

RATING: S&P "AA" (Enhanced)
S&P "A" (Unenhanced)
(See "RATING", "BOND INSURANCE" and
"BOND INSURANCE RISK FACTORS" herein)

OFFICIAL STATEMENT

Dated: June 16, 2020

NEW ISSUE: BOOK-ENTRY-ONLY

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

*The District has designated the Bonds as "Qualified Tax-Exempt Obligations".
See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.*

\$3,130,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

Dated Date: July 1, 2020

Due: August 15, as shown on the inside cover

The Senna Hills Municipal Utility District (the "District" or the "Issuer") is issuing its \$3,130,000 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2020 (the "Bonds") pursuant to the Constitution and laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on March 27, 2020. In the Bond Resolution, and as permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" for the Bonds (the Bond Resolution and the Pricing Certificate are sometimes collectively referred to herein as the "Resolution"). The Pricing Certificate was executed by the Board President of the District on June 16, 2020, which completed the sale of the Bonds. (See "THE BONDS – Authority for Issuance" herein.)

Interest on the Bonds will be payable February 15 and August 15 of each year commencing on February 15, 2021 and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof.

The Bonds will be issued as fully registered obligations in book-entry form only and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Beneficial Owners will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar ("Paying Agent/Registrar"), to the Securities Depository, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" in the Official Statement.)

The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.

The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing direct annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. The Bond Resolution irrevocably pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds. The Bonds are further payable from, and secured by, a first and prior pledge of and lien on the Net Revenues (defined herein), if any, of the System (defined herein). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS – Pledge of Ad Valorem Taxes and System Revenues" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)



MATURITY SCHEDULE

(On Inside Cover)

The Bonds are offered for delivery when, as and if issued, and received by the Underwriter subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about July 16, 2020.

UMB BANK, N.A.

\$3,130,000
SENNA HILLS MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

MATURITY SCHEDULE
Base CUSIP No.⁽¹⁾:817227

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix No. ⁽¹⁾
2021	\$430,000	4.00%	0.77%	GM7
2022	460,000	4.00	0.90	GN5
2023	475,000	4.00	0.95	GP0
2024	415,000	4.00	1.05	GQ8
2025	145,000	4.00	1.13	GR6
2026	140,000	2.50	1.28	GS4
2027	140,000	2.00	1.35 ⁽²⁾	GT2
2028	120,000	2.00	1.58 ⁽²⁾	GU9
2029	175,000	2.00	1.72 ⁽²⁾	GV7
2030	170,000	2.00	1.78 ⁽²⁾	GW5
2031	160,000	2.00	1.88 ⁽²⁾	GX3
2032	155,000	2.00	1.97 ⁽²⁾	GY1
2033	145,000	2.00	2.03	GZ8

(Interest to accrue from the Dated Date)

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Markets Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2026, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page, Schedules and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

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

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

The information and expressions of opinion contained herein 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. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

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

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

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR ANY INSURER OF THE BONDS, AS SUCH INFORMATION IS PROVIDED BY DTC AND ANY SUCH INSURER, RESPECTIVELY.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - Specimen Municipal Bond Insurance Policy".

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Schedule I

Financial Information of the District

Appendix A

Form of Legal Opinion of Bond Counsel

Appendix B

The District's Audited Financial Statements for the Year Ended September 30, 2019

Appendix C

Specimen Municipal Bond Insurance Policy

Appendix D

The cover page, subsequent pages hereof and the schedules and appendices attached hereto, are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

The Issuer	Senna Hills Municipal Utility District (the "District" or "Issuer") is a political subdivision of the State of Texas, created pursuant to Chapter 54 of the Texas Water Code, as amended, by authority of Section 59, Article XVI of the Texas Constitution. The District was created to provide water and wastewater facility improvements to the approximately 323 acres within its boundaries, all of which lies within Travis County and of which approximately 199 acres are developable and have been developed. See "THE DISTRICT – General Description" herein.
Location	The District is located on the north side of FM 2244, approximately 5.0 miles west of the intersection of FM 2244 and Loop 360 and 2.5 miles east of the intersection of FM 2244 and State Highway 71. The District is situated within the City of Austin's five-mile extra-territorial jurisdiction. See "THE DISTRICT – Location" herein.
Development within the District	The District consists of approximately 323 acres. The District contains approximately 413 developed lots allowed under current land development and water quality regulations. There are currently 407 homes on the 413 lots. The single family residential lot development is complete. There remains an 11.73-acre tract within the District, of which 1.73 acres were originally dedicated to irrigation and 10 acres were originally designated for both a school site and irrigation. The 11.73-acre tract is now planned for development as offices, subject to governmental approvals. Accordingly, the District makes no representation that future development will occur. See "THE DISTRICT" herein.

THE BONDS

Description	The Bonds are issued in the aggregate principal amount of \$3,130,000 maturing annually in varying amounts on August 15 of each year from 2021 through 2033. Interest on the Bonds will be payable February 15 and August 15 of each year commencing on February 15, 2021 and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof. See "THE BONDS – General Description" herein.
Optional Redemption	The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Optional Redemption" herein.
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. See "TAXING PROCEDURES" herein. The Bond Resolution (defined herein) irrevocably pledges such ad valorem taxes to the payment for the principal of and interest on the Bonds. The Bonds are further payable from, and secured by, a first and prior pledge of and lien on the Net Revenues (defined herein), if any, of the District's waterworks and sewer system (the "System"). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS" herein. The Bonds are obligations solely of District and are not obligations of the City of Austin, Texas, Travis County, Texas, the State of Texas, or any entity other than the District. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein.
Payment Record	The District has never defaulted on the timely payment of principal and interest on its bonds.
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, ("Chapter 1207"), Chapters 49 and 54 of the Texas Water Code, as amended, and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors (the "Board") of the District on March 27, 2020. In the Bond Resolution, as permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who

approved a "Pricing Certificate" for the Bonds (the Bond Resolution and the Pricing Certificate are sometimes collectively referred to herein as the "Resolution"). The Pricing Certificate was executed by the Board President of the District on June 16, 2020, which completed the sale of the Bonds. See "THE BONDS - Authority for Issuance" herein.

Use of Proceeds	Proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, will be used to refund a portion of the District's outstanding obligations for interest cost savings and to pay costs of issuance of the Bonds. (See "THE BONDS – Sources and Uses of Funds" and "Schedule I – Schedule of Refunded Bonds".)
Bonds Authorized but Unissued	The District has no authorized but unissued unlimited ad valorem tax bonds.
Municipal Rating and Bond Insurance	It is expected that S&P Global Ratings ("S&P") will assign its municipal bond rating of "AA" 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 of the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The outstanding combination tax and revenue bond debt of the District, including the Bonds, is rated "A" by S&P. See "RATING" and "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York, relating to the method and timing of payment and the method and transfer relating to the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Bond Counsel	Orrick, Herrington & Sutcliffe LLP, Austin, Texas.
General Counsel	Willatt & Flickinger, PLLC, Austin, Texas
Financial Advisor	SAMCO Capital Markets, Inc., Plano, Texas
Bookkeeper	Bott & Douthitt PLLC, Round Rock, Texas.
Auditor	McCall Gibson Swedlund Barfoot PLLC, Houston, Texas
Engineer	Murfee Engineering Company, Inc., Austin, Texas.
Operations Manager	Inframark, Austin, Texas

RISK FACTORS

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

OFFICIAL STATEMENT
relating to

\$3,130,000

SENNA HILLS MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

UNLIMITED TAX AND WATERWORKS AND SEWER SYSTEM REVENUE REFUNDING BONDS, SERIES 2020

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Senna Hills Municipal Utility District (the "District" or "Issuer") of its \$3,130,000 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2020 (the "Bonds").

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Resolution (as defined below). Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Issuer or its Financial Advisor.

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

THE BONDS

General Description

The Bonds are dated July 1, 2020 (the "Dated Date"). The Bonds are issued as obligations, the interest on which accrues from the Dated Date and is payable semiannually until stated maturity or prior redemption, from their date of initial delivery to the initial purchaser thereof (the "Underwriter"). The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds is payable initially on February 15, 2021, and on each February 15 and August 15 thereafter until stated maturity or prior redemption.

The Bonds will be issued only as fully registered bonds. The Bonds will be issued in the denominations of \$5,000 of principal or any integral multiple thereof within a maturity. Interest on the Bonds is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books (the "Registration Books") on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. The record date (the "Record Date") for determining to whom interest on a Bond is payable on any interest payment date is the last business day of the month next preceding such interest payment date. The principal of the Bonds will be payable only upon presentation of such Bonds at the corporate trust office of the Paying Agent/Registrar at maturity or prior redemption. So long as the Bonds are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, payments of principal and interest of the Bonds will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as it made on the original date payment was due.

Refunded Bonds

The principal and interest due on the Refunded Bonds, as shown in Schedule I – Schedule of Refunded Bonds, are to be paid on the interest payment date and the redemption dates of the Refunded Bonds from funds to be deposited pursuant to an Escrow Deposit Agreement for the Bonds (the "Escrow Agreement") between the District and BOKF, NA, Dallas, Texas, Texas (the "Escrow Agent"). The Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriter and other available District funds, if any, the District will deposit with the Escrow Agent the cash necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption date (the "Redemption Date"). SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the District, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Bonds, when due, on the Redemption Date (the "Sufficiency Certificate"). Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds. In certain instances, such cash may be invested in direct obligations of the United States which mature on or before the Redemption Date.

By the deposit of cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with State law and thereafter the District will have no further responsibility with respect to the payment of such Refunded Bonds including any subsequent insufficiency in the Escrow Fund. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate that as a result of such defeasance, the Refunded Bonds will no longer be payable from ad valorem taxes but will be payable solely from the cash held for such purpose by the Escrow Agent and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the District.

Optional Redemption

The Bonds maturing on or after August 15, 2027 are subject to optional redemption, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2026 or any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Notice of Redemption and DTC Notices

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the bondholder, and, subject to provision for payment of the redemption price having been made, interest on the redeemed Bonds shall cease to accrue from and after such redemption date notwithstanding that a Bond has not been presented for payment.

All notices of redemption shall (i) specify the date of redemption for the Bonds, (ii) identify the Bonds to be redeemed and, in the case of a portion of the principal amount to be redeemed, the principal amount thereof to be redeemed, (iii) state the redemption price, (iv) state that the Bonds, or the portion of the principal amount thereof to be redeemed, shall become due and payable on the redemption date specified, and the interest thereon, or on the portion of the principal amount thereof to be redeemed, shall cease to accrue from and after the redemption date, and (v) specify that payment of the redemption price for the Bonds, or the principal amount thereof to be redeemed, shall be made at the designated corporate trust office of the Paying Agent/Registrar only upon presentation and surrender thereof by the registered owner.

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Bond Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are issued pursuant to the Constitution and laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapters 49 and 54 of the Texas Water Code, as amended, and a resolution authorizing the issuance of the Bonds (the "Bond Resolution") adopted by the Board of Directors of the District (the "Board") on March 27, 2020. In the Bond Resolution, and as permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved a "Pricing Certificate" for the Bonds (the Bond Resolution and the Pricing Certificate are sometimes collectively referred to herein as the "Resolution"). The Pricing Certificate was executed by the Board President on June 16, 2020, which completed the sale of the Bonds.

Payment Record

The District has never defaulted on the timely payment of principal and interest on its bonds.

Authorized but Unissued Debt

The District has no authorized but unissued unlimited ad valorem tax bonds.

Defeasance of Bonds

The Bond Resolution provides for the defeasance of the Bonds in any manner permitted by law. Under current Texas law, defeasance would include when payment of the principal amount of and interest on the Bonds to their due date (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or a trust company or commercial bank authorized to serve as Escrow Agent, (a) cash in an amount sufficient to make such payment or (b) pursuant to an escrow or trust agreement, cash and/or (1) direct, non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (2) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (3) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, the principal and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof of the interest earnings thereon, provide money in an amount which, together with other money, if any, held in such escrow, will be sufficient to provide for the timely payment of the principal of and interest on such Bonds to their due date. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of 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 a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Resolution does not contractually limit such investments, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, will be applied approximately as follows:

<u>Sources</u>	
Par Amount of Bonds	\$ 3,130,000.00
Net Premium	181,352.45
Accrued Interest	4,241.67
District Contribution	61,965.63
Total Sources of Funds	\$ <u>3,377,559.75</u>
<u>Uses</u>	
Deposit with Escrow Agent	3,196,965.63
Costs of Issuance (includes Insurance Premium)	150,250.93
Underwriter's Discount	24,745.43
Deposit to Interest and Sinking Fund	5,597.76
Total Uses of Funds	\$ <u>3,377,559.75</u>

Paying Agent/Registrar

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

The District reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the District covenants that promptly it will appoint a national or state banking institution, or a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar under the Bond Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated

and appointed by the District. Upon any change in the Paying Agent/Registrar, the District promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of the Bond Resolution, and a certified copy of the Bond Resolution shall be delivered to each Paying Agent/Registrar.

Registration, Transfer and Exchange

The Bonds may be transferred, registered and assigned only on the register of the Paying Agent/Registrar upon surrender of such Bond or Bonds. No service charge will be made for any transfer or exchange, but the District or the Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith. A Bond may be transferred only by execution of the assignment form on the Bonds. A new Bond or Bonds will be authenticated and registered by the Paying Agent/Registrar within three (3) business days after receipt of the Bonds to be transferred in proper form. Such new Bond or Bonds shall be in any integral multiple of \$5,000 of principal amount for the Bonds being transferred. The last assignee's claim of title to the Bond or Bonds must be proven to the satisfaction of the Paying Agent/Registrar. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the opening of business on any Record Date and ending with the close of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

Record Date

The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the last business day of the month preceding such interest payment date.

Lost, Stolen or Destroyed Bonds

Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefore 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 cost 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Austin, the District may be annexed by the City of Austin without the District's consent, subject to compliance by the City of Austin with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Such requirements may include the requirement that the City of Austin hold an election in the District whereby the qualified voters of the District approve the proposed annexation. If the District is annexed, the City of Austin must assume the District's assets and obligations (including the Bonds and any outstanding bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City of Austin is a policy-making matter within the discretion of the Mayor and City Council of the City of Austin, and, therefore, the District makes no representation that the City of Austin will ever attempt to annex the District for full purposes and assume its debt. Moreover, no representation is made concerning the ability of the City of Austin to make debt service payments should annexation occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater systems of the district or districts with which it is consolidating, subject to voter approval. In their consolidation agreement, the consolidating districts may agree to assume each other's bonds, notes and other obligations. If each district assumes the other's bonds, notes and other obligations, taxes may be levied uniformly on all taxable property within the consolidated district in payment of same. If the districts do not assume each other's bonds, notes and other obligations, each district's taxes are levied on property in each of the original districts to pay said debts created by the respective original district as if no consolidation had taken place. No representation is made concerning whether the District will consolidate with any other district, but the District currently has no plans to do so.

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 may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Bond Resolution and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Resolution does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interest, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I*, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

Approval of the Bonds

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

Amendments to the Bond Resolution

The District may, without the consent of or notice to any registered owners, amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the

time or times of payment of the principal of an interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, reduce the redemption price of the Bonds, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

Pledge of Ad Valorem Taxes and System Revenues

The Bonds are payable from and secured by a pledge of the proceeds of a continuing direct annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District and are further secured by a first and prior pledge of and lien on the Net Revenues, if any, of the District's waterworks and sewer system (the "System"). "Net Revenues" consists of all gross revenues derived from the operation and ownership of the System less the reasonable, necessary and proper expenses of operation and maintenance of the System. The Board covenants in the Bond Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies and the costs of tax collection, to pay interest on the Bonds as it becomes due, and to provide for the payment of principal of and interest on the Bonds when due. At such time as the Net Revenues from the operation of the System together with money derived from taxes shall have accumulated a surplus in the Interest and Sinking Fund in an amount at least equal to the principal of and interest on the Bonds scheduled to mature and accrue in the year next succeeding, then the annual tax levy may be reduced to such rate as will produce not less than twenty-five percent (25%) of the principal and interest requirements of the Bonds for each of the next succeeding years, until an actual experience of three (3) successive years shall demonstrate that the Net Revenues are wholly adequate to pay the principal of and the interest on the Bonds as the same mature and accrue, at which time the District tax may be wholly abated until further experience may demonstrate the necessity again to exercise the District's taxing power in order to avoid default in the payment of said Bonds and the interest thereon as the same mature and accrue. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated "Interest and Sinking Fund" for the Bonds.

The District has, to date, paid debt service on all of its ad valorem tax-supported debt with funds collected from the levy and collection of ad valorem taxes for such purpose. No System revenues have been available to be used to pay debt service on the District's combination ad valorem tax and water and wastewater system revenue supported debt, including the Bonds, nor does the District expect for any such revenues to be available in the foreseeable future. Accordingly, holders of Bonds should look to the sufficiency of the ad valorem tax collections of the District available to pay debt service on combination ad valorem tax and water and wastewater system revenue supported District debt, including the Bonds, and not Net Revenues of the System when making an investment decision relative to the Bonds. See "DISTRICT TAX RATES" in Appendix A hereto.

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

Additional Bonds

The District expressly reserves and shall have the right to issue in one or more installments such other combination unlimited tax and revenue bonds as were authorized at the confirmation election and as may hereafter by authorized at subsequent elections. Such bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues of the System to the same extent as pledged and in all things on a parity with the lien of the Bonds. Issuance of additional bonds could dilute the investment security for the Bonds. See "THE BONDS – Authorized but Unissued Debt" herein.

Furthermore, the District expressly reserves and shall have the right to issue in one or more installments the following:

1. Additional Revenue Bonds. The District expressly reserves the right to issue additional bonds payable solely from Net Revenues of the System, as set forth above, for the purpose of completing, repairing, improving, extending, enlarging or replacing the System, and such bonds may be payable from and equally secured by a lien on and pledge of said Net Revenues on a parity with the pledge thereof for the Bonds. Provided, however, that before the District can issue additional parity bonds payable solely from the Net Revenues of the System, an independent certified public accountant shall certify that the Net Revenues of the District's System for the previous fiscal year have been equal to at least 1.25 times the average annual requirements for principal and interest of the then outstanding bonds of the District payable in whole or in part from the Net Revenues of the System (which includes the Bonds) and a registered professional engineer shall certify that the anticipated Net Revenues of the District's System will equal at least 1.50 times the average annual requirements for payment of the then outstanding bonds of the District payable in whole or in part from the revenues of the System (which includes the Bonds) plus the Additional Bonds proposed to be issued; however, such certificates shall not be required for the issuance of additional bonds payable solely from ad valorem taxes or for Additional Bonds payable from both ad valorem taxes and Net Revenues of the System.
2. Inferior Lien Bonds. The District also reserves the right to issue inferior lien bonds and to pledge the Net Revenues of the System to the payment thereof, such pledge to be subordinate in all respects to the lien of the Bonds and any combination unlimited tax and revenue or revenue bonds issued as Additional Bonds on a parity with the Bonds.

3. Special Project Bonds. The District further reserves the right to issue special project bonds for the purchase, or repair of water, sewer and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions or other entities, such special project bonds to be payable from and secured by the proceeds of such contract or contracts.
4. Refunding Bonds. The District further reserves the right to refund any of these bonds or additional combination unlimited tax and revenue or revenue bonds subject to prior redemption, or any bond the bearers of which have consented to have refunded, and the refunding bonds so issued shall enjoy complete equality of lien with the remaining bonds not refunded, if any such bonds remain.

Maintenance and Operation; Insurance

While any of the Bonds or Additional Bonds are outstanding, the District covenants and agrees to maintain the System in good condition and operate the same in an efficient manner and at reasonable expense, and to maintain insurance on the System, for the benefit of the holder or holders of said bonds, of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Accounts and Fiscal Year

The District will keep proper records and accounts regarding the levy and collection of taxes, which records and accounts will be made available to any registered owner on reasonable request. Each year while any of the Bonds are outstanding, the District shall have an audit of its books and accounts by a certified public accountant or firm of certified public accountants, based on its fiscal year, and copies of such audits will be made available to any registered owner upon request

BOND INSURANCE

The following information has been supplied by Build America Mutual Assurance Company ("BAM" or the "Insurer") for inclusion in this Official Statement. No representation is made by the District, the Purchaser or the Financial Advisor as to the accuracy or completeness of the information.

The following information is not complete and reference is made to Appendix E for a specimen of the municipal bond insurance policy (the "Policy") of BAM.

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM will issue its Municipal Bond Insurance Policy for the Bonds. The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

General

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Bonds and the Insurer's consent may be required in connection with amendments to the Resolution.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Insurer 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 "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the District, the Financial Advisor or the Underwriter have 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 the principal of and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investors Services, Inc., S&P (defined herein) and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Underwriter take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

RISK FACTORS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas, Travis County, Texas, Austin, Texas, or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount levied on all taxable property located within the District and further secured by a first and prior pledge of and lien on Net Revenues of the System. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" herein. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Infectious Disease Outlook (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an

imminent threat of disaster for all counties in Texas (collectively, the “disaster declarations”). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with 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. In addition, on June 15, 2020, the Travis County Judge issued a County order, which among other things, orders County residents to continue practicing social distancing behaviors, unless excepted by such order, consistent with the Governor’s Executive Order GA-21. Such County order remains in place until 11:59 p.m. on August 15, 2020 unless terminated or modified by a subsequent County order.

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 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 Bonds are additionally secured by the revenues of the District’s System, and a reduction in revenues or, or a delay in revenue collections may require an increase in utility rates and charges to pay the Bonds and the District’s maintenance and operation expenses.

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.

Impact on District Tax Rates

Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The current taxable assessed valuation of the District is \$318,468,059 (see "Appendix A - FINANCIAL INFORMATION OF THE DISTRICT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$1,040,013 (2020) and the Average Annual Debt Service Requirement will be \$756,534 (2020 through 2036, inclusive). Assuming (1) no increase or decrease from the current taxable assessed valuation, and (2) no use of funds on hand, a tax rate of \$0.3367 per \$100 assessed valuation, at a 97% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement, and a tax rate of \$0.2449 per \$100 assessed valuation at a 97% collection rate would be necessary to pay the Average Annual Debt Service Requirement.

Overlapping and Combined Tax Rates

Tax rates per \$100 valuation for entities levying a tax on land within the District are shown in Appendix A of this Official Statement.

The current Commission (defined herein) rules regarding the feasibility of a bond issue for a utility district in Travis County limit the projected combined total tax rate of entities levying a tax for water and wastewater to \$1.20. The projection for the District is consistent with the rules of the Commission. If the tax rate of the District ever exceeds \$1.20, the District could be prohibited under rules of the Commission from selling Additional Bonds.

Environmental Regulation

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

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

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental

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

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

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quality 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.

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 also 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.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal became final on December 23, 2019.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule ("NWPR"), which contains a new definition of "waters of the United States." The stated purpose of the NWPR is to restore and maintain the integrity of the nation's waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal

government., while preserving the states' primary authority over land and water resources. The 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 waterfilled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR will become effective June 22, 2020, 60 days after the date of its publication in the Federal Register, and will likely become the subject of further litigation.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "THE BONDS – Remedies in Event of Default."

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946 ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues (such as the pledge of the Net Revenues of the System), the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed 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 generally 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 negotiations are impracticable. Under Texas law a municipal utility district, such as the District, must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the

conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owner's claim.

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

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

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Future and Proposed Legislation

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

Future Debt

The District has no authorized but unissued bonds. The District has reserved the right to issue certain other Additional Bonds, special project bonds, refunding bonds, and other obligations described in the Bond Resolution. 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. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds. See "SECURITY AND SOURCE OF PAYMENT OF THE BONDS – Additional Bonds" herein.

THE DISTRICT

General Description

The District was created by the Texas Water Commission (the predecessor to the Texas Commission on Environmental Quality) to provide water, wastewater and drainage facility improvements to the approximately 323 acres within its boundaries. The City of Austin granted consent to the creation of the District by ordinance on January 15, 1987, as modified in 1993.

The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. Texas Commission on Environmental Quality jurisdiction is provided in Section 54.024.

Location

The District is located on the north side of FM 2244, approximately 5.0 miles west of the intersection of FM 2244 and Loop 360 and 2.5 miles east of the intersection FM 2244 and State Highway 71. The District is situated within the City of Austin's five-mile

extra-territorial jurisdiction. The District is most readily accessed by taking Loop 1 (Mopac) south, exiting on FM 2244, and traveling westward approximately 9 miles.

Commitments of the District

The District has entered into a potable and non-potable water sales contract with the West Travis County Public Utility Agency to purchase wholesale potable water to service its residents. See "THE SYSTEM – Water Supply" herein.

Management of the District

Board of Directors

The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected for four-year staggered terms, with elections held within the District on the first Saturday in November of each even numbered year.

<u>Name</u>	<u>Position</u>	<u>Term Expires November</u>
Chet Palesko	President	2022
David Perl	Vice President	2022
Lisa McKenzie	Secretary	2020
Corey Newhouse	Assistant Secretary	2020
Joseph Matthew Szoo	Assistant Secretary	2020

Consultants

Tax Assessor/Collector

Land and improvements in the District are appraised by the Travis Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector currently serves the District in this capacity under contract.

Engineer

The District's consulting engineer is Murfee Engineering Company, Inc.

Auditor

The District's auditor is McCall Gibson Swedlund Barfoot PLLC.

Financial Advisor

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

Bond Counsel

The District employs Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District employs Willatt & Flickinger PLLC, Austin, Texas, as general counsel.

Operations Manager

The District employs Inframark, Austin, Texas, as operations manager.

Bookkeeper

The District employs Bott & Douthitt PLLC, Round Rock, Texas, as bookkeeper.

Status of Development

The District consists of approximately 323 acres. The District contains approximately 413 developed lots, as allowed under current land development and water quality regulations imposed by the City of Austin in its agreement consenting to the creation of the District. There are currently 407 homes on the 413 lots. The single-family residential lot development is complete. There remains an 11.73-acre tract within the District, of which, 1.73 acres were originally dedicated to irrigation and 10 acres were originally designated for both a school site as well as irrigation. That tract is now planned for development as offices, subject to governmental approvals. Accordingly, the District makes no representation that future development will occur.

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

THE SYSTEM

General

The District provides retail water and wastewater services within the District.

Water Supply

The District's water supply is provided through contracts with the Lower Colorado River Authority (LCRA) for purchase of raw water and the West Travis County Public Utility Agency (PUA) for treatment and delivery of potable water. This arrangement is the result of the LCRA divestiture of its treatment and distribution system in 2012 when the PUA was created and purchased those facilities from the LCRA. The LCRA contracts were assigned to the PUA with the provision that the District kept its raw water purchase arrangement with the LCRA for purchase of a maximum annual quantity of 404 acre feet. The District is now receives potable water service from the PUA under a wholesale water agreement. The PUA's West Travis County Regional Water System serves the District with wholesale potable water service. According to the PUA, the water treatment plant is presently operating with a peak day production of approximately 14 million gallons and an average day production of approximately 6.31 million gallons per day (MGD). The rated capacity of the water treatment plant is 20 MGD. The rated capacity is capable of serving 23,133 LUEs based upon the TCEQ criteria of 0.6 gpm per LUE. The PUA continues to monitor the plant and distribution systems to meet the needs of the area's growing population and to help improve performance during periods of peak demand.

The PUA system covers a total area of approximately 225 square miles through a network of pipes running approximately 260 miles. The system has 10 pump stations, eleven pressure planes, two elevated storage tanks and various ground storage tanks. The service area includes portions of western Travis County and northern Hays County and includes 13 wholesale customers and approximately 8,000 retail customers. The system is serving a population of approximately 35,000 people.

Wastewater Treatment

The District owns and operates its wastewater treatment plant under a TCEQ permit – WQ0013238-001 which has a permitted maximum capacity of 157,000 gallons per day. The plant operates under a no-discharge permit which requires the treated effluent disposal to be accomplished via spray irrigation. It is presently operating under phase 2 of the permit allowing treatment of up to 100,000 gallons per day. The District's developer provided easements within the District for effluent disposal through spray irrigation of the native rangeland. The plant is currently treating approximately 70,000 gallons per day of wastewater flows. The existing wastewater treatment plant has sufficient capacity for the District's current demands with additional capacity in reserve.

Storm Drainage

Storm water from within the District generally drains through underground lines to open channels or detention ponds and then to natural tributaries that flow to Lake Austin or Barton Creek.

Irrigation Land

The TCEQ permit requires 70.3 acres of land for effluent irrigation disposal of the 157,000 gallons per day ultimate capacity at the permitted application rate of 2.5 acre-feet per acre per year. Under the current phase of the permit (100,000 gallons per day), the stated area required for effluent disposal is 39.6 acres.

Regulation

The District's facilities have been designed in accordance with standards and regulations established by the TCEQ, the City of Austin, and Travis County.

Operation of the District's internal waterworks and wastewater facilities are subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent (1%) chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance.

According to the District’s Engineer, no land within the District is located within the 100-year flood plain.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”) which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Travis County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

Water and Wastewater Operations

Rate and Fee Schedule -

Tap Fees:

Water Residential	\$ 250.00
Sewer Residential	250.00
Builder Deposit	1,000.00

Security Deposit:

Residential (5/8")	\$ 200.00
Residential (3/4")	200.00
Residential (1")	200.00
Residential (1 1/2")	250.00
Residential (2")	350.00
Residential (Over 2")	3 times estimated usage, not to exceed \$10,000.00
Fire Hydrant Meter	2,000.00

Water Consumption Rates:

Monthly base charge calculated as \$24.80 per Service Unit

5/8" Meter Positive Displacement	1
3/4" Meter Positive Displacement	1.5
1" Meter Positive Displacement	2.5
1 1/2" Meter Positive Displacement	5
1 1/2" Meter Turbine	8
2" Meter Positive Displacement	8
2" Meter Turbine	10
3" Meter Compound	16
3" Meter Turbine	24
4" Meter Compound	25
4" Meter Turbine	42
6" Meter Compound	50
6" Meter Turbine	92
8" Meter Turbine	160
10" Meter Turbine	250
12" Meter Turbine	330

Per 1,000:

0-20,000 gallons	\$ 5.00
20,001-30,000 gallons	7.00
30,001-45,000 gallons	9.00
45,001-60,000 gallons	10.00
60,001-75,000 gallons	12.00
75,001-90,000 gallons	14.00
90,001-105,000 gallons	16.00

105,001-135,000 gallons	18.00
Over 135,000 gallons	20.00
<u>Sewer Consumption Rates:</u>	
0-10,000 gallons (flat charge)	\$ 70.00
Over 10,000 (per 1,000 gallons)	2.85

Meters are read at monthly intervals and as nearly as possible on the corresponding day of each monthly meter reading period unless otherwise authorized by the TCEQ.

Late Payment Penalty: A late charge of 10% of the bill is added for each monthly billing date the delinquent account remains unpaid.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas Law and in accordance with investment policies approved by the Board of Directors. Both State law and the District's investment policies are subject to change.

Under Texas law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and

instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or Aaa or an equivalent by at least one nationally recognized rating service. The District is specifically prohibited from investing in: 1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage backed security collateral and pays no principal; 2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage backed security and bears no interest; 3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and 4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in the market index.

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

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

Under Texas law the District is additionally required to: 1) annually review its adopted policies and strategies, 2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors, 3) require the registered principal of firms seeking to sell securities to the District to: a) receive and review the District's investment policy, b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and c) deliver a written statement attesting to these requirements; 4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, 5) provide specific investment training for the Treasurer and investment officers, 6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, 7) restrict the investment in mutual funds in the aggregate to no more than 80% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and 8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments

As of March 31, 2020, the District had approximately \$4,122,731 (unaudited) invested in LOGIC (which is a government investment pool that generally has the characteristics of a money-market mutual fund). The remaining balance was in checking/clearing accounts. The market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the Issuer are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

TAX RATE LIMITATIONS

Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown in Appendix A, the District levied a 2019/20 debt service tax of \$0.3200/\$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, or maintaining or repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. At an election held on January 21,

1995, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown in Appendix A, the District levied a 2019/20 maintenance and operations tax of \$0.1451/\$100 assessed valuation.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the District may hereafter issue (see "RISK FACTORS - Future Debt" herein) and to pay the expenses of assessing and collecting such taxes. The District has agreed in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "Source and Security for Payment FOR THE BONDS." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and the System and for the payment of certain contractual obligations (including the Bonds), if authorized by its voters. See "TAX RATE LIMITATIONS – District Bond Tax Rate Limitation" herein.

Property Tax Code and County-Wide Appraisal District

The Texas Tax Code (the "Property Tax Code") provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Travis Central Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. 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 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of Directors of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding 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 \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. 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.

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 District has never adopted a general homestead exemption.

Freeport Goods: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for "goods-in-transit," which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only one of a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are exempted from taxation by the District.

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property.

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

The Property Tax Code requires the TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in the TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the TCAD 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 TCAD chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. 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 of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

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

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its operations and maintenance 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's operation and maintenance tax rate 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 the 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 are classified as Developing Districts. The qualified voters of these districts, upon the adoption of a total tax rate that would impose more than 1.08 times the amount of total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District

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

District's Rights in the Event of Tax Delinquencies

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

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

Effect of FIRREA on Tax Collections

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

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

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

RATING

It is expected that S&P Global Ratings ("S&P") will assign its municipal bond rating of "AA" 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 of the Bonds will be issued by BUILD AMERICA MUTUAL ASSURANCE COMPANY. The outstanding combination tax and revenue bond debt of the District, including the Bonds, is rated "A" by S&P. (See "BOND INSURANCE").

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

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the effect that (i) based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B - Form of Legal Opinion of Bond Counsel." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "THE BONDS" (except for the subcaptions "Payment Record", "SECURITY AND SOURCE OF PAYMENT OF THE BONDS", "TAX RATE LIMITATIONS," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") to determine that the information relating to the Bonds and the Bond Resolution contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Houston, Texas. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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.

Litigation

In the opinion of the District's General Counsel, the District is not a party to any litigation or other proceeding pending or to its knowledge threatened, in any court, agency or other administrative body (either city, state or federal) which, if decided adversely to the District would have a material adverse effect on the financial condition of the District.

No-Litigation Certificate

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

TAX MATTERS

Opinion

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

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

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

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

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

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential

impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A and Appendix C and (2) if not provided as part such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix C hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in the official statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the "Rule").

The District's current fiscal year end is September 30. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this section.

Notice of Certain Events

The District will also provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default,

remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. In the Order, the District adopted policies and procedures to ensure timely compliance with its continuing disclosure undertakings. Neither the Bonds nor the Order make any provision for, debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, (a) any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (6) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information from the MSRB

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be filed with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

OTHER INFORMATION

Financial Advisor

SAMCO Capital Markets, Inc. is employed as Financial Advisor to the District to assist in the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

Underwriting

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on page 2, hereof, less an Underwriter's discount on the Bonds of \$24,745.43 plus accrued interest on the Bonds from their Dated Date to their date of initial delivery. The Underwriter's obligations are subject to certain conditions

precedent, and it will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

Annual Audits

Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the Commission within 135 days after the close of the fiscal year. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any Registered Owner or other member of the public within a reasonable time on request, upon payment of charges prescribed by the Texas General Services Commission.

The Resolution approved the form and content of this Official Statement, and any addendum, supplement or amendment thereto, and authorized its further use in the offering of the Bonds by the Underwriter.

/s/ Chet Palesko

Pricing Officer
Senna Hills Municipal Utility District

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SENNA HILLS MUNICIPAL UTILITY DISTRICT

Schedule I - Schedule of Refunded Bonds

Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010

Maturities Being Redeemed	Original CUSIP	Principal Amount Outstanding	Interest Rate	Principal Amount Being Refunded	Call Date	Principal Amount Unrefunded
8/15/2021	817227EH0	\$ 440,000.00	3.500%	\$ 440,000.00	August 15, 2020 @ Par	\$ -
8/15/2022	817227EJ6	455,000.00	3.625%	455,000.00	August 15, 2020 @ Par	-
8/15/2023	817227EK3	470,000.00	3.750%	470,000.00	August 15, 2020 @ Par	-
8/15/2024	817227EL1	405,000.00	4.000%	405,000.00	August 15, 2020 @ Par	-
8/15/2025		145,000.00	4.000%	145,000.00 ⁽¹⁾	August 15, 2020 @ Par	-
8/15/2026	817227EN7	135,000.00	4.000%	135,000.00 ⁽¹⁾	August 15, 2020 @ Par	-
8/15/2027		130,000.00	4.125%	130,000.00 ⁽²⁾	August 15, 2020 @ Par	-
8/15/2028	817227EQ0	120,000.00	4.125%	120,000.00 ⁽²⁾	August 15, 2020 @ Par	-
8/15/2029		175,000.00	4.250%	175,000.00 ⁽³⁾	August 15, 2020 @ Par	-
8/15/2030	817227ES6	175,000.00	4.250%	175,000.00 ⁽³⁾	August 15, 2020 @ Par	-
8/15/2031		165,000.00	4.500%	165,000.00 ⁽⁴⁾	August 15, 2020 @ Par	-
8/15/2032		165,000.00	4.500%	165,000.00 ⁽⁴⁾	August 15, 2020 @ Par	-
8/15/2033	817227EV9	155,000.00	4.500%	155,000.00 ⁽⁴⁾	August 15, 2020 @ Par	-
		<u>\$ 3,135,000.00</u>		<u>\$ 3,135,000.00</u>		<u>\$ -</u>

(1) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$280,000 that matures August 15, 2026.

(2) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$250,000 that matures August 15, 2028.

(3) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$350,000 that matures August 15, 2030.

(4) Represents a mandatory sinking fund redemption of the term bond outstanding in the principal amount of \$485,000 that matures August 15, 2033.

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APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION

TABLE 1

2019/20 Actual Market Value of Taxable Property	\$ 319,793,378
Less Exemptions:	<u>(1,325,320)</u>
2019/20 Net Taxable Assessed Valuation (100% of Actual) ^(a)	<u>\$ 318,468,058</u>

(a) Source: August 21, 2019 report entitled 2019 Certified Totals by the Travis Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT

TABLE 2

General Obligation Debt Outstanding:	
Unlimited Tax and Waterworks and Sewer System Revenue and Refunding Bonds, Series 2010 ^(a)	\$ 3,550,000
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2014	5,570,000
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2016	<u>1,015,000</u>
Total Gross General Obligation Debt Outstanding:	<u><u>\$ 10,135,000</u></u>
Less: The Refunded Series 2010 Bonds	\$ (3,135,000)
Plus: Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2020	<u>3,130,000</u>
Total Gross General Obligation Debt:	<u><u>\$ 10,130,000</u></u>
Less: Estimated Self-Supporting Gross Debt	\$ -
Less: I&S Fund Balance as of September 30, 2019	(527,940)
Total Net General Obligation Debt Outstanding:	<u><u>\$ 9,602,060</u></u>
Ratio of Gross General Obligation Debt to Net Assessed Valuation	3.18%
Ratio of Net General Obligation Debt to Net Assessed Valuation	3.02%

Gross Area of the District in acres -	323.41
Gross Bonded Debt Per Acre	\$31,322
Net Bonded Debt Per Acre	\$29,690
Estimated Assessed Value Per Acre	\$984,719
2019 Population Estimate ^(b)	1,432
Per Capita Net Appraised Taxable Valuation	\$222,394
Per Capita Gross Bonded Debt	\$7,074
Per Capita Net Bonded Debt	\$6,705

^(a) Includes the Refunded Bonds.

^(b) Source: Municipal Advisory Council of Texas

\$3,135,000
Senna Hills Municipal Utility District
(Travis County, Texas)
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2020

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Fiscal Year <u>30-Sep</u>	Outstanding Debt Service Requirements	Less: Refunded Debt Service Requirements	Plus: The Bonds ⁽¹⁾			Plus: Issuer Transfer for Payment of Interest on the Prior Bonds ⁽²⁾	Combined Debt Service ^{(1) (2)}
			Principal	Interest	Total		
			2020	\$ 1,040,013	\$ 61,966		
2021	1,044,931	563,931	430,000	114,242	544,242		1,025,242
2022	1,042,669	563,531	460,000	84,600	544,600		1,023,738
2023	1,043,900	562,038	475,000	66,200	541,200		1,023,063
2024	958,175	479,413	415,000	47,200	462,200		940,963
2025	968,319	203,213	145,000	30,600	175,600		940,706
2026	963,925	187,413	140,000	24,800	164,800		941,313
2027	958,888	177,013	140,000	21,300	161,300		943,175
2028	966,788	161,650	120,000	18,500	138,500		943,638
2029	777,775	211,700	175,000	16,100	191,100		757,175
2030	782,438	204,263	170,000	12,600	182,600		760,775
2031	775,925	186,825	160,000	9,200	169,200		758,300
2032	778,063	179,400	155,000	6,000	161,000		759,663
2033	774,000	161,975	145,000	2,900	147,900		759,925
2034	79,000						79,000
2035	81,200						81,200
2036	83,200						83,200
	<u>\$ 13,119,206</u>	<u>\$ 3,904,328</u>	<u>\$3,130,000</u>	<u>\$454,242</u>	<u>\$3,584,242</u>	<u>\$ 61,966</u>	<u>\$ 12,861,086</u>

⁽¹⁾ Includes accrued interest in the amount of \$4,241.67.

⁽²⁾ Reflects the standard, budgeted interest on the existing bonds that must be paid at the closing of the refunding bonds.

TAX ADEQUACY

TABLE 4

2019/20 Net Taxable Valuation	\$ 318,468,058
Maximum Annual Debt Service Requirement	1,040,013
Indicated Maximum Interest and Sinking Fund Tax Rate	0.3367
Indicated Maximum Interest and Sinking Fund Tax Levy at 97% Collections	1,040,013

DEBT SERVICE FUND MANAGEMENT INDEX

TABLE 5

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2019	\$ 527,940
Estimated 2019/20 Interest and Sinking Fund Tax Levy at 97% Collections Assuming \$0.3367 Produces	<u>1,040,013</u>
Total Available for Debt Service	\$ 1,567,953
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-20	<u>(1,040,013)</u>
Estimated Surplus at Fiscal Year End 9-30-20	<u>\$ 527,940</u>

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

TABLE 6

Fiscal Year Ending 9/30	Principal Payment Schedule				Principal Retired	Percent of Unpaid at End of Year
	Outstanding Bonds	Less: Refunded Bonds	Plus: The Bonds	Total		
2020	\$ 670,000	\$ -	\$ -	\$ 670,000	\$ 9,460,000	6.61%
2021	695,000	440,000	430,000	685,000	8,775,000	13.38%
2022	715,000	455,000	460,000	720,000	8,055,000	20.48%
2023	740,000	470,000	475,000	745,000	7,310,000	27.84%
2024	680,000	405,000	415,000	690,000	6,620,000	34.65%
2025	715,000	145,000	145,000	715,000	5,905,000	41.71%
2026	735,000	135,000	140,000	740,000	5,165,000	49.01%
2027	755,000	130,000	140,000	765,000	4,400,000	56.56%
2028	790,000	120,000	120,000	790,000	3,610,000	64.36%
2029	630,000	175,000	175,000	630,000	2,980,000	70.58%
2030	660,000	175,000	170,000	655,000	2,325,000	77.05%
2031	680,000	165,000	160,000	675,000	1,650,000	83.71%
2032	710,000	165,000	155,000	700,000	950,000	90.62%
2033	735,000	155,000	145,000	725,000	225,000	97.78%
2034	70,000			70,000	155,000	98.47%
2035	75,000			75,000	80,000	99.21%
2036	80,000			80,000	-	100.00%
	<u>\$ 10,135,000</u>	<u>\$ 3,135,000</u>	<u>\$ 3,130,000</u>	<u>\$ 10,130,000</u>		

PROPERTY TAX RATES AND COLLECTIONS

TABLE 7

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

Fiscal Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections	
				Current	Total
2005/06	\$ 95,397,977	\$ 0.6650	\$ 634,397	99.99%	100.42%
2006/07	111,354,890	0.6075	676,481	100.00%	102.35%
2007/08	140,842,481	0.5600	788,718	99.85%	100.53%
2008/09	159,322,499	0.5400	860,341	99.91%	100.45%
2009/10	189,249,832	0.5774	1,092,729	99.98%	100.27%
2010/11	182,583,864	0.5774	1,054,239	99.98%	99.98%
2011/12	202,107,931	0.5326	1,076,427	99.98%	99.98%
2012/13	217,459,161	0.5490	1,193,851	99.84%	99.84%
2013/14	232,901,335	0.5490	1,278,628	99.53%	99.66%
2014/15	254,376,163	0.5411	1,376,429	99.67%	99.89%
2015/16	278,704,138	0.5411	1,508,068	99.78%	99.78%
2016/17	288,615,438	0.5411	1,561,698	99.90%	100.00%
2017/18	302,948,211	0.5411	1,639,253	99.85%	99.85%
2018/19	316,279,335	0.5176	1,637,062	99.67%	99.67%
2019/20	318,468,059	0.4651	1,481,195	(In Process of Collection)	

Sources: Travis County Appraisal District, Travis County Tax Office and Issuer's audited financial reports.

PRINCIPAL TAXPAYERS

TABLE 8

<u>Name</u>	<u>Type of Property</u>	<u>2019/20 Net Taxable Assessed Valuation</u>	<u>% of Total 2019/20 Assessed Valuation</u>
Kozlowski, Jarek & Beata	Residence	\$ 1,164,700	0.37%
Sorrell, J. Sean & Stephanie T.	Residence	1,100,106	0.35%
Meza, Carlos A. & Eugenia Garcia	Residence	1,089,420	0.34%
Cook, Angus & Tina D.	Residence	1,081,400	0.34%
Nazareth, Mathew B. & Cardoza, Rekha C.	Residence	1,076,700	0.34%
Birmingham, James E. & Maureen A.	Residence	1,051,500	0.33%
Wang, Rongshan & Fang Yin	Residence	1,043,752	0.33%
Ohad, Sciamama & Saghiv	Residence	1,035,200	0.33%
Doggett, Eric & Lisa	Residence	1,033,761	0.32%
Tara Trust	Residence	1,030,000	0.32%
	Total	<u>\$ 10,706,539</u>	<u>3.36%</u>

Source: Travis County Appraisal District.

HISTORICAL ASSESSED VALUATION AND EXEMPTIONS

TABLE 9

<u>Property Use Category</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Real Property	\$ 281,820,065	\$ 289,363,851	\$ 304,646,522	\$ 317,869,629	\$ 319,128,397
Personal Property	162,768	165,573	203,511	219,797	665,082
Total Appraised Value	\$ 281,982,833	\$ 289,529,424	\$ 304,850,033	\$ 318,089,426	\$ 319,793,479
Less: Exemptions					
Loss to Agriculture	\$ -	\$ -	\$ -	\$ -	\$ -
Exempt	119,000	180,222	181,697	296,686	302,579
Homestead Cap	2,863,394	758,768	1,418,865	1,135,696	627,920
Disabled/Deceased Veterans	17,500	22,500	15,000	15,000	32,000
Solar	278,801	284,516	286,260	362,709	362,821
Total Exemptions	\$ 3,278,695	\$ 1,246,006	\$ 1,901,822	\$ 1,810,091	\$ 1,325,320
Net Taxable Assessed Valuation	\$ 278,704,138	\$ 288,283,418	\$ 302,948,211	\$ 316,279,335	\$ 318,468,059

Source: Travis County Appraisal District.

PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

TABLE 10

<u>Property Use Category</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Real Property	99.94%	99.94%	99.93%	99.93%	99.79%
Personal Property	0.06%	0.06%	0.07%	0.07%	0.21%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

CASH AND INVESTMENT BALANCES

TABLE 11

<u>Fund Name</u>	<u>Fund Balance</u>
General Operating Fund	\$ 2,568,336
Debt Service Fund	527,940
Capital Projects Fund	-
	<u>\$ 3,096,276</u>

Source: Audited Financial Statement for the period ending September 30, 2019.

DISTRICT TAX RATES ⁽¹⁾

TABLE 12

<u>Fund</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
Maintenance & Operations Fund	\$0.1911	\$0.2011	\$0.1976	\$0.1451
Interest & Sinking Fund	<u>0.3500</u>	<u>0.3400</u>	<u>0.3200</u>	<u>0.3200</u>
TOTAL	\$0.5411	\$0.5411	\$0.5176	\$0.4651

OVERLAPPING DEBT DATA AND INFORMATION

TABLE 13

(As of April 2020)

<u>Taxing Body</u>	<u>Gross Debt</u>	<u>Estimated Percentage Overlapping</u>	<u>Amount Overlapping</u>
Austin CCD	\$ 404,420,000	0.00%	\$ -
Eanes Independent School District	155,035,000	1.75%	2,713,113
Travis County	992,335,000	0.12%	1,190,802
Travis Co Healthcare District	7,285,000	0.12%	8,742
Total Gross Overlapping Debt			\$ 3,912,657
Senna Hills Municipal Utility District	\$ 10,135,000 ⁽¹⁾	100.00%	10,135,000
Total Direct and Overlapping Debt			\$ 14,047,657

Ratio of Direct and Overlapping Debt to 2020 Assessed Valuation	4.41%
Ratio of Direct and Overlapping Debt to 2020 Actual Value	4.39%
Direct and Overlapping Debt per Acre	\$43,436

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

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

OVERLAPPING TAXES

TABLE 14

<u>Governmental Entity</u>	<u>2019/20 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Austin CCD	\$ 0.1049	\$ 822.95
Eanes Independent School District	1.1300	8,864.96
Travis County	0.3693	2,897.14
Travis Co Healthcare District	<u>0.1056</u>	<u>828.23</u>
Total	\$ 1.7098	\$ 13,413.29

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

(a) Based on an average home value in 2019 of \$784,510.

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE **TABLE 15**

	Fiscal Year Ended September 30				
	2015	2016	2017	2018	2019
REVENUES:					
Service Revenue	\$ 904,279	\$ 866,537	\$ 902,673	\$ 881,103	\$ 850,837
Property Taxes, Including Penalties	616,196	529,515	551,970	609,602	624,733
Interest	701	5,079	16,443	35,275	58,898
Settlement Proceeds	85,280	-	-	-	-
System Connection/Inspection fees	-	-	150	-	-
Other	976	11,270	64,269	74,598	18,338
Total Revenues	\$ 1,607,432	\$ 1,412,401	\$ 1,535,505	\$ 1,600,578	\$ 1,552,806
EXPENDITURES:					
Current					
Water/wastewater purchases	\$ 315,408	\$ 280,708	\$ 253,656	\$ 258,286	\$ 239,703
Repairs and Maintenance	458,126	372,762	391,203	385,016	323,917
Operations/management fees	75,015	75,357	77,974	74,229	74,279
Utilities/Telephone	62,411	57,920	45,367	50,462	53,183
Director Fees	9,527	10,819	11,303	11,142	10,173
Legal Fees	76,185	66,333	67,623	54,348	63,815
Engineering Fees	85,900	84,495	25,854	38,994	25,357
Accounting Fees	22,350	22,350	22,350	22,350	24,150
Audit Fees	9,300	9,750	10,250	10,500	10,750
Insurance	3,228	3,291	3,544	4,241	4,377
Tax Appraisal/Collection	3,734	3,007	2,946	3,118	3,036
Public Notice	-	-	-	314	2,529
Other	1,998	2,843	5,280	2,160	3,539
Capital Outlay	93,629	-	-	59,568	358,188
Total Expenditures	\$ 1,216,811	\$ 989,635	\$ 917,350	\$ 974,728	\$ 1,196,996
Excess Revenues Over (Under) Expenditures	\$ 390,621	\$ 422,766	\$ 618,155	\$ 625,850	\$ 355,810
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	\$ 110,188	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	(85,437)	(291,437)	-
Total Other Financing Sources (Uses):	\$ 110,188	\$ -	\$ (85,437)	\$ (291,437)	\$ -
Excess of Revenues & Other Sources Over (Under) Expenditures and Other Uses	\$ 500,809	\$ 422,766	\$ 532,718	\$ 334,413	\$ 355,810
Fund Balance - Beginning of Year	\$ 421,820	\$ 922,629	\$ 1,345,395	\$ 1,878,113	\$ 2,212,526
Fund Balance - End of Year	\$ 922,629	\$ 1,345,395	\$ 1,878,113	\$ 2,212,526	\$ 2,568,336

APPENDIX B
FORM OF LEGAL OPINION OF BOND COUNSEL

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Orrick, Herrington & Sutcliffe LLP
300 W. 6th Street
Suite 1850
Austin, TX 78701
+1 512 582 6950
orrick.com

July 16, 2020

Senna Hills Municipal Utility District
Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds,
Series 2020

We have acted as Bond Counsel to the Senna Hills Municipal Utility District (the "District") in connection with the issuance of \$3,130,000 aggregate principal amount of bonds designated as "Senna Hills Municipal Utility District Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds, Series 2020" (the "Bonds"). The Bonds are authorized by a resolution adopted by the Board of Directors of the District on March 27, 2020 and a pricing certificate executed by an authorized officer on June 16, 2020 (together, the "Resolution"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Resolution, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have also reviewed certified copies of certain proceedings of the District and BOKF, NA (the "Escrow Agent"), the certificate (the "Certificate") of the financial advisor for the District, which verifies the sufficiency of the deposit made with the Escrow Agent for the defeasance of the Refunded Bonds, and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures

July 16, 2020

Page 2

presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Resolution and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Finally, our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

- (1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute valid and legally binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.
- (2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds, and are further secured by an irrevocable lien on and pledge of the Net Revenues of the District's System.



July 16, 2020
Page 3

- (3) The escrow deposit agreement between the District and the Escrow Agent (the “Escrow Agreement”) has been duly executed and delivered and constitutes a binding and enforceable agreement of the District in accordance with its terms; the establishment of the Escrow Account pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Certificate, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes as set forth in the order authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor pursuant to such Escrow Agreement.
- (4) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX C

**THE DISTRICT'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

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**SENNA HILLS
MUNICIPAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2019**

SENNA HILLS MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, Chet A. Palesko of the
(Name of Duly Authorized District Representative)

SENA HILLS MUNICIPAL UTILITY DISTRICT
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **31st day of January, 2020**, its annual audit report for the fiscal period ended **September 30, 2019** and that copies of the annual audit report have been filed in the District's office, located at:

12912 Hill Country Blvd., Suite F-232
Austin, Texas 78738
(Address of District's Office)

This filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194 and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: Jan. 31 2020 By: [Signature]
(Signature of District Representative)

Chet A. Palesko, President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 31st day of January, 2020.



[Signature]
(Signature of Notary)

My Commission Expires On: Sept. 21 2022
Notary Public in the State of Texas

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
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Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

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

Board of Directors
Senna Hills Municipal Utility District
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Senna Hills Municipal Utility District (the "District"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and the Other Supplementary Information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The Texas Supplementary Information and the Other Supplementary Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on them.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Austin, Texas

January 31, 2020

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Senna Hills Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2019. Since this information is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the assigned and unassigned fund balance was \$2,568,336, an increase of \$355,810 from the previous fiscal year. General Fund revenues decreased from \$1,600,578 in the previous fiscal year to \$1,552,806 in the current fiscal year due to a decrease in the tax rate allocated to the General Fund.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$541,992 in the previous fiscal year to \$527,940 in the current fiscal year. Debt Service Fund revenues decreased from \$1,047,347 in the previous fiscal year to \$1,035,027 in the current fiscal year due to a decrease in the Debt Service Fund tax rate.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$1,080,506. Net position increased from \$1,072,660 to \$2,153,166.

OVERVIEW OF THE DISTRICT

The District was created by an order of the Commissioner's Court of Travis County, Texas on April 6, 1988, and confirmed by the electorate of the District at a confirmation election held on January 21, 1995. The District operates and maintains a water distribution system and a sewer treatment facility and collection system in Travis County, Texas under Chapter 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the GASB, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statements No. 14 and No. 39 which are included in the District's reporting entity.

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*.

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

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2019	2018	
Current and other assets	\$ 3,268,854	\$ 2,972,162	\$ 296,692
Capital and non-current assets	9,279,500	9,201,759	77,741
Total Assets	12,548,354	12,173,921	374,433
Current Liabilities	886,041	918,701	(32,660)
Long-term Liabilities	9,509,147	10,182,560	(673,413)
Total Liabilities	10,395,188	11,101,261	(706,073)
Net Investment in Capital Assets	(899,647)	(1,635,801)	736,154
Restricted	483,581	495,187	(11,606)
Unrestricted	2,569,232	2,213,274	355,958
Total Net Position	\$ 2,153,166	\$ 1,072,660	\$ 1,080,506

The District's combined net position increased by \$1,080,506 to \$2,153,166 from the previous year balance of \$1,072,660. Some of the District's assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$2,569,232.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase
	2019	2018	(Decrease)
Service accounts	\$ 850,837	\$ 881,103	\$ (30,266)
Property taxes	1,636,833	1,640,582	(3,749)
Other	100,551	129,548	(28,997)
Total Revenues	2,588,221	2,651,233	(63,012)
Water/sewer service	239,703	258,286	(18,583)
Repairs/maintenance	323,917	385,016	(61,099)
Contracted services	74,279	74,229	50
Professional fees	124,072	126,192	(2,120)
Other	81,753	76,709	5,044
Debt Service	383,544	400,801	(17,257)
Depreciation	280,447	267,218	13,229
Total Expenses	1,507,715	1,588,451	(80,736)
Change in Net Position	1,080,506	1,062,782	17,724
Beginning Net Position	1,072,660	9,878	1,062,782
Ending Net Position	\$ 2,153,166	\$ 1,072,660	\$ 1,080,506

Revenues were \$2,588,221 for the fiscal year ended September 30, 2019 while expenses were \$1,507,715. Net position increased by \$1,080,506.

Property taxes totaled \$1,636,833. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

The District's assessed value in fiscal year 2019 was approximately \$316 million compared to approximately \$303 million in fiscal year 2018. The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Travis County. The ad valorem tax rate for fiscal years 2019 and 2018 per \$100 assessed valuation was \$0.5176 and \$0.5411 respectively. The District's primary revenue sources are service account fees and property taxes.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 3,108,856	\$ 2,855,372
Receivables and other assets	161,121	116,790
Total Assets	\$ 3,269,977	\$ 2,972,162
Accounts payable	119,310	155,130
Other payables	51,602	60,113
Total Liabilities	170,912	215,243
Deferred Inflows of Resources	2,789	2,401
Restricted	527,940	541,992
Assigned	200,289	-
Unassigned	2,368,047	2,212,526
Total Fund Balance	3,096,276	2,754,518
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,269,977	\$ 2,972,162

For the fiscal year ended September 30, 2019, the District's governmental funds reflect a combined fund balance of \$3,096,276. This fund balance includes a \$355,810 increase in the General Fund fund balance.

The Debt Service Fund reflects a decrease in fund balance of \$14,052 in fiscal year 2019. The Debt Service Fund remitted bond principal of \$655,000 and interest of \$387,663. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenses. On September 21, 2018, the Board of Directors approved a budget for the fiscal year ending September 30, 2019. The budget included revenues of \$1,531,583 as compared to expenditures of \$1,329,652. When comparing actual to budget, the District had a positive variance of \$153,879. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

SENNA HILLS MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2019

CAPITAL ASSETS

At September 30, 2019, the District's governmental activities had invested \$9,279,500 in land and easements and infrastructure. The detail is reflected in the following schedule:

	<u>Summary of Capital Assets, net</u>	
	<u>9/30/2019</u>	<u>9/30/2018</u>
Land and Easements	\$ 50,000	\$ 50,000
Water/Wastewater/Drainage Facilities	12,618,247	12,260,059
Less: Accumulated Depreciation	(3,388,747)	(3,108,300)
Total Net Capital Assets	<u>\$ 9,279,500</u>	<u>\$ 9,201,759</u>

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

LONG TERM DEBT

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

	<u>Bonds Payable</u>
Series 2010	\$ 3,550,000
Series 2014	5,570,000
Series 2016	1,015,000
Total	<u>\$ 10,135,000</u>

The District owes approximately \$10.1 million to bond holders. During the year, the principal balance was reduced by \$655,000. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The total assessed value for the 2019 tax year is approximately \$320 million and the net taxable assessed value is approximately \$318 million. The fiscal year 2020 tax rate is \$0.4651 on each \$100 of taxable value. Approximately 31% of the property tax will fund general operating expenses, and approximately 69% of the property tax will be set aside for debt service on the District's bonded debt.

The adopted budget for fiscal year 2020 projects an operating fund balance decrease of \$200,289.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2019**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Willatt & Flickinger, PLLC, 12912 Hill Country Blvd., Suite F-232, Austin, Texas, 78738.

FINANCIAL STATEMENTS

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<u>ASSETS</u>					
Cash and cash equivalent investments:					
Cash	\$ 219,838	\$ 224,134	\$ 443,972	\$ -	\$ 443,972
Cash equivalent investments	2,361,553	303,331	2,664,884	-	2,664,884
Receivables:					
Service accounts, net provision for uncollectible accounts of \$1,000	152,590	-	152,590	-	152,590
Taxes, no provision for uncollectible accounts	1,883	3,491	5,374	-	5,374
Interfund receivables	1,123	-	1,123	(1,123)	-
Other	2,034	-	2,034	-	2,034
Capital assets, net of accumulated depreciation:					
Land and easements	-	-	-	50,000	50,000
Water/wastewater/drainage facilities	-	-	-	9,229,500	9,229,500
TOTAL ASSETS	\$ 2,739,021	\$ 530,956	\$ 3,269,977	9,278,377	12,548,354
<u>LIABILITIES</u>					
Accounts payable	\$ 119,310	\$ -	\$ 119,310	-	119,310
Refundable deposits	50,479	-	50,479	-	50,479
Accrued interest payable	-	-	-	46,252	46,252
Interfund payables	-	1,123	1,123	(1,123)	-
Bonds payable:					
Due within one year	-	-	-	670,000	670,000
Due after one year	-	-	-	9,509,147	9,509,147
TOTAL LIABILITIES	169,789	1,123	170,912	10,224,276	10,395,188
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Property taxes	896	1,893	2,789	(2,789)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	896	1,893	2,789	(2,789)	-
<u>FUND BALANCES / NET POSITION</u>					
Fund balances:					
Restricted for debt service	-	527,940	527,940	(527,940)	-
Assigned for 2019-20 budget deficit	200,289	-	200,289	(200,289)	-
Unassigned	2,368,047	-	2,368,047	(2,368,047)	-
TOTAL FUND BALANCES	2,568,336	527,940	3,096,276	(3,096,276)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 2,739,021	\$ 530,956	\$ 3,269,977		
Net position:					
Net investment in capital assets				(899,647)	(899,647)
Restricted for debt service				483,581	483,581
Unrestricted				2,569,232	2,569,232
TOTAL NET POSITION				\$ 2,153,166	\$ 2,153,166

The accompanying notes are an integral part of this statement.

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**SENNA HILLS MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:					
Service revenues, including penalties	\$ 850,837	\$ -	\$ 850,837	\$ -	\$ 850,837
Property taxes, including penalties and interest	624,733	1,011,712	1,636,445	388	1,636,833
Interest	58,898	23,315	82,213	-	82,213
Other	18,338	-	18,338	-	18,338
TOTAL REVENUES	1,552,806	1,035,027	2,587,833	388	2,588,221
EXPENDITURES / EXPENSES:					
Current:					
Water/wastewater purchases	239,703	-	239,703	-	239,703
Repairs/maintenance	323,917	-	323,917	-	323,917
Operations/management fee	74,279	-	74,279	-	74,279
Utilities/telephone	53,183	-	53,183	-	53,183
Director fees, including payroll taxes	10,173	-	10,173	-	10,173
Legal fees	63,815	-	63,815	-	63,815
Engineering fees	25,357	-	25,357	-	25,357
Accounting fees	24,150	-	24,150	-	24,150
Audit fees	10,750	-	10,750	-	10,750
Insurance	4,377	-	4,377	-	4,377
Tax appraisal/collection	3,036	4,916	7,952	-	7,952
Public notice	2,529	-	2,529	-	2,529
Other	3,539	-	3,539	-	3,539
Debt service:					
Principal	-	655,000	655,000	(655,000)	-
Interest	-	387,663	387,663	(5,619)	382,044
Fiscal agent fees	-	1,500	1,500	-	1,500
Capital outlay	358,188	-	358,188	(358,188)	-
Depreciation	-	-	-	280,447	280,447
TOTAL EXPENDITURES / EXPENSES	1,196,996	1,049,079	2,246,075	(738,360)	1,507,715
Change in fund balances / net position	355,810	(14,052)	341,758	738,748	1,080,506
FUND BALANCES / NET POSITION:					
Beginning of the year	2,212,526	541,992	2,754,518	(1,681,858)	1,072,660
End of the year	\$ 2,568,336	\$ 527,940	\$ 3,096,276	\$ (943,110)	\$ 2,153,166

The accompanying notes are an integral part of this statement.

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**NOTES TO THE
FINANCIAL STATEMENTS**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Senna Hills Municipal Utility District (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created by an order of the Commissioner's Court of Travis County, Texas on April 6, 1988, and confirmed by the electorate of the District at a confirmation election held on January 21, 1995. The District operates and maintains a water distribution system and a sewer treatment facility and collection system in Travis County, Texas under Chapter 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by GASB standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB standards which are included in the District's reporting entity.

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

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

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

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

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

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

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

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting

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

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

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

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

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

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

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - An unappropriated budget was adopted on September 21, 2018, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end. The budget was not amended during the fiscal year.

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

Cash and Cash Equivalent Investments - Cash and cash equivalent investments includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the Local Government Investment Cooperative investment pool, are recorded at amortized cost.

Accounts Receivable - The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had an allowance for uncollectible accounts of \$1,000 at September 30, 2019.

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

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

Water, Wastewater and Drainage Facilities	10 - 50
---	---------

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

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt (continued) -

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the fund financial statements and the government-wide financial statements.

Fund Balance - Fund balances in governmental funds are classified using the following hierarchy:

- ***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 does not have any nonspendable fund balances.
- ***Restricted***: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- ***Committed***: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- ***Assigned***: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. At September 30, 2019, the District had \$200,289 in assigned fund balance to cover the budget deficit for fiscal year 2020.
- ***Unassigned***: all other spendable amounts in the General Fund.

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

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

New Accounting Pronouncement -- In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of a construction period. Under GASB Statement No. 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management has chosen to early implement GASB Statement No. 89 as of and for the year ended September 30, 2019.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

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

Fund Balances - Total Governmental Funds		\$ 3,096,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds -		
Capital assets	\$ 12,668,247	
Less: Accumulated depreciation	<u>(3,388,747)</u>	9,279,500
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.		2,789
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	\$ (10,135,000)	
Bond discounts, net	51,282	
Bond premiums, net	(95,429)	
Accrued interest	<u>(46,252)</u>	<u>(10,225,399)</u>
Net Position - Governmental Activities		<u>\$ 2,153,166</u>

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

Changes in Fund Balances - Governmental Funds		\$ 341,758
Amounts reported for governmental activities in the Statement of activities are different because:		
Governmental funds report:		
Bond principal payments as expenditures in year paid	\$ 655,000	
Interest expenditures in year paid	5,619	
Tax revenue when collected	388	
Capital outlay	<u>358,188</u>	1,019,195
Governmental funds do not report:		
Depreciation		<u>(280,447)</u>
Change in Net Position - Governmental Activities		<u>\$ 1,080,506</u>

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. CASH AND CASH EQUIVALENT INVESTMENTS

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

Cash - At September 30, 2019, the carrying amount of the District's deposits was \$443,972 and the bank balance was \$444,159. The bank balance was covered by federal depository insurance.

Cash Equivalent Investments -

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

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

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

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

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

3. CASH AND INVESTMENTS (continued) –

At September 30, 2019, the District held the following investments:

Investment	Fair Value at 9/30/2019	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
LOGIC	\$ 2,664,884	\$ 2,361,553	\$ 303,331	\$ -	AAAm	Standard & Poors

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

(2) Restricted for purchase of capital assets.

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

Concentration of credit risk. In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2019, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2019, the District’s bank deposits were covered by FDIC insurance.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District established appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set tax rates for the 2018 tax year on September 21, 2018.

The property tax rates, established in accordance with State law, were based on 100% of the net assessed valuation of real property within the District on the 2018 tax roll. The tax rate, based on total taxable assessed valuation of \$316,203,468, was \$0.5176 on each \$100 valuation and was allocated as follows:

	<u>Tax Rate</u>
General Fund	\$ 0.1976
Debt Service Fund	0.3200
	<u>\$ 0.5176</u>

The maximum allowable maintenance tax of \$1.00 was established by the voters on January 21, 1995.

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

	General Fund	Debt Service Fund	Total
Current year levy	\$ 1,135	\$ 1,838	\$ 2,973
Prior years' levies	748	1,653	2,401
	<u>\$ 1,883</u>	<u>\$ 3,491</u>	<u>\$ 5,374</u>

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

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2018	Additions	Deletions	Balance 9/30/2019
Capital assets not being depreciated -				
Land and easements	\$ 50,000	\$ -	\$ -	\$ 50,000
Total capital assets not being depreciated	50,000	-	-	50,000
Capital assets being depreciated -				
Water/wastewater/drainage facilities	12,260,059	358,188	-	12,618,247
Total capital assets being depreciated	12,260,059	358,188	-	12,618,247
Less accumulated depreciation for -				
Water/wastewater/drainage facilities	(3,108,300)	(280,447)	-	(3,388,747)
Total accumulated depreciation	(3,108,300)	(280,447)	-	(3,388,747)
Total capital assets being depreciated, net of accumulated depreciation	9,151,759	77,741	-	9,229,500
Total capital assets, net	\$ 9,201,759	\$ 77,741	\$ -	\$ 9,279,500

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

6. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2019:

	Combination Unlimited Tax Bonds
Bonds payable at October 1, 2018	\$ 10,790,000
Bonds issued	-
Bonds refunded	-
Bonds retired	(655,000)
Bond discount, net of accumulated amortization	(51,282)
Bond premium, net of accumulated amortization	95,429
Bonds payable at September 30, 2019	\$ 10,179,147

Bonds payable at September 30, 2019, were comprised of the following individual issues:

Unlimited Tax and Waterworks and Sewer System Revenue Bonds:

\$1,015,000 - 2016 Unlimited Tax and Waterworks and Sewer System Revenue Bonds paid serially through the year 2036 at interest rates which range from 3.00% to 4.00%. Bonds maturing on August 15th of each of the years on or after 2027 are redeemable on August 15, 2026 or on any date thereafter. Bonds maturing on August 15, 2028, 2030, 2033 and 2036 are subject to mandatory redemption.

Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds:

\$3,550,000 - 2010 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds paid serially through the year 2033 at interest rates which range from 3.375% to 4.50%. Bonds maturing on August 15th of each of the years on or after 2021 are redeemable on August 15, 2020 or on any date thereafter. Bonds maturing on August 15, 2026, 2028, 2030 and 2033 are subject to mandatory redemption.

\$5,570,000 - 2014 Unlimited Tax and Waterworks and Sewer System Revenue Refunding Bonds paid serially through the year 2033 at interest rates which range from 2.25% to 4.00%. Current interest bonds maturing on or after August 15, 2024 are subject to optional redemption on February 15, 2024 or on any date thereafter.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

6. BONDED DEBT (continued) -

The annual requirement to amortize all bonded debt at September 30, 2019, including interest, is as follows:

Year Ended September 30,	Principal	Interest	Total
2020	\$ 670,000	\$ 370,013	\$ 1,040,013
2021	695,000	349,930	1,044,930
2022	715,000	327,668	1,042,668
2023	740,000	303,900	1,043,900
2024	680,000	278,175	958,175
2025 - 2029	3,625,000	1,010,695	4,635,695
2030 - 2034	2,855,000	334,425	3,189,425
2035 - 2036	155,000	9,400	164,400
	<u>\$ 10,135,000</u>	<u>\$ 2,984,206</u>	<u>\$ 13,119,206</u>

\$527,940 is available in the Debt Service Fund to service the bonded debt. All authorized bonds have been issued as of September 30, 2019.

7. COMMITMENTS AND CONTINGENCIES

On June 22, 2012, the District entered into an agreement with the Lower Colorado River Authority ("LCRA") that replaced an earlier agreement dated January 11, 1993 and amended March 25, 1999. Under this agreement, the District is entitled to a maximum quantity of 404 acre feet of raw water. The District is charged \$145 per acre-foot for water usage and \$72.50 per acre-foot for reserved capacity.

On September 2, 1994, the District entered into a water supply agreement with the LCRA. The term of the agreement is for 40 years. Under this agreement, the LCRA agrees to provide certain water services to the District for raw water which the District purchases pursuant to the District's Raw Water Contract. The District is obligated to pay the LCRA a connection fee for each new retail water connection. Additionally, the District pays a monthly charge each month and a volume rate for the amount of water delivered to the District. During a prior fiscal year, this agreement was assigned by the LCRA to the West Travis County Public Utility Agency.

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

8. PENDING LITIGATION

Cause No. D-1-GN-12-000602; Senna Hills, Ltd., Plaintiff v. Senna Hills Municipal Utility District, Defendant in the District Court of Travis County, Texas; 250th Judicial District. In this case, Senna Hills, Ltd. complains that Senna Hills MUD installed a wastewater line in a public utility easement. A Motion for Partial Summary Judgment filed by Senna Hills, Ltd. was denied. Mediation of this matter was held January 21, 2016 and was held jointly with mediation of Cause No. D-1-GN-14-004993 described below. A settlement has been reached and an Agreed Dismissal Order has been escrowed pending completion of the requirements of the settlement. The possibility of an outcome adverse to the District in this litigation is remote.

Cause No. D-1-GN-14-004993; Senna Hills, Ltd. v. Senna Hills Municipal Utility District, Defendant in the District Court of Travis County, Texas; 200th Judicial District. In this case, Plaintiff Senna Hills, Ltd. seeks to build an office building on a tract of land of approximately 11.73 acres. The land is addressed in the Conceptual Plan attached to the First Amended and Restated Agreement Concerning Creation and Operation of Senna Hills Municipal Utility District, by and between the Plaintiff, the City of Austin and the District, dated effective as of October 1, 1992. The 11.73 acres is identified on the Conceptual Plan attached to the Consent Agreement as "Lot 3" and "Lot 4". Lot 3 is a 10 acre tract on which is written "School (irrigation EESMT)." Lot 4 is a 1.73 acre tract on which is written "Irrigation." Plaintiff contends the District breached the Consent Agreement for failure to release the 11.73 acre tract from its prior dedication for irrigation purposes. The Plaintiff contends that the requirement that the 11.73 acre tract be dedicated or set aside as land available to the District for irrigation purposes can be eliminated by the City of Austin Director of Planning and Development without the consent of the District. Plaintiff contends that the land is no longer needed for irrigation because other land within the District is sufficient for that purpose. The Plaintiff seeks to have the Conceptual Plan modified to eliminate any requirement that the 11.73 acre tract be available for irrigation purposes, such modification to be made administratively by the City of Austin Director of Planning and Development, without needing the consent of the District. Plaintiff's petition has been amended to add a claim against the District for inverse condemnation of the 11.73 acre tract, with no amount of damages specified and to request a declaratory judgment finding and declaring that the Texas Commission on Environmental Quality permit held jointly by the Plaintiff and the District should be amended to allow irrigation on tracts of less than 15% slope. The report prepared by the District's engineer shows that the District requires a part of the 11.73 acre tract for irrigation. The District's engineer has been deposed and limited written discovery has been conducted. The City of Austin has been made a party to this case. Mediation of this case was held jointly with Cause No. D-1-GN-12-000602 on January 21, 2016. A settlement has been reached and an Agreed Dismissal Order has been escrowed pending completion of the requirements of the settlement. If the requirements of the settlement are not completed, the District expects to vigorously contest the foregoing causes. If the requirements for settlement are not completed, the outcome cannot be predicted at this time.

SENNA HILLS MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019

9. RISK MANAGEMENT

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

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2019**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Service revenues, including penalties	\$ 850,837	\$ 871,283	\$ (20,446)
Property taxes, including penalties	624,733	624,300	433
Interest	58,898	36,000	22,898
Other	18,338	-	18,338
TOTAL REVENUES	<u>1,552,806</u>	<u>1,531,583</u>	<u>21,223</u>
EXPENDITURES:			
Current:			
Water/wastewater purchases	239,703	269,114	29,411
Repairs/maintenance	323,917	505,600	181,683
Operations/management fees	74,279	78,000	3,721
Utilities/telephone	53,183	57,300	4,117
Director fees, including payroll taxes	10,173	11,988	1,815
Legal fees	63,815	66,000	2,185
Engineering fees	25,357	46,000	20,643
Accounting fees	24,150	22,350	(1,800)
Audit fees	10,750	10,500	(250)
Insurance	4,377	4,500	123
Tax appraisal/collection	3,036	4,300	1,264
Public notice	2,529	1,000	(1,529)
Other	3,539	3,000	(539)
Capital outlay	358,188	250,000	(108,188)
TOTAL EXPENDITURES	<u>1,196,996</u>	<u>1,329,652</u>	<u>132,656</u>
Change in fund balance	355,810	<u>\$ 201,931</u>	<u>\$ 153,879</u>
FUND BALANCE:			
Beginning of the year	<u>2,212,526</u>		
End of the year	<u>\$ 2,568,336</u>		

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**TEXAS
SUPPLEMENTARY INFORMATION**

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**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2019**

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 24.80	-	N	\$ 5.00	0,001-20,000
				\$ 7.00	20,001-30,000
				\$ 9.00	30,001-45,000
				\$ 10.00	45,001-60,000
				\$ 12.00	60,001-75,000
				\$ 14.00	75,001-90,000
				\$ 16.00	90,001-105,000
				\$ 18.00	105,001-135,000
				\$ 20.00	Over 135,000
WASTEWATER:	\$ 70.00	10,000	N	\$ 2.85	10,001 and over
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 74.80 Wastewater \$ 70.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0.0	0.0	1.0	0.0
≤ 3/4"	405.0	405.0	1.0	405.0
1"	5.0	5.0	2.5	12.5
1 1/2"	1.0	1.0	5.0	5.0
2"	1.0	1.0	8.0	8.0
3"	0.0	0.0	15.0	0.0
4"	0.0	0.0	25.0	0.0
6"	0.0	0.0	50.0	0.0
8"	0.0	0.0	80.0	0.0
10"	0.0	0.0	115.0	0.0
Total Water	412.0	412.0		430.5
Total Wastewater	405.0	405.0	1.0	405.0

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2019**

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

Gallons pumped into system: 71,098

Gallons billed to customers: 66,008

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

92.8%

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

Does the District assess standby fees? Yes No

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

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

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

5. Location of District

County(ies) in which district is located: Travis

Is the District located entirely within one county? Yes No

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

City(ies) in which district is located: N/A

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

Entirely Partly Not at all

ETJ's in which district is located: Austin, Texas

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2019

Professional Fees:		
Auditing	\$	10,750
Legal		63,815
Engineering		25,357
Purchased Services For Resale-		
Bulk Water and Wastewater Purchases		239,703
Contracted Services:		
General Manager / Bookkeeping		98,429
Appraisal District/Tax Collector		3,036
Utilities		53,183
Repairs and Maintenance		323,917
Administrative Expenditures:		
Directors' Fees		10,173
Insurance		4,377
Other Administrative Expenditures		6,068
Capital Outlay:		
Capitalized Assets		358,188
		<hr/>
TOTAL EXPENDITURES	\$	<u>1,196,996</u>

Number of persons employed by the District:

Full-Time

Part-Time

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund -					
LOGIC Investment Pool	XXX8010	Varies	N/A	\$ 2,361,553	\$ -
Total				<u>2,361,553</u>	<u>-</u>
Debt Service Fund:					
LOGIC Investment Pool	XXX8020	Varies	N/A	299,296	-
LOGIC Investment Pool	XXX8050	Varies	N/A	<u>4,035</u>	<u>-</u>
Total				<u>303,331</u>	<u>-</u>
Total - All Funds				<u>\$ 2,664,884</u>	<u>\$ -</u>

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2019**

	Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year	\$ 748	\$ 1,653
2018 Original Tax Levy	624,886	1,011,960
Adjustments	(68)	(109)
Total to be accounted for	<u>625,566</u>	<u>1,013,504</u>
Tax collections:		
Current year	623,683	1,010,013
Prior years	-	-
Total collections	<u>623,683</u>	<u>1,010,013</u>
Taxes Receivable, End of Year	<u>\$ 1,883</u>	<u>\$ 3,491</u>
Taxes Receivable, By Years		
2017 and before	\$ 748	\$ 1,653
2018	1,135	1,838
Taxes Receivable, End of Year	<u>\$ 1,883</u>	<u>\$ 3,491</u>

	2018	2017	2016	2015
Property Valuations-				
Land and improvements	\$ 316,203,468	\$ 302,858,639	\$ 288,190,558	\$ 277,058,165
Total Property Valuations	<u>\$ 316,203,468</u>	<u>\$ 302,858,639</u>	<u>\$ 288,190,558</u>	<u>\$ 277,058,165</u>
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.3200	\$ 0.3400	\$ 0.3500	\$ 0.3500
Maintenance tax rates	0.1976	0.2011	0.1911	0.1911
Total Tax Rates per \$100 Valuation:	<u>\$ 0.5176</u>	<u>\$ 0.5411</u>	<u>\$ 0.5411</u>	<u>\$ 0.5411</u>
Original Tax Levy	<u>\$ 1,636,669</u>	<u>\$ 1,638,768</u>	<u>\$ 1,559,399</u>	<u>\$ 1,499,162</u>
Percent of Taxes Collected to Taxes Levied *	<u>99.8%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>

Maximum Maintenance Tax Rate Approved by Voters: \$ 1.00 on 1/21/1995.

*Calculated as taxes collected in current and previous years divided by tax levy.

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

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2019**

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2016			Unlimited Tax Refunding Bonds Series 2014			Unlimited Tax Refunding Bonds Series 2016			Total - All Issues		
	Principal Due 8/15	Interest Due 2/15, 8/15	Total	Principal Due 8/15	Interest Due 2/15, 8/15	Total	Principal Due 8/15	Interest Due 2/15, 8/15	Total	Principal Due 8/15	Interest Due 2/15, 8/15	Total
2020	\$ 415,000	\$ 137,938	\$ 552,938	\$ 210,000	\$ 196,357	\$ 406,357	\$ 45,000	\$ 35,718	\$ 80,718	\$ 670,000	\$ 370,013	\$ 1,040,013
2021	440,000	123,931	563,931	210,000	191,631	401,631	45,000	34,368	79,368	695,000	349,930	1,044,930
2022	453,000	106,531	563,531	210,000	186,119	396,119	50,000	33,018	83,018	715,000	327,668	1,042,668
2023	470,000	92,038	562,038	220,000	180,344	400,344	50,000	31,518	81,518	740,000	303,980	1,043,980
2024	405,000	74,313	479,313	225,000	173,744	398,744	50,000	30,018	80,018	680,000	278,175	958,175
2025	145,000	58,212	203,212	515,000	166,712	681,712	55,000	28,304	83,304	715,000	253,318	968,318
2026	135,000	52,412	187,412	545,000	149,975	694,975	55,000	26,538	81,538	735,000	228,825	963,825
2027	130,000	47,003	177,003	570,000	132,262	702,262	55,000	24,612	79,612	755,000	203,857	958,857
2028	120,000	41,650	161,650	610,000	112,313	722,313	60,000	22,826	82,826	790,000	176,789	966,789
2029	175,000	36,700	211,700	395,000	90,200	485,200	60,000	20,876	80,876	630,000	147,776	777,776
2030	175,000	29,262	204,262	420,000	74,388	494,388	65,000	18,776	83,776	640,000	122,438	762,438
2031	165,000	21,826	186,826	450,000	57,688	507,688	65,000	16,500	81,500	680,000	95,926	775,926
2032	165,000	14,300	179,300	480,000	39,688	519,688	70,000	14,862	84,862	710,000	68,062	778,062
2033	155,000	6,975	161,975	510,000	20,300	530,300	70,000	11,624	81,624	735,000	38,999	773,999
2034	-	-	-	-	-	-	75,000	9,900	84,900	70,000	9,000	79,000
2035	-	-	-	-	-	-	82,000	6,200	88,200	80,000	6,200	86,200
2036	-	-	-	-	-	-	-	3,200	3,200	-	3,200	3,200
	\$ 3,550,000	\$ 845,301	\$ 4,395,301	\$ 4,570,000	\$ 1,771,657	\$ 6,341,657	\$ 1,015,000	\$ 367,248	\$ 1,382,248	\$ 10,135,000	\$ 2,984,206	\$ 13,119,206

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2019**

	Bond Issues			Total
	Series 2010	Series 2014	Series 2016	
Interest Rate	3.375% to 4.50%	2.25% to 4.00%	3.00% to 4.00%	
Dates Interest Payable	2/15, 8/15	2/15, 8/15	2/15, 8/15	
Maturity Dates	8/15/2033	8/15/2033	8/15/2036	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 3,960,000	\$ 5,770,000	\$ 1,060,000	\$ 10,790,000
Bonds Sold During the Current Fiscal Year	-	-	-	-
Retirements During the Current Fiscal Year:				
Principal	(410,000)	(200,000)	(45,000)	(655,000)
Refunded	-	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 3,550,000</u>	<u>\$ 5,570,000</u>	<u>\$ 1,015,000</u>	<u>\$ 10,135,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 150,238</u>	<u>\$ 200,357</u>	<u>\$ 37,068</u>	<u>\$ 387,663</u>
Paying Agent's Name & Address:	<u>Wells Fargo Bank</u> <u>Austin, TX</u>	<u>BOKF, NA</u> <u>Austin, TX</u>	<u>BOKF, NA</u> <u>Austin, TX</u>	
Bond Authority:	<u>Tax Bonds</u>	<u>Refunding Bonds *</u>	<u>Refunding Bonds *</u>	
Amount Authorized by Voters	\$ 16,000,000	N/A	N/A	
Amount Issued	<u>(16,000,000)</u>	<u>\$ 12,505,000</u>	<u>\$ 12,505,000</u>	
Remaining To Be Issued	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	

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

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2019: \$ 527,465

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 771,718

SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL AND DEBT SERVICE FUNDS - FIVE YEARS
SEPTEMBER 30, 2019

	Amounts					Percent of Fund Total Revenues				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
GENERAL FUND REVENUES:										
Property taxes, including penalties and interest	\$ 624,733	\$ 609,602	\$ 551,970	\$ 529,515	\$ 616,196	40.2%	38.1%	35.9%	37.5%	35.9%
Service revenues, including penalties	850,837	881,103	902,673	866,537	904,279	54.8%	55.0%	58.8%	61.3%	52.6%
Tap fees	-	-	150	100	150	-	-	0.1%	-	0.1%
Settlement proceeds	-	-	-	-	85,280	-	-	-	-	5.0%
Interest	58,898	35,275	16,443	5,079	701	3.8%	2.2%	1.0%	0.4%	-
Transfers in	-	-	-	-	110,188	-	-	-	-	6.4%
Other	18,338	74,598	64,269	11,170	826	1.2%	4.7%	4.3%	0.8%	-
TOTAL GENERAL FUND REVENUES AND OTHER SOURCES	1,552,806	1,600,578	1,535,505	1,412,401	1,717,620	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Current:										
Water/wastewater purchases	239,783	258,286	253,656	280,708	315,408	15.3%	16.1%	16.5%	19.9%	18.4%
Repairs/maintenance	323,917	385,016	391,203	372,762	458,126	20.9%	24.1%	25.5%	26.4%	26.7%
Operations/management fees	74,279	74,229	77,974	75,357	75,015	4.8%	4.6%	5.1%	5.3%	4.4%
Utilities/telephone	53,183	50,462	45,267	57,920	62,411	3.4%	3.2%	2.9%	4.1%	3.6%
Director fees, including payroll taxes	10,173	11,142	11,303	10,819	9,527	0.7%	0.7%	0.7%	0.8%	0.6%
Legal fees	63,815	54,348	67,623	66,333	76,185	4.1%	3.4%	4.4%	4.7%	4.4%
Engineering fees	25,357	38,974	25,854	84,495	85,900	1.6%	2.4%	1.7%	6.0%	5.0%
Accounting fees	24,150	22,350	22,350	22,350	22,350	1.6%	1.4%	1.5%	1.6%	1.3%
Audit fees	10,750	10,500	10,250	9,750	9,300	0.7%	0.7%	0.7%	0.7%	0.5%
Insurance	4,377	4,241	3,544	3,291	3,228	0.3%	0.3%	0.2%	0.2%	0.2%
Tax appraisal/collection	3,036	3,118	2,946	3,007	3,734	0.2%	0.2%	0.2%	0.2%	0.2%
Public notice	2,529	314	-	-	-	0.2%	-	-	-	-
Other	3,539	2,160	5,280	2,843	1,998	0.2%	0.1%	0.3%	0.2%	0.1%
Transfers out	-	291,437	85,437	-	-	-	18.2%	5.6%	-	-
Capital Outlay	358,188	59,553	-	-	93,629	23.1%	3.7%	-	-	5.4%
TOTAL GENERAL FUND EXPENDITURES AND OTHER USES	1,196,996	1,266,165	1,002,787	989,635	1,216,811	77.1%	79.1%	65.3%	70.1%	70.8%
EXCESS OF GENERAL FUND REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 355,810	\$ 334,413	\$ 532,718	\$ 422,766	\$ 500,809	22.9%	20.9%	34.7%	29.9%	29.2%
DEBT SERVICE FUND REVENUES:										
Property taxes, including penalties and interest	\$ 1,011,712	\$ 1,030,655	\$ 1,010,939	\$ 969,817	\$ 766,810	97.7%	98.4%	99.1%	99.6%	99.8%
Interest and other	23,315	16,692	9,153	4,151	1,473	2.3%	1.6%	0.9%	0.4%	0.2%
TOTAL DEBT SERVICE FUND REVENUES AND OTHER SOURCES	1,035,027	1,047,347	1,020,092	973,968	768,283	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES:										
Tax appraisal/collection	4,916	5,272	5,396	5,507	4,646	0.5%	0.5%	0.5%	0.6%	0.6%
Financial advisor fees and other	1,500	1,500	1,800	1,800	965	0.1%	0.1%	0.1%	0.1%	0.1%
Bond principal	655,808	640,000	395,000	395,000	425,000	63.3%	61.1%	38.7%	40.5%	55.4%
Bond interest	387,663	404,863	591,150	565,938	538,338	37.5%	38.7%	58.0%	58.1%	70.1%
TOTAL DEBT SERVICE FUND EXPENDITURES AND OTHER USES	1,049,879	1,051,635	992,346	967,445	968,949	101.4%	100.4%	97.3%	99.3%	126.3%
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (14,852)	\$ (4,288)	\$ 27,546	\$ 6,523	\$ (200,666)	-1.4%	-0.4%	2.7%	0.7%	-26.2%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	412	411	412	412	412					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	405	403	405	405	405					

**SENNA HILLS MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2019**

Complete District Mailing Address:

c/o Willatt & Flickinger, PLLC
12912 Hill Country Blvd., Suite F-232, Austin TX 78738

District Business Telephone Number:

(512) 476-6604

Submission Date of the most recent District
Registration Form TWC Sections 36.054 & 49.054:

August 6, 2019

Limits on Fees of Office that a Director may receive
during a fiscal year: (Set by Board Resolution
TWC Section 49.060)

\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
		9/30/2019	9/30/2019	
Board Members:				
CHET PALESKO	(Elected) 11/2018 - 11/2022	\$ 1,500	\$ -	President
DAVID I. PERL	(Elected) 11/2018 - 11/2022	\$ 2,700	\$ -	Vice-President
LISA S. MCKENZIE	(Elected) 11/2016 - 11/2020	\$ 3,450	\$ -	Secretary
COREY NEWHOUSE	(Elected) 11/2016 - 11/2020	\$ 1,350	\$ -	Assistant Secretary
JOSEPH MATTHEW SZOO	(Elected) 11/2016 - 11/2020	\$ 450	\$ -	Assistant Secretary

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

Consultants:

Inframark LLC	9/1/2012	\$ 302,900	\$ -	Operator/Manager
Willatt & Flickinger, PLLC	9/8/2005	\$ 64,104	\$ -	Attorney
McCall Gibson Swedlund Barfoot PLLC	9/26/2014	\$ 10,750	\$ -	Auditor
Murfee Engineering	7/13/2011	\$ 74,347	\$ -	Engineer
SAMCO Capital Markets	10/15/1997	\$ -	\$ -	Financial Advisor
Bott & Douthitt, PLLC	3/1/2012	\$ 24,000	\$ 162	Bookkeeper
Travis County Tax Collector	2/27/95	\$ 688	\$ -	Tax Collector

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APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

BUILD AMERICA MUTUAL

**MUNICIPAL BOND
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

200 Liberty Street, 27th floor

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services
Provided By:

