transfers to other governments	<u>(1,700,228)</u>	<u>(3,198,129)</u>
Change in net position	(2,761,982)	(4,620,587)
Net position, beginning of year	<u>(20,497,907)</u>	<u>(15,877,320)</u>
Net position, end of year	<u>\$ (23,259,889)</u>	<u>\$ (20,497,907)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of September 30, 2019, were \$4,509,832, which consists of \$2,674,749 in the General Fund, \$1,143,359 in the Debt Service Fund, and \$691,724 in the Capital Projects Fund.

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

General Fund

A comparative summary of the General Fund's financial position as of September 30, 2019 and 2018, is as follows:

	<u>2019</u>	<u>2018</u>
Total assets	<u>\$ 3,658,960</u>	<u>\$ 3,435,321</u>
Total liabilities	\$ 980,964	\$ 1,043,744
Total deferred inflows	3,247	1,111
Total fund balance	<u>2,674,749</u>	<u>2,390,466</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 3,658,960</u>	<u>\$ 3,435,321</u>

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	<u>2019</u>	<u>2018</u>
Total revenues	\$ 3,235,645	\$ 2,882,887
Total expenditures	<u>(2,951,362)</u>	<u>(3,052,711)</u>
Revenues over/(under) expenditures	284,283	(169,824)
Other changes in fund balance		619,927
Net change in fund balance	<u>\$ 284,283</u>	<u>\$ 450,103</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, the provision of water and sewer services to customers within the District, and tap connection fees charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water, sewer and surface water revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District's control.
- Tap connection fees fluctuate with homebuilding activity within the District.

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of September 30, 2019 and 2018, is as follows:

	2019	2018
Total assets	<u>\$ 1,166,317</u>	<u>\$ 1,067,442</u>
Total liabilities	\$ 9,246	\$ 11,514
Total deferred inflows	13,712	3,563
Total fund balance	<u>1,143,359</u>	<u>1,052,365</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 1,166,317</u>	<u>\$ 1,067,442</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	\$ 2,344,808	\$ 1,803,159
Total expenditures	<u>(2,509,864)</u>	<u>(1,934,866)</u>
Revenues under expenditures	(165,056)	(131,707)
Other changes in fund balance	256,050	53,225
Net change in fund balance	<u>\$ 90,994</u>	<u>\$ (78,482)</u>

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues and capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of September 30, 2019 and 2018, is as follows:

	2019	2018
Total assets	<u>\$ 691,724</u>	<u>\$ 409,938</u>
Total liabilities	\$ -	\$ 138,543
Total fund balance	<u>691,724</u>	<u>271,395</u>
Total liabilities and fund balance	<u>\$ 691,724</u>	<u>\$ 409,938</u>

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	\$ 5,042	\$ 4,827
Total expenditures	(8,328,663)	(9,546,850)
Revenues under expenditures	(8,323,621)	(9,542,023)
Other changes in fund balance	8,743,950	9,696,775
Net change in fund balance	<u>\$ 420,329</u>	<u>\$ 154,752</u>

The District has had considerable capital asset activity in the last two years, which was financed with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds and Series 2018 Bond Anticipation Note in the current year and proceeds from the issuance of its Series 2017A and 2018 Unlimited Tax Bonds and Series 2017 Bond Anticipation Note in the prior year.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$167,181 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

Capital assets held by the District at September 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 1,945,862</u>	<u>\$ 1,945,862</u>
Capital assets being depreciated/amortized		
Infrastructure	18,161,478	17,880,648
Investment in regional facilities	15,429,892	15,306,833
Impact fees	5,958,868	230,720
Right-to-use lease - wastewater treatment plant	705,864	705,864
	<u>40,256,102</u>	<u>34,124,065</u>
Less accumulated depreciation/amortization		
Infrastructure	(1,994,164)	(1,590,576)
Investment in regional facilities	(2,132,856)	(1,789,970)
Impact fees	(213,499)	(40,376)
Right-to-use lease - wastewater treatment plant	(199,995)	(58,822)
	<u>(4,540,514)</u>	<u>(3,479,744)</u>
Depreciable capital assets, net	<u>35,715,588</u>	<u>30,644,321</u>
Capital assets, net	<u><u>\$ 37,661,450</u></u>	<u><u>\$ 32,590,183</u></u>

Lease Obligations

On June 21, 2017, the District entered into a 60-month capital lease for a temporary wastewater treatment plant. The District paid \$152,625 pursuant to this lease during the year. The balance due under the lease as of September 30, 2019, was \$470,044. Additional information is presented in Note 9.

Long-Term Debt and Related Liabilities

As of September 30, 2019, the District owes \$20,537,876 to the developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's financial statements upon completion of construction. As discussed in Note 7, the District has an additional commitment in the amount of \$18,422,499 for projects under construction by the developers. As noted, the District will owe its developers for these projects upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is trued up when the developers are reimbursed.

**Lazy Nine Municipal Utility District No. 1B
 Management’s Discussion and Analysis
 September 30, 2019**

At September 30, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2013	\$ 4,800,000	\$ 4,925,000
2014	4,630,000	4,730,000
2015	4,235,000	4,335,000
2016	6,470,000	6,735,000
2016A Road	3,880,000	4,040,000
2017 Road	2,580,000	2,685,000
2017A	3,240,000	3,370,000
2018	6,010,000	6,250,000
2019	9,000,000	
	\$ 44,845,000	\$ 37,070,000

During the year, the District issued \$9,000,000 in unlimited tax bonds. At September 30, 2019, the District had \$175,537,435 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; and refunding of such bonds; \$36,925,000 for parks and recreational facilities and the refunding of such bonds and \$24,925,000 for road improvements and the refunding of such bonds.

During the current fiscal year, the District issued a \$5,480,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District repaid the BAN with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds. See Note 6 for additional information.

Next Year’s Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and water/sewer services and the projected cost of operating the District and providing services to customers. A comparison of next year’s budget to current year actual amounts for the General Fund is as follows:

	2019 Actual	2020 Budget
Total revenues	\$ 3,235,645	\$ 3,289,808
Total expenditures	(2,951,362)	(3,287,713)
Revenues over (under) expenditures	284,283	2,095
Beginning fund balance	2,390,466	2,674,749
Ending fund balance	\$ 2,674,749	\$ 2,676,844

Property Taxes

The District’s property tax base increased approximately \$77,596,000 for the 2019 tax year from \$297,843,248 to \$375,439,606. This increase was primarily due to new construction in the District. For the 2019 tax year, the District has levied a maintenance tax rate of \$0.25 per \$100 of assessed

***Lazy Nine Municipal Utility District No. 1B
Management's Discussion and Analysis
September 30, 2019***

value, a water, sewer, and drainage debt service tax rate of \$0.625 per \$100 of assessed value, and a road debt service tax rate of \$0.135 per \$100 of assessed value, for a total combined tax rate of \$1.01 per \$100. Tax rates for the 2018 tax year were \$0.24 per \$100 for maintenance and operations, \$0.605 per \$100 for water, sewer, and drainage debt service, and \$0.165 per \$100 for road debt service, for a combined total of \$1.01 per \$100 of assessed value.

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Basic Financial Statements

Lazy Nine Municipal Utility District No. 1B
Statement of Net Position and Governmental Funds Balance Sheet
September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Net Position
Assets						
Cash	\$ 526,290	\$ -	\$ -	\$ 526,290	\$ -	\$ 526,290
Investments	2,337,107	1,165,269	727,340	4,229,716		4,229,716
Taxes receivable	3,247	13,712		16,959		16,959
Customer service receivables	399,809			399,809		399,809
Internal balances	48,280	(12,664)	(35,616)			
Due from developer	228,420			228,420		228,420
Other receivables	103,088			103,088		103,088
Prepaid items	12,719			12,719		12,719
Capital assets not being depreciated					1,945,862	1,945,862
Capital assets, net					35,715,588	35,715,588
Total Assets	\$3,658,960	\$1,166,317	\$ 691,724	\$ 5,517,001	37,661,450	43,178,451
Liabilities						
Accounts payable	\$ 193,873	\$ -	\$ -	\$ 193,873		193,873
Accrued expenses	45,888			45,888		45,888
Other payables	12,921			12,921		12,921
Customer deposits	238,460			238,460		238,460
Unearned revenue	171,350			171,350		171,350
Due to other governments	180,052			180,052		180,052
Accrued water impact fees	138,420			138,420		138,420
Accrued interest payable		9,246		9,246	133,213	142,459
Due to developers					20,537,876	20,537,876
Lease obligations						
Due within one year					117,166	117,166
Due after one year					352,878	352,878
Long-term debt						
Due within one year					1,250,000	1,250,000
Due after one year					43,056,997	43,056,997
Total Liabilities	980,964	9,246		990,210	65,448,130	66,438,340
Deferred Inflows of Resources						
Deferred property taxes	3,247	13,712		16,959	(16,959)	
Fund Balances/Net Position						
Fund Balances						
Nonspendable	12,719			12,719	(12,719)	
Restricted		1,143,359	691,724	1,835,083	(1,835,083)	
Unassigned	2,662,030			2,662,030	(2,662,030)	
Total Fund Balances	2,674,749	1,143,359	691,724	4,509,832	(4,509,832)	
Total Liabilities, Deferred Inflows of Resources and Fund Balances						
	\$3,658,960	\$1,166,317	\$ 691,724	\$ 5,517,001		
Net Position						
Net investment in capital assets					(11,536,648)	(11,536,648)
Restricted for debt service					1,023,858	1,023,858
Unrestricted					(12,747,099)	(12,747,099)
Total Net Position					\$(23,259,889)	\$(23,259,889)

See notes to basic financial statements.

Lazy Nine Municipal Utility District No. 1B

Statement of Activities and Governmental Funds Revenues, Expenditures and Changes in Fund Balances

For the Year Ended September 30, 2019

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments	Statement of Activities
Revenues						
Water service	\$1,085,044	\$ -	\$ -	\$1,085,044	\$ -	\$ 1,085,044
Sewer service	223,895			223,895		223,895
Property taxes	712,709	2,286,606		2,999,315	8,992	3,008,307
Penalties and interest	27,602	1,597		29,199	3,294	32,493
Tap connection and inspection	1,133,800			1,133,800		1,133,800
Investment earnings	52,595	56,605	5,042	114,242		114,242
Total Revenues	3,235,645	2,344,808	5,042	5,585,495	12,286	5,597,781
Expenditures/Expenses						
Current service operations						
District facilities						
Professional fees	279,004		124,162	403,166		403,166
Contracted services	1,041,905	11,234		1,053,139		1,053,139
Repairs and maintenance	503,967			503,967		503,967
Administrative	21,748			21,748		21,748
Other	28,987	2,500		31,487		31,487
Joint facilities						
Purchased services	443,420			443,420		443,420
Professional fees	64,290			64,290		64,290
Contracted services	121,651			121,651		121,651
Repairs and maintenance	190,397			190,397		190,397
Utilities	59,619			59,619		59,619
Water reservation fees	29,991			29,991		29,991
Administrative	12,813			12,813		12,813
Other	945			945		945
Capital outlay			6,924,229	6,924,229	(6,924,229)	
Debt service						
Principal		1,225,000		1,225,000	(1,225,000)	
Interest and fiscal fees		1,271,130	101,018	1,372,148	65,756	1,437,904
Developer interest			602,742	602,742		602,742
Debt issuance costs			576,512	576,512		576,512
Lease - principal	107,651			107,651	(107,651)	
Lease - interest	44,974			44,974		44,974
Depreciation/amortization					1,060,770	1,060,770
Total Expenditures/Expenses	2,951,362	2,509,864	8,328,663	13,789,889	(7,130,354)	6,659,535
Revenues Over (Under)						
Expenditures/Expenses	284,283	(165,056)	(8,323,621)	(8,204,394)	7,142,640	(1,061,754)
Other Financing Sources/(Uses)						
Proceeds from sale of bonds		256,050	8,743,950	9,000,000	(9,000,000)	
Bond anticipation note proceeds			5,480,000	5,480,000	(5,480,000)	
Repayment of bond anticipation note			(5,480,000)	(5,480,000)	5,480,000	
Transfers to other governments					(1,700,228)	(1,700,228)
Net Change in Fund Balances	284,283	90,994	420,329	795,606	(795,606)	
Change in Net Position					(2,761,982)	(2,761,982)
Fund Balance/Net Position						
Beginning of the year	2,390,466	1,052,365	271,395	3,714,226	(24,212,133)	(20,497,907)
End of the year	\$2,674,749	\$ 1,143,359	\$ 691,724	\$4,509,832	\$ (27,769,721)	\$ (23,259,889)

See notes to basic financial statements.

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Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies

The accounting policies of Lazy Nine Municipal Utility District No. 1B (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

Lazy Nine Municipal Utility District was created by a special act of the 78th Legislature of the State of Texas, Regular Session, H.B. No. 3565 (2003) on September 1, 2003, in accordance with Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. On November 6, 2007, voters of Lazy Nine Municipal Utility District approved a proposition dividing the existing Lazy Nine Municipal Utility District into five districts: the District, Lazy Nine Municipal Utility District No. 1A (“MUD 1A”), Lazy Nine Municipal Utility District No. 1C (“MUD 1C”), Lazy Nine Municipal Utility District No. 1D (“MUD 1D”) and Lazy Nine Municipal Utility District No. 1E (“MUD 1E”). The land within MUD 1E was sold and is no longer part of the development. In 2012, a new development plan was implemented and the boundaries of the remaining districts were altered so that the District and MUD 1A are two roughly equivalent adjacent districts; and MUD 1C and MUD 1D are small dormant districts with no active development.

The District’s primary activities include construction, maintenance and operation of water, sewer and drainage facilities. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately elected governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the elected officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s water and sewer system and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes, tap connection fees, and water and sewer service fees. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer and drainage facilities and road improvements.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full 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 revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2019, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

Utility revenue is recorded when earned. Customers are billed monthly. The estimated value of services provided but unbilled at year-end has been included in the accompanying financial statements.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Capital assets are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

<u>Assets</u>	<u>Useful Life</u>
Infrastructure	30-45 years
Interest in joint facilities	45 years
Impact fees	40 years
Right-to-use lease	5 years

The District's detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and capitalized interest from the sale of bonds and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. 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. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the value of unbilled utility revenues and receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to Travis County and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balance, governmental funds		\$ 4,509,832
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$ 42,201,964	
Less accumulated depreciation/ amortization	<u>(4,540,514)</u>	
Change due to capital assets		37,661,450
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bonds payable, net	(44,306,997)	
Interest payable on bonds	<u>(133,213)</u>	
Change due to long-term debt		(44,440,210)
Amounts due to the District's developer for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(20,537,876)
Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
		(470,044)
Property taxes and related penalties and interest receivable have been levied and are due, but are not available soon enough to pay current period expenditures and, therefore, are deferred in the funds.		
		16,959
Total net position - governmental activities		<u>\$ (23,259,889)</u>

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Change in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds \$ 795,606

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes and related penalties and interest. 12,286

Governmental funds report the principal portion of lease payments as expenditures in the funds; however, in the *Statement of Net Position*, these payments are recorded as a reduction to the long-term lease liability. 107,651

Governmental funds report capital outlays for developer reimbursements and construction costs as expenditures in the funds; however, in the *Statement of Activities*, the cost of capital assets is charged to expense over the estimated useful life of the asset.

Capital outlays	\$ 6,924,229	
Depreciation/amortization expense	<u>(1,060,770)</u>	5,863,459

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.

Issuance of long term debt	(9,000,000)	
Issuance of bond anticipation note	(5,480,000)	
Repayment of bond anticipation note	5,480,000	
Principal payments	1,225,000	
Interest expense accrual	<u>(65,756)</u>	(7,840,756)

Change in net position of governmental activities \$ (2,761,982)

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District’s deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District’s written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers’ acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District’s investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of September 30, 2019, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 2,337,107	AAAm	34 days
	Debt Service	1,165,269		
	Capital Projects	727,340		
		<u>\$ 4,229,716</u>		

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 3 – Deposits and Investments (continued)

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District’s position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District’s investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at September 30, 2019, consist of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Debt Service Fund	\$ 8,999	Maintenance tax collections not remitted as of year end
General Fund	Capital Projects Fund	35,616	Bond application fees paid by the General Fund
General Fund	Debt Service Fund - Roads	3,665	Tax appraisal/paying agent fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 5 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,945,862	\$ -	\$ 1,945,862
Capital assets being depreciated/amortized			
Infrastructure	17,880,648	280,830	18,161,478
Interest in joint facilities	15,306,833	123,059	15,429,892
Impact fees	230,720	5,728,148	5,958,868
Right-to-use lease - wastewater treatment plant	705,864		705,864
	<u>34,124,065</u>	<u>6,132,037</u>	<u>40,256,102</u>
Less accumulated depreciation/amortization			
Infrastructure	(1,590,576)	(403,588)	(1,994,164)
Interest in joint facilities	(1,789,970)	(342,886)	(2,132,856)
Impact fees	(40,376)	(173,123)	(213,499)
Right-to-use lease - wastewater treatment plant	(58,822)	(141,173)	(199,995)
	<u>(3,479,744)</u>	<u>(1,060,770)</u>	<u>(4,540,514)</u>
Subtotal depreciable capital assets, net	<u>30,644,321</u>	<u>5,071,267</u>	<u>35,715,588</u>
Capital assets, net	<u>\$ 32,590,183</u>	<u>\$ 5,071,267</u>	<u>\$ 37,661,450</u>

Depreciation/amortization expense for the current year was \$1,060,770.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developers. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

On December 5, 2018, the District issued a \$5,480,000 BAN with an interest rate of 2.67%, which was due on December 4, 2019. The District paid this BAN on August 14, 2019 with proceeds from the issuance of its Series 2019 Unlimited Tax Bonds. See Note 8 for additional information.

The effect of these transactions on the District’s short term obligations are as follows:

Beginning balance	\$ -
Amounts borrowed	5,480,000
Amounts repaid	<u>(5,480,000)</u>
Ending balance	<u>\$ -</u>

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 7 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer, drainage, roads, park and recreational facilities. Under the agreements, the developers will advance funds for the construction of facilities to serve the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial amounts are estimated based on construction costs plus 10-15% for engineering and other fees. These estimates are trued up when the developers are reimbursed.

Changes in amounts due to developers during the year is as follows:

Due to developers, beginning of year	\$ 19,629,840
Developer reimbursements	(6,924,229)
Developer construction and adjustments	<u>7,832,265</u>
Due to developers, end of year	<u><u>\$ 20,537,876</u></u>

In addition, the District will owe the developers approximately \$18,422,499, which is included in the following schedule of contractual commitments. The exact amount is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	<u>Contract Amount</u>	<u>Amounts Paid</u>	<u>Remaining Commitment</u>
Utilities to serve Sweetwater Commercial	\$ 3,769,662	\$ 3,307,267	\$ 462,395
Utilities to serve Sweetwater Village N	6,100,166	5,328,791	771,375
Utilities to serve Sweetwater Village B	5,872,135	2,684,506	3,187,629
Utilities to serve Sweetwater Village O	1,944,494		1,944,494
Regional Detention Facilities	<u>736,042</u>	<u>570,918</u>	<u>165,124</u>
	<u><u>\$ 18,422,499</u></u>	<u><u>\$ 11,891,482</u></u>	<u><u>\$ 6,531,017</u></u>

Note 8 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	\$ 44,845,000
Unamortized discounts	<u>(538,003)</u>
	<u><u>\$ 44,306,997</u></u>
Due within one year	<u><u>\$ 1,250,000</u></u>

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 8 – Long-Term Debt (continued)

The District’s bonds payable at September 30, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2013	\$ 4,800,000	\$ 5,375,000	3.00% - 5.00%	September 1, 2015 - 2040	March 1, September 1	September 1, 2020
2014	4,630,000	5,000,000	2.00% - 5.00%	September 1, 2016 - 2041	March 1, September 1	September 1, 2021
2015	4,235,000	4,520,000	2.50% - 4.00%	September 1, 2017 - 2042	March 1, September 1	September 1, 2022
2016	6,470,000	7,000,000	2.00% - 3.00%	September 1, 2018 - 2043	March 1, September 1	September 1, 2023
2016A Road	3,880,000	4,200,000	2.00% - 4.00%	September 1, 2018 - 2043	March 1, September 1	September 1, 2023
2017 Road	2,580,000	2,685,000	2.00% - 3.75%	September 1, 2019 - 2043	March 1, September 1	September 1, 2024
2017A	3,240,000	3,500,000	2.00% - 3.50%	September 1, 2018 - 2043	March 1, September 1	September 1, 2024
2018	6,010,000	6,250,000	3.00% - 4.00%	September 1, 2019 - 2044	March 1, September 1	September 1, 2023
2019	9,000,000	9,000,000	2.00% - 3.00%	September 1, 2019 - 2045	March 1, September 1	September 1, 2024
	<u>\$ 44,845,000</u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At September 30, 2019, the District had authorized but unissued bonds in the amount of \$175,537,435 for water, sewer and drainage facilities and the refunding of such bonds; \$36,925,000 for park and recreational facilities and the refunding of such bonds; and \$24,925,000 for road improvements and the refunding of such bonds.

On August 14, 2019, the District issued its \$9,000,000 Series 2019 Unlimited Tax Bonds at a net effective interest rate of 2.939516%. Proceeds of the bonds were used to (1) reimburse developers for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds; (2) to repay a \$5,480,000 BAN issued in the current fiscal year; and (3) to pay capitalized interest into the Debt Service Fund.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 8 – Long-Term Debt (continued)

The change in the District’s long term debt during the year is as follows:

Bonds payable, beginning of year	\$ 37,070,000
Bonds issued	9,000,000
Bonds retired	<u>(1,225,000)</u>
Bonds payable, end of year	<u>\$ 44,845,000</u>

As of September 30, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	\$ 1,250,000	\$ 1,521,932	\$ 2,771,932
2021	1,630,000	1,467,269	3,097,269
2022	1,650,000	1,419,044	3,069,044
2023	1,665,000	1,369,544	3,034,544
2024	1,690,000	1,319,944	3,009,944
2025	1,715,000	1,271,784	2,986,784
2026	1,735,000	1,223,697	2,958,697
2027	1,760,000	1,173,523	2,933,523
2028	1,790,000	1,121,563	2,911,563
2029	1,815,000	1,066,957	2,881,957
2030	1,845,000	1,007,099	2,852,099
2031	1,875,000	945,213	2,820,213
2032	1,910,000	880,869	2,790,869
2033	1,950,000	814,675	2,764,675
2034	1,975,000	746,427	2,721,427
2035	2,015,000	676,639	2,691,639
2036	2,060,000	603,644	2,663,644
2037	2,095,000	528,562	2,623,562
2038	2,145,000	450,776	2,595,776
2039	2,195,000	370,382	2,565,382
2040	2,240,000	286,875	2,526,875
2041	1,955,000	201,025	2,156,025
2041	1,605,000	130,363	1,735,363
2042	1,310,000	74,613	1,384,613
2043	610,000	30,663	640,663
2044	360,000	10,800	370,800
	<u>\$ 44,845,000</u>	<u>\$ 20,713,882</u>	<u>\$ 65,558,882</u>

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 9 – Property Taxes

On May 12, 2012, the voters of the District authorized the Board to levy an unlimited tax for all facilities authorized under Article XVI, Section 59 of the Texas Constitution and an operations tax limited to \$1.20 per \$100 of assessed value. On November 6, 2012, the voters of the District authorized the Board to levy an unlimited tax for road facilities and a tax for use in operating and maintaining roads limited to \$0.25 per \$100 of assessed value. The District’s bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Travis Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of \$1.01 per \$100 of assessed value, of which \$0.24 was allocated to maintenance and operations, \$0.605 was allocated to water, sewer, and drainage debt service, and \$0.165 was allocated to road debt service. The resulting tax levy was \$3,008,217 on the adjusted taxable value of \$297,843,248.

Net property taxes receivable, at September 30, 2019, consisted of the following:

Current year taxes receivable	\$ 8,991
Prior years taxes receivable	4,674
	<u>13,665</u>
Penalty and interest receivable	3,294
Net property taxes receivable	<u><u>\$ 16,959</u></u>

Note 10 – Lease Agreement

On June 21, 2017, MUD 1A entered into a lease agreement for a temporary wastewater treatment plant. This lease is for a 60 month term, unless otherwise terminated. MUD 1A has the option to extend the lease on a month to month basis following expiration of the term. MUD 1A is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District’s rights and responsibilities related to this lease agreement are shared with MUD 1A per the Joint Facilities Agreement described in Note 13. Monthly payments for the lease are \$18,500, which is allocated to the District and MUD 1A pursuant to the Joint Facilities Agreement. The District’s pro rata share of the monthly payment is \$12,719.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 10 – Lease Agreement (continued)

As required by GASB 87, the District recognized an intangible asset for the right-to-use the underlying leased asset in the amount of \$705,864, which is based on the measurement of the associated lease liability of \$619,927 plus direct costs of \$85,937 paid prior to the commencement of the lease. The initial lease liability is measured at the present value of future lease payments using the implicit rate of 8.5%. This long-term liability is reduced as the lease is paid. During the current fiscal year, the District paid \$152,625 for its pro rata share of lease payments, which included \$44,974 of interest at the implicit rate stated in the agreement.

The District's pro rata share of future minimum leases payments as of September 30, 2019 for this lease is as follows:

Year	Principal	Interest	Amount
2020	\$ 117,166	\$ 35,459	\$ 152,625
2021	127,522	25,103	152,625
2022	138,794	13,831	152,625
2023	86,562	2,470	89,032
	<u>\$ 470,044</u>	<u>\$ 76,863</u>	<u>\$ 546,907</u>
Due within one year	<u>\$ 117,166</u>	<u>\$ 35,459</u>	<u>\$ 152,625</u>

Standard lease terms require payment of the first and last month's lease payment upon execution of the lease. The District's share of the last month's lease payment is recorded as a prepaid item on the *Statement of Net Position*.

Note 11 – Water Utility Facilities Acquisition, Construction and Service Agreement

On October 13, 2005, Lazy Nine Municipal Utility District, the Lower Colorado River Authority (LCRA), and a developer, entered into a Water Utility Facilities Acquisition, Construction and Service Agreement. This agreement was assigned to the West Travis County Public Utility Agency (PUA) effective March 19, 2012, as accepted by the MUD 1A on December 30, 2013. The District's rights and responsibilities of this Agreement are shared with MUD 1A per the Joint Facilities Agreement described in Note 13. Under the terms of the agreement, the PUA will provide wholesale water service to serve 2,400 Living Unit Equivalents in the District and in MUD 1A and MUD 1A agrees to share in the cost of storage facilities. The parties entered into a Second Amendment to the Agreement on September 18, 2014, whereby the parties agreed that the PUA will reimburse MUD 1A an amount of \$3,713,295 for the Delivery Facilities in incremental amounts as connections are made to the water system.

Lazy Nine Municipal Utility District No. 1B
Notes to Basic Financial Statements
September 30, 2019

Note 12 – Raw Water Supply Agreement with Lower Colorado River Authority

Effective February 16, 2009, as amended on March 4, 2019, MUD 1A entered into a Firm Water Contract with the LCRA for raw water supply from any source available to the LCRA. The term of the agreement is for 40 years. MUD 1A's rights and responsibilities pursuant to this Firm Water Contract are shared with the District per the Joint Facilities Agreement described in Note 13.

The District and MUD 1A are entitled to a maximum annual quantity of 973.81 acre feet of raw water and is required to pay for this water, regardless of whether the District uses any of the water. For the year ended September 30, 2019, the District paid \$29,991 in water reservation fees in accordance with this agreement.

Note 13 – Joint Facilities Agreement

On June 20, 2012, the District and MUD 1A entered into a Joint Facilities Agreement, subsequently amended, whereby each District agrees to share the costs for the financing and operation of joint water supply facilities, a joint wastewater treatment plant facility, and certain other water distribution and sanitary sewer collection facilities that serve the areas within both districts. MUD 1A will hold title to the wastewater treatment plant, joint trunk facilities and lift station with each district owning equitable interest based on the pro-rata share of connections. MUD 1A will be responsible for the maintenance and operation of the wastewater treatment plant, joint trunk facilities and lift station. MUD 1A will continue to construct, own and operate all future regional facilities.

Each district will finance, own and operate their respective internal water, sanitary sewer and storm sewer systems. The District and MUD 1A will own an equitable interest in water purchased from the PUA and will share in the costs associated with future expansion and capital water supply costs.

The Joint Facilities Agreement was amended on January 21, 2015 and April 15, 2015. As a result of the amendments, the District's pro-rata share increased from 49% to 68.75% (based on 1,650 projected ultimate connections in the District and 750 projected ultimate connections for MUD 1A).

Note 14 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 15 – Subsequent Event

On November 27, 2019, the District issued its \$7,736,000 Series 2019 Bond Anticipation Note ("BAN") at a net effective rate of 1.80%, which is due on November 25, 2020. The District intends to pay this BAN with proceeds from the issuance of its future bonds.

Required Supplementary Information

***Lazy Nine Municipal Utility District No. 1B
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended September 30, 2019***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Water service	\$ 945,540	\$ 1,085,044	\$ 139,504
Sewer service	230,958	223,895	(7,063)
Property taxes	700,135	712,709	12,574
Penalties and interest	23,530	27,602	4,072
Tap connection and inspection	970,800	1,133,800	163,000
Investment earnings		52,595	52,595
Total Revenues	2,870,963	3,235,645	364,682
Expenditures			
Current service operations			
District facilities			
Professional fees	202,000	279,004	(77,004)
Contracted services	946,350	1,041,905	(95,555)
Repairs and maintenance	605,218	503,967	101,251
Administrative	12,129	21,748	(9,619)
Other	27,000	28,987	(1,987)
Joint facilities			
Purchased services	405,673	443,420	(37,747)
Professional fees	41,524	64,290	(22,766)
Contracted services	96,692	121,651	(24,959)
Repairs and maintenance	160,589	190,397	(29,808)
Utilities	52,498	59,619	(7,121)
Water reservation fees	27,500	29,991	(2,491)
Administrative	8,594	12,813	(4,219)
Other	1,719	945	774
Debt service			
Lease - principal	166,375	107,651	58,724
Lease - interest		44,974	(44,974)
Total Expenditures	2,753,861	2,951,362	(197,501)
Revenues Over Expenditures	117,102	284,283	167,181
Fund Balance			
Beginning of the year	2,390,466	2,390,466	
End of the year	\$ 2,507,568	\$ 2,674,749	\$ 167,181

Lazy Nine Municipal Utility District No. 1B
Notes to Required Supplementary Information
September 30, 2019

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

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Texas Supplementary Information

Lazy Nine Municipal Utility District No. 1B
TSI-1. Services and Rates
September 30, 2019

1. Services provided by the District During the Fiscal Year:

- Retail Water Wholesale Water Solid Waste/Garbage Drainage
 Retail Wastewater Wholesale Wastewater Flood Control Irrigation
 Parks/Recreation Fire Protection Roads Security
 Participates in joint venture, regional system and/or wastewater service (other than emergency intercon)
 Other (Specify): _____

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

a. Retail Rates for a 5/8" meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 53.00	-0-	N	\$ 4.56	-0- to 10,000
				\$ 6.84	10,001 to 20,000
				\$ 10.94	20,001 to 30,000
				\$ 14.58	30,001 to 40,000
				\$ 18.23	40,001 to no limit
Wastewater:	\$ 4.56	-0-	N	\$ 4.56	-0- to no limit

District employs winter averaging for wastewater usage Yes No

Total charges per 10,000 gallons usage: Water \$ 98.60 Wastewater \$ 45.60

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	892	892	x 1.0	892
1"	1	1	x 2.5	3
1.5"			x 5.0	
2"	1	1	x 8.0	8
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water	894	894		903
Total Wastewater	893	893	x 1.0	893

See accompanying auditor's report.

Lazy Nine Municipal Utility District No. 1B
TSI-1. Services and Rates
September 30, 2019

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
 (You may omit this information if your district does not provide water)

Gallons purchased:	<u>105,672,000</u>	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons billed to customers:	<u>103,326,000</u>	<u>97.78%</u>

4. Standby Fees (authorized only under TWC Section 49.231):
 (You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent commission Order: _____

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

If yes, Date of the most recent commission Order: _____

5. Location of District (required for first audit year or when information changes,
 otherwise this information may be omitted):

Is the District located entirely within one county? Yes No

County(ies) in which the District is located: Travis County

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

City(ies) in which the District is located: _____

Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all

ETJs in which the District is located: _____

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

See accompanying auditors' report.

*Lazy Nine Municipal Utility District No. 1B
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2019*

1 of 2

Current service operations - district facilities

Professional fees	
Legal	\$ 144,884
Audit	9,000
Engineering	125,120
	<u>279,004</u>
Contracted services	
Bookkeeping	21,000
Operator	75,778
Security	95,762
Tap connection and inspection	636,659
Garbage	209,205
Appraisal district	3,501
	<u>1,041,905</u>
Repairs and maintenance	<u>503,967</u>
Administrative	
Directors fees	6,759
Insurance	7,858
Other	7,131
	<u>21,748</u>
Other	<u>28,987</u>

Current service operations - joint facilities

Purchased services	<u>443,420</u>
Professional fees	
Engineering	<u>64,290</u>
Contracted services	
Operating Fees	74,424
Sludge hauling	47,227
	<u>121,651</u>
Repairs and maintenance	<u>190,397</u>
Utilities	<u>59,619</u>
Water reservation fee	<u>29,991</u>
Administrative	<u>12,813</u>

(continued on next page)

See accompanying auditors' report.

*Lazy Nine Municipal Utility District No. 1B
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2019*

2 of 2

Other	\$ 945
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Debt service

Leases - principal	107,651
Leases - interest	44,974
	<u>152,625</u>

Total Expenditures	<u>\$ 2,951,362</u>
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Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical (kwh)	661,435 kwh's	\$ 54,178
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-3. Investments
September 30, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 2,337,107
Debt Service			
TexPool	Variable	N/A	9,371
TexPool	Variable	N/A	724,606
TexPool	Variable	N/A	11,791
TexPool	Variable	N/A	266,050
TexPool	Variable	N/A	153,451
			<u>1,165,269</u>
Capital Projects			
TexPool	Variable	N/A	953
TexPool	Variable	N/A	4,592
TexPool	Variable	N/A	5,870
TexPool	Variable	N/A	3,310
TexPool	Variable	N/A	2,091
TexPool	Variable	N/A	710,524
			<u>727,340</u>
Total - All Funds			<u>\$ 4,229,716</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-4. Taxes Levied and Receivable
September 30, 2019

	Maintenance Taxes	Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	\$ 1,111	\$ 2,684	\$ 879	\$ 4,674
Adjustments	22	68		90
Adjusted Receivable	1,133	2,752	879	4,764
2018 Original Tax Levy	709,925	1,789,603	488,074	2,987,602
Adjustments	4,897	12,348	3,370	20,615
Adjusted Tax Levy	714,822	1,801,951	491,444	3,008,217
Total to be accounted for	715,955	1,804,703	492,323	3,012,981
Tax collections:				
Current year	712,686	1,796,565	489,975	2,999,226
Prior years	22	68		90
Total Collections	712,708	1,796,633	489,975	2,999,316
Taxes Receivable, End of Year	\$ 3,247	\$ 8,070	\$ 2,348	\$ 13,665
Taxes Receivable, By Years				
2018	\$ 2,136	\$ 5,386	\$ 1,469	\$ 8,991
2017	1,111	2,684	879	4,674
Taxes Receivable, End of Year	\$ 3,247	\$ 8,070	\$ 2,348	\$ 13,665
	2018	2017	2016	2015
Property Valuations:				
Land	\$ 84,187,148	\$ 68,067,016	\$ 54,430,866	\$ 47,978,861
Improvements	217,484,633	165,301,335	127,707,382	94,671,065
Personal Property	497,904	418,636	437,521	374,308
Exemptions	(4,326,437)	(3,234,833)	(2,983,328)	(2,478,558)
Total Property Valuations	\$ 297,843,248	\$ 230,552,154	\$ 179,592,441	\$ 140,545,676
Tax Rates per \$100 Valuation:				
Maintenance tax rates	0.240	\$ 0.24	\$ 0.25	\$ 0.50
Debt service tax rates	0.605	0.58	0.76	0.51
Road debt service tax rates	0.165	0.19		
Total Tax Rates per \$100 Valuation	\$ 1.010	\$ 1.01	\$ 1.01	\$ 1.01
Adjusted Tax Levy:	\$ 3,008,217	\$ 2,328,577	\$ 1,813,884	\$ 1,419,511
Percentage of Taxes Collected to Taxes Levied **	99.70%	100%	100%	100%

* Maximum Maintenance Tax Rate Approved by Voters: \$1.20 on May 12, 2012

* Maximum Road Maintenance Tax Rate Approved by Voters: \$0.25 on November 6, 2012

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2013--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 135,000	\$ 226,312	\$ 361,312
2021	140,000	221,925	361,925
2022	150,000	217,025	367,025
2023	155,000	211,400	366,400
2024	165,000	205,200	370,200
2025	170,000	198,600	368,600
2026	180,000	191,375	371,375
2027	190,000	183,275	373,275
2028	200,000	174,725	374,725
2029	210,000	165,225	375,225
2030	220,000	155,250	375,250
2031	230,000	144,250	374,250
2032	240,000	132,750	372,750
2033	255,000	120,750	375,750
2034	265,000	108,000	373,000
2035	280,000	94,750	374,750
2036	295,000	80,750	375,750
2037	305,000	66,000	371,000
2038	320,000	50,750	370,750
2039	340,000	34,750	374,750
2040	355,000	17,750	372,750
	<u>\$ 4,800,000</u>	<u>\$ 3,000,812</u>	<u>\$ 7,800,812</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2014--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 105,000	\$ 177,813	\$ 282,813
2021	115,000	175,450	290,450
2022	120,000	172,575	292,575
2023	125,000	169,275	294,275
2024	135,000	165,525	300,525
2025	145,000	161,340	306,340
2026	150,000	156,628	306,628
2027	160,000	151,528	311,528
2028	170,000	145,768	315,768
2029	180,000	139,393	319,393
2030	190,000	132,373	322,373
2031	205,000	124,962	329,962
2032	215,000	116,762	331,762
2033	230,000	108,162	338,162
2034	240,000	98,962	338,962
2035	255,000	89,362	344,362
2036	270,000	78,843	348,843
2037	285,000	67,706	352,706
2038	305,000	55,950	360,950
2039	325,000	43,369	368,369
2040	340,000	29,962	369,962
2041	365,000	15,512	380,512
	<u>\$ 4,630,000</u>	<u>\$ 2,577,220</u>	<u>\$ 7,207,220</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 105,000	\$ 143,631	\$ 248,631
2021	110,000	141,006	251,006
2022	115,000	138,256	253,256
2023	120,000	135,381	255,381
2024	125,000	132,381	257,381
2025	135,000	129,256	264,256
2026	140,000	125,206	265,206
2027	145,000	121,006	266,006
2028	155,000	116,656	271,656
2029	160,000	112,006	272,006
2030	170,000	107,006	277,006
2031	175,000	101,694	276,694
2032	185,000	96,006	281,006
2033	195,000	89,994	284,994
2034	200,000	83,414	283,414
2035	210,000	76,664	286,664
2036	220,000	69,313	289,313
2037	230,000	61,612	291,612
2038	245,000	52,988	297,988
2039	255,000	43,800	298,800
2040	265,000	33,600	298,600
2041	280,000	23,000	303,000
2042	295,000	11,800	306,800
	<u>\$ 4,235,000</u>	<u>\$ 2,145,676</u>	<u>\$ 6,380,676</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2016--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 265,000	\$ 159,981	\$ 424,981
2021	265,000	154,681	419,681
2022	265,000	149,381	414,381
2023	265,000	144,081	409,081
2024	265,000	138,781	403,781
2025	265,000	133,481	398,481
2026	265,000	128,181	393,181
2027	265,000	122,882	387,882
2028	265,000	117,582	382,582
2029	265,000	111,951	376,951
2030	265,000	105,988	370,988
2031	265,000	100,025	365,025
2032	265,000	93,400	358,400
2033	265,000	86,775	351,775
2034	265,000	80,150	345,150
2035	265,000	73,525	338,525
2036	265,000	66,237	331,237
2037	265,000	58,950	323,950
2038	265,000	51,000	316,000
2039	265,000	43,050	308,050
2040	270,000	35,100	305,100
2041	300,000	27,000	327,000
2042	300,000	18,000	318,000
2043	300,000	9,000	309,000
	<u>\$ 6,470,000</u>	<u>\$ 2,209,182</u>	<u>\$ 8,679,182</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2016A Road--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 160,000	\$ 145,600	\$ 305,600
2021	160,000	142,400	302,400
2022	160,000	137,600	297,600
2023	160,000	132,800	292,800
2024	160,000	128,000	288,000
2025	160,000	123,200	283,200
2026	160,000	116,800	276,800
2027	160,000	110,400	270,400
2028	160,000	104,000	264,000
2029	160,000	97,600	257,600
2030	160,000	91,200	251,200
2031	160,000	84,800	244,800
2032	160,000	78,400	238,400
2033	160,000	72,000	232,000
2034	160,000	65,600	225,600
2035	160,000	59,200	219,200
2036	165,000	52,800	217,800
2037	165,000	46,200	211,200
2038	165,000	39,600	204,600
2039	165,000	33,000	198,000
2040	165,000	26,400	191,400
2041	165,000	19,800	184,800
2042	165,000	13,200	178,200
2043	165,000	6,600	171,600
	<u>\$ 3,880,000</u>	<u>\$ 1,927,200</u>	<u>\$ 5,807,200</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2017 Road--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 105,000	\$ 81,394	\$ 186,394
2021	105,000	78,244	183,244
2022	105,000	75,094	180,094
2023	105,000	71,944	176,944
2024	105,000	69,844	174,844
2025	105,000	67,744	172,744
2026	105,000	65,119	170,119
2027	105,000	62,494	167,494
2028	105,000	59,344	164,344
2029	105,000	56,194	161,194
2030	105,000	53,044	158,044
2031	105,000	49,894	154,894
2032	110,000	46,613	156,613
2033	110,000	43,175	153,175
2034	110,000	39,600	149,600
2035	110,000	36,025	146,025
2036	110,000	32,175	142,175
2037	110,000	28,325	138,325
2038	110,000	24,475	134,475
2039	110,000	20,625	130,625
2040	110,000	16,500	126,500
2041	110,000	12,375	122,375
2042	110,000	8,250	118,250
2043	110,000	4,125	114,125
	<u>\$ 2,580,000</u>	<u>\$ 1,102,616</u>	<u>\$ 3,682,616</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2017A--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 135,000	\$ 101,250	\$ 236,250
2021	135,000	98,550	233,550
2022	135,000	94,500	229,500
2023	135,000	90,450	225,450
2024	135,000	86,400	221,400
2025	135,000	82,350	217,350
2026	135,000	78,975	213,975
2027	135,000	74,925	209,925
2028	135,000	70,875	205,875
2029	135,000	66,825	201,825
2030	135,000	62,775	197,775
2031	135,000	58,725	193,725
2032	135,000	54,675	189,675
2033	135,000	50,456	185,456
2034	135,000	46,238	181,238
2035	135,000	41,850	176,850
2036	135,000	37,463	172,463
2037	135,000	32,906	167,906
2038	135,000	28,350	163,350
2039	135,000	23,625	158,625
2040	135,000	18,900	153,900
2041	135,000	14,175	149,175
2042	135,000	9,450	144,450
2043	135,000	4,725	139,725
	<u>\$ 3,240,000</u>	<u>\$ 1,329,413</u>	<u>\$ 4,569,413</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
September 30, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due March 1, September 1	Total
2020	\$ 240,000	\$ 208,563	\$ 448,563
2021	240,000	198,963	438,963
2022	240,000	189,363	429,363
2023	240,000	179,763	419,763
2024	240,000	170,163	410,163
2025	240,000	162,963	402,963
2026	240,000	155,763	395,763
2027	240,000	148,563	388,563
2028	240,000	141,363	381,363
2029	240,000	134,163	374,163
2030	240,000	126,663	366,663
2031	240,000	118,863	358,863
2032	240,000	111,063	351,063
2033	240,000	102,963	342,963
2034	240,000	94,863	334,863
2035	240,000	86,463	326,463
2036	240,000	78,063	318,063
2037	240,000	69,663	309,663
2038	240,000	61,263	301,263
2039	240,000	52,563	292,563
2040	240,000	43,863	283,863
2041	240,000	35,163	275,163
2042	240,000	26,463	266,463
2043	240,000	17,763	257,763
2044	250,000	9,063	259,063
	<u>\$ 6,010,000</u>	<u>\$ 2,724,375</u>	<u>\$ 8,734,375</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
Series 2019--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ -	\$ 277,388	\$ 277,388
2021	360,000	256,050	616,050
2022	360,000	245,250	605,250
2023	360,000	234,450	594,450
2024	360,000	223,650	583,650
2025	360,000	212,850	572,850
2026	360,000	205,650	565,650
2027	360,000	198,450	558,450
2028	360,000	191,250	551,250
2029	360,000	183,600	543,600
2030	360,000	172,800	532,800
2031	360,000	162,000	522,000
2032	360,000	151,200	511,200
2033	360,000	140,400	500,400
2034	360,000	129,600	489,600
2035	360,000	118,800	478,800
2036	360,000	108,000	468,000
2037	360,000	97,200	457,200
2038	360,000	86,400	446,400
2039	360,000	75,600	435,600
2040	360,000	64,800	424,800
2041	360,000	54,000	414,000
2042	360,000	43,200	403,200
2043	360,000	32,400	392,400
2044	360,000	21,600	381,600
2045	360,000	10,800	370,800
	<u>\$ 9,000,000</u>	<u>\$ 3,697,388</u>	<u>\$ 12,697,388</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
September 30, 2019

<u>Due During Fiscal Years Ending</u>	<u>Principal Due September 1</u>	<u>Interest Due March 1, September 1</u>	<u>Total</u>
2020	\$ 1,250,000	\$ 1,521,932	\$ 2,771,932
2021	1,630,000	1,467,269	3,097,269
2022	1,650,000	1,419,044	3,069,044
2023	1,665,000	1,369,544	3,034,544
2024	1,690,000	1,319,944	3,009,944
2025	1,715,000	1,271,784	2,986,784
2026	1,735,000	1,223,697	2,958,697
2027	1,760,000	1,173,523	2,933,523
2028	1,790,000	1,121,563	2,911,563
2029	1,815,000	1,066,957	2,881,957
2030	1,845,000	1,007,099	2,852,099
2031	1,875,000	945,213	2,820,213
2032	1,910,000	880,869	2,790,869
2033	1,950,000	814,675	2,764,675
2034	1,975,000	746,427	2,721,427
2035	2,015,000	676,639	2,691,639
2036	2,060,000	603,644	2,663,644
2037	2,095,000	528,562	2,623,562
2038	2,145,000	450,776	2,595,776
2039	2,195,000	370,382	2,565,382
2040	2,240,000	286,875	2,526,875
2041	1,955,000	201,025	2,156,025
2042	1,605,000	130,363	1,735,363
2043	1,310,000	74,613	1,384,613
2044	610,000	30,663	640,663
2045	360,000	10,800	370,800
	<u>\$ 44,845,000</u>	<u>\$ 20,713,882</u>	<u>\$ 65,558,882</u>

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1B
TSI-6. Change in Long-Term Bonded Debt
September 30, 2019

	Bond Issue			
	Series 2013	Series 2014	Series 2015	Series 2016
Interest rate	3.00% - 5.00%	2.00% - 5.00%	2.50% - 4.00%	2.00% - 3.00%
Dates interest payable	3/1; 9/1	3/1; 9/1	3/1; 9/1	3/1; 9/1
Maturity dates	9/1/15 - 9/1/40	9/1/16 - 9/1/41	9/1/17 - 9/1/42	9/1/18 - 9/1/43
Beginning bonds outstanding	\$ 4,925,000	\$ 4,730,000	\$ 4,335,000	\$ 6,735,000
Bonds issued				
Bonds retired	<u>(125,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(265,000)</u>
Ending bonds outstanding	<u>\$ 4,800,000</u>	<u>\$ 4,630,000</u>	<u>\$ 4,235,000</u>	<u>\$ 6,470,000</u>
Interest paid during fiscal year	<u>\$ 230,062</u>	<u>\$ 179,813</u>	<u>\$ 146,131</u>	<u>\$ 165,281</u>
Paying agent's name and city	<u>The Bank of New York Mellon Trust Company, N.A., Dallas, Texas</u>			
		Water, Sewer and Drainage	Park and Recreational	
Bond Authority:		Bonds and Refunding	Bonds and Refunding	Road Bonds and Refunding
Amount Authorized by Voters		<u>\$ 216,182,435</u>	<u>\$ 36,925,000</u>	<u>\$ 31,810,000</u>
Amount Issued		<u>(40,645,000)</u>		<u>(6,885,000)</u>
Remaining To Be Issued		<u>\$ 175,537,435</u>	<u>\$ 36,925,000</u>	<u>\$ 24,925,000</u>

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with

Debt Service Fund cash and investments balances as of September 30, 2019: \$ 1,165,269

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 2,521,495

See accompanying auditors' report.

Bond Issue

Series 2016A Road	Series 2017 Road	Series 2017A	Series 2018	Series 2019	Totals
2.00% - 4.00% 3/1; 9/1 9/1/18 - 9/1/43	2.00% - 3.75% 3/1; 9/1 9/1/19 - 9/1/43	2.00% - 3.50% 3/1; 9/1 9/1/18 - 9/1/43	3.00% - 4.00% 3/1; 9/1 9/1/19 - 9/1/44	2.00% - 3.00% 3/1; 9/1 9/1/21 - 9/1/45	
\$ 4,040,000	\$ 2,685,000	\$ 3,370,000	\$ 6,250,000	\$ -	\$ 37,070,000
				9,000,000	9,000,000
(160,000)	(105,000)	(130,000)	(240,000)		(1,225,000)
<u>\$ 3,880,000</u>	<u>\$ 2,580,000</u>	<u>\$ 3,240,000</u>	<u>\$ 6,010,000</u>	<u>\$ 9,000,000</u>	<u>\$ 44,845,000</u>
<u>\$ 148,800</u>	<u>\$ 84,544</u>	<u>\$ 103,850</u>	<u>\$ 218,163</u>	<u>\$ -</u>	<u>\$ 1,276,644</u>

Lazy Nine Municipal Utility District No. 1B

**TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Years**

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Water service	\$ 1,085,044	\$ 991,374	\$ 827,584	\$ 611,758	\$ 472,902
Sewer service	223,895	191,750	187,356	140,967	102,586
Property taxes	712,709	551,800	453,354	700,528	334,449
Penalties and interest	27,602	23,316	30,339	14,868	8,592
Tap connection and inspection	1,133,800	1,060,025	999,350	1,070,500	678,675
Miscellaneous		35,963	139	457	9,213
Investment earnings	52,595	28,659	10,304	2,339	250
Total Revenues	3,235,645	2,882,887	2,508,426	2,541,417	1,606,667
Expenditures					
Current service operations					
District facilities					
Professional fees	279,004	214,545	180,293	127,319	155,857
Contracted services	1,041,905	889,604	807,312	703,273	520,935
Repairs and maintenance	503,967	313,973	214,050	147,967	81,639
Administrative	21,748	22,196	17,849	13,351	11,461
Other	28,987	26,202	25,533	29,157	19,861
Joint facilities					
Purchased services	443,420	428,769	364,668	262,581	224,631
Professional fees	64,290	51,492			
Contracted services	121,651	100,144	98,394	73,695	72,074
Repairs and maintenance	190,397	139,572	133,207	104,132	83,446
Utilities	59,619	51,804	46,630	39,725	33,451
Water reservation fees	29,991	33,439	36,760	46,694	30,945
Administrative	12,813	10,087	7,812	7,115	6,188
Other	945	1,426	1,393	29,972	426
Capital					
Capital outlays		85,937	41,465		
Right-to-use leased asset		619,927			
Debt service					
Lease - principal	107,651	42,232			
Lease - interest	44,974	21,362			
Interest fees					38,707
Total Expenditures	2,951,362	3,052,711	1,975,366	1,584,981	1,279,621
Revenues Over (Under) Expenditures	\$ 284,283	\$ (169,824)	\$ 533,060	\$ 956,436	\$ 327,046
Total Active Retail Water Connections	894	740	605	478	354
Total Active Retail Wastewater Connections	893	661	534	474	288

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
34%	34%	33%	24%	29%
7%	7%	7%	6%	6%
22%	19%	18%	28%	21%
1%	1%	1%	1%	1%
34%	37%	41%	41%	42%
	1%	*	*	1%
2%	1%	*	*	*
100%	100%	100%	100%	100%
9%	7%	7%	5%	10%
32%	31%	32%	28%	32%
16%	11%	9%	6%	5%
1%	1%	1%	1%	1%
1%	1%	1%	1%	1%
14%	15%	16%	10%	14%
	2%			
4%	3%	4%	3%	4%
6%	5%	5%	4%	5%
2%	2%	2%	2%	2%
1%	1%	1%	2%	2%
*	*	*	*	*
*	*	*	1%	*
	3%	2%		
	22%			
3%	1%			
1%	1%			
				2%
90%	106%	80%	63%	78%
10%	(6%)	20%	37%	22%

Lazy Nine Municipal Utility District No. 1B

*TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Five Fiscal Years*

	Amounts				
	2019	2018	2017	2016	2015
Revenues					
Property taxes	\$2,286,606	\$1,768,548	\$1,370,537	\$ 714,334	\$ 387,074
Penalties and interest	1,597	946	2,506	2,534	764
Investment earnings	56,605	33,665	11,736	2,933	285
Total Revenues	<u>2,344,808</u>	<u>1,803,159</u>	<u>1,384,779</u>	<u>719,801</u>	<u>388,123</u>
Expenditures					
Tax collection services	11,234	9,337	7,485	4,221	2,465
Other	2,500				
Debt service					
Principal	1,225,000	865,000	295,000	195,000	105,000
Interest and fees	1,271,130	1,060,529	862,684	545,636	374,990
Total Expenditures	<u>2,509,864</u>	<u>1,934,866</u>	<u>1,165,169</u>	<u>744,857</u>	<u>482,455</u>
Revenues Over (Under) Expenditures	<u>\$ (165,056)</u>	<u>\$ (131,707)</u>	<u>\$ 219,610</u>	<u>\$ (25,056)</u>	<u>\$ (94,332)</u>

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues

2019	2018	2017	2016	2015
98%	98%	99%	100%	100%
*	*	*	*	*
2%	2%	1%	*	*
100%	100%	100%	100%	100%
*	1%	1%	1%	1%
*				
52%	48%	21%	27%	27%
54%	59%	62%	76%	97%
106%	108%	84%	104%	125%
(6%)	(8%)	16%	(4%)	(25%)

Lazy Nine Municipal Utility District No. 1B
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2019

Complete District Mailing Address: 1108 Lavaca St., Suite 510, Austin, Texas 78701
District Business Telephone Number: (512) 518-2424
Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): July 17, 2019
Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
(Set by Board Resolution -- TWC Section 49.0600)

<u>Names:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid *</u>	<u>Expense Reimburse- ments</u>	<u>Title at Year End</u>
Board Members				
Sharon Carter	05/18 - 05/22	\$ 450	\$ 59	President
Grant Gist	05/18 - 05/22	1,500	21	Vice President
Derrick Jones	05/16 - 05/20	1,800	158	Secretary
Brett Burke	10/16 - 05/20	1,500	125	Assistant Secretary
Harry Savio	05/16 - 05/20	1,500	107	Assistant Secretary
Consultants				
		<u>Amounts Paid</u>		
Allen Boone Humphries Robinson LLP	2013			Attorney
<i>General legal fees</i>		\$ 139,887		
<i>Bond counsel</i>		275,037		
Crossroads Utility Services	2014	202,216		Operator
Bott & Douthitt PLLC	2008	21,317		Bookkeeper
Travis County Tax Assessor/Collector	2003	1,127		Tax Collector
Travis Central Appraisal District	Legislative	10,107		Property Valuation
Malone/Wheeler, Inc.	2003	133,706		Engineer
Jones-Heroy & Associates, Inc.	2012	66,751		Engineer
McGrath & Co., PLLC	2013	20,250		Auditor
Masterson Advisors, LLC	2018	214,328		Financial Advisor

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

See accompanying auditors' report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



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