OFFICIAL STATEMENT
Dated December 15, 2021

Delivery of the Bonds (defined herein) is subject to the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

Rating:
S&P: "AA" (Stable Outlook)/Insured
Moody's: "A2" (Stable Outlook)/Insured
Moody's: "Baa2"/Uninsured
Insurance: AGM

NEW ISSUE – Book-Entry-Only

$6,465,000
PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
UNLIMITED TAX BONDS, SERIES 2021A

Dated: December 30, 2021 **Due: February 15, as shown on page 2**
Interest to accrue from the Date of Initial Delivery (as defined below)

The bonds described above (the "Bonds") are obligations solely of Pilot Knob Municipal Utility District No. 3 (the "District") and are not obligations of the State of Texas ("State"), Travis County (the "County"), the City of Austin (the "City"), Del Valle Independent School District or any entity other than the District.

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

PAYMENT TERMS . . . Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, (the "Paying Agent" or the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds will accrue from the Date of Initial Delivery (as defined below) and will be payable each August 15 and February 15, commencing August 15, 2022, until maturity or prior redemption. Interest on the Bonds accrues from the Date of Initial Delivery and will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of $5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as provided on page 2.

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

The Bonds are being offered by the District concurrently with the District's "Unlimited Tax Road Bonds, Series 2021" (the "Unlimited Tax Road Bonds"), but pursuant to separate offering documents. Such offering documents should be reviewed and analyzed independently, including, without limitation, the types of obligation being offered, their respective terms for payment, the security for their payment, the treatment of interest for federal income tax purposes, and the rights of the holders. Initial delivery of the Unlimited Tax Road Bonds through the facilities of DTC is expected to occur on or about December 30, 2021. See "THE BONDS – Authority for Issuance."

PURPOSE . . . Proceeds of the Bonds will be used to finance the following: (i) Easton Park Section 2A drainage facilities; (ii) Easton Park Tract 2A water, wastewater and drainage facilities; (iii) Easton Park Section 2B Phases 1 and 3 water and wastewater facilities; (iv) engineering costs; (v) land costs; and (vi) city inspection and review fees. The remaining Bond proceeds will be used to: (i) pay developer interest; and (ii) pay certain legal and engineering costs associated with the issuance of the Bonds.

ASSURED GUARANTY MUNICIPAL

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

CUSIP PREFIX: 721573
MATURITY SCHEDULE AS SHOWN ON PAGE 2 HEREOF

LEGALITY . . . The Bonds are offered by the Initial Purchaser (defined herein) subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel.

DELIVERY . . . Delivery of the Bonds is expected through the facilities of DTC on December 30, 2021 ("Date of Initial Delivery").

MATURITY SCHEDULE

2/15 Maturity	Principal Amount	Interest Rate	Initial Yield[a]		CUSIP Numbers[b]
2023	$ 170,000	3.500%	0.600%		721573FW8
2024	175,000	3.500%	0.700%		721573FX6
2025	185,000	3.500%	0.900%		721573FY4
2026	190,000	3.500%	1.100%		721573FZ1
2027	195,000	3.500%	1.250%		721573GA5
2028	205,000	2.000%	1.350%	(c)	721573GB3
2029	210,000	1.250%	1.600%		721573GC1
2030	220,000	2.000%	1.700%	(c)	721573GD9
2031	230,000	2.000%	1.850%	(c)	721573GE7
2032	240,000	2.000%	2.000%		721573GF4
2033	245,000	2.000%	2.150%		721573GG2
2034	255,000	2.000%	2.300%		721573GH0
2035	265,000	2.125%	2.350%		721573GJ6
2036	275,000	2.125%	2.400%		721573GK3
2037	285,000	2.250%	2.450%		721573GL1
2038	295,000	2.250%	2.500%		721573GM9

$630,000 2.500% Term Bonds due February 15, 2040 Priced to Yield 2.600%[a] – 721573GP2[b]
$1,040,000 2.500% Term Bonds due February 15, 2043 Priced to Yield 2.650%[a] – 721573GS6[b]
$1,155,000 2.500% Term Bonds due February 15, 2046 Priced to Yield 2.700%[a] – 721573GV9[b]

(Interest to accrue from the Date of Initial Delivery)

(a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser for offers to the public and which subsequently may be changed.

(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market 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 Initial Purchaser, the District, or the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

(c) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2027, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

REDEMPTION PROVISIONS . . . The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after February 15, 2028, in whole or from time to time in part, on February 15, 2027, or on 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 – Redemption." Additionally, Term Bonds maturing on February 15 in the years 2040, 2043 and 2046 are subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

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

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in the Rule.

This Official Statement, which includes the cover page 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, salesman or other person has been authorized by the District to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

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. 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.

Any reference to website addresses represented herein are for information purposes only and may be in the form of a hyperlink solely for the readers' convenience. Unless specified otherwise, such websites and the information on links contained therein are not incorporated into, and are not part of, this Official Statement.

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

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.024% of the par value thereof which resulted in a net effective interest rate of 2.592089% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

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

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

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Subject to prevailing market conditions, the Initial Purchaser intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)." Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See "RISK FACTORS – No Certainty of a Secondary Market."

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

MUNICIPAL BOND RATING OR INSURANCE

The Bonds have received insured ratings of "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "A2" (stable outlook) by Moody's Investors Service ("Moody's") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. The Bonds have an underlying rating of "Baa2" by Moody's without regard to credit enhancement. See "BOND INSURANCE."

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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 including the Appendices attached hereto. 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 (including the Appendices attached hereto).

THE DISTRICT

THE DISTRICT.. Pilot Knob Municipal Utility District No. 3 (the "District"), a political subdivision of the State of Texas, was created under the laws of the State of Texas by House Bill No. 1758, Acts of the 82nd Texas Legislature, Regular Session (2011), Chapter 987, now codified as Chapter 8377, Subtitle F, Title 6, Texas Special District Local Laws Code (the "Enabling Legislation"), and operates under Chapters 49 and 54 of the Texas Water Code. The Enabling Legislation became effective May 25, 2011, subject to the consent of the City of Austin (the "City") to the creation, which was granted by the City on April 13, 2012 and creation of the District was confirmed at an election held on May 11, 2013. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution, as amended; additionally the District operates pursuant to Article III, Section 52 for purposes of road powers. See "THE DISTRICT – General."

LOCATION... The District, which currently contains approximately 677.57 acres of land, is located within the extraterritorial jurisdiction of the City in southeast Travis County, Texas. The District is located approximately eight miles southeast of the downtown portion of the City, adjacent to the east side of McKinney Falls Parkway and approximately one mile west of U.S. Highway 183. An extension of William Cannon Drive, the initial phases of which are complete, bisects the District in an east-west direction. Cottonmouth Creek traverses the District in a north-south direction. The Austin-Bergstrom International Airport is located approximately four miles to the northeast of the District. See "THE DISTRICT – Location."

THE DEVELOPER .... The developer currently active within the District is Carma Easton LLC ("Carma" or the "Developer"). See "THE DEVELOPER – Description of Developer" and "THE DISTRICT – Current Status of Development."

DEVELOPMENT WITHIN THE DISTRICT............ Of the approximate 677.57 acres within the District, approximately 579.13 are developable under current land development regulations. As of May 1, 2021, approximately 475.07 acres (or 82.03% of the developable acreage within the District) known as Easton Park 1A, 1B Lot 3, 1B Lot 4, 1C, 2A, 2A Site Plan, 2B.1, 2B.2, 2B.3, 2C.1, and 2C.2 have been fully developed with utilities. As of May 1, 2021, the development in the District consisted of 1,335 developed single family lots (176 within Easton Park 1A, 263 within Easton Park 1B Lot 3, 121 within Easton Park 1C, 14 within Easton Park 2A, 245 within Easton Park 2A Site Plan, 141 within Easton Park 2B.1, 57 within Easton Park 2B.2, 135 within Easton Park 2B.3, 56 within Easton Park 2C.1, and 127 within Easton Park 2C.2) comprising of 175 completed homes within Easton Park 1A, 135 completed homes within Easton Park 1B Lot 3, 121 completed homes within Easton Park 1C, 6 completed homes within Easton Park 2A, 134 completed homes within Easton Park 2A Site Plan, 310 completed homes within Easton Park 2B.1, 2B.2, and 2B.3, 11 completed homes within Easton Park 2C.1 and 2C.2, and 663 vacant single family lots (1 within Easton Park 1A, 128 within Easton Park 1B Lot 3, 8 within Easton Park 2A, 111 within Easton Park 2A Site Plan, 23 within Easton Park 2B.1, 2B.2, and 2B.3, and 172 within Easton Park 2C.1 and 2C.2).

To date, the developer has advanced funds in the approximate amount of $36,900,000 to construct water, wastewater, and drainage facilities to serve the property within the District. Following the issuance of the Bonds, the District will still owe the developer approximately $16,700,000 for additional water, wastewater, and drainage facilities which have been constructed to date. See "THE DISTRICT – Current Status of Development."

HOMEBUILDERS.. According to the Developer, there are currently seven homebuilders active within the District: Meritage Homes, Taylor Morrison Homes, David Weekley

Homes, Dreamfinders Homes, Perry Homes, Brookfield Residential, and Pacesetter Homes; building homes in lot sizes ranging from 30' to 70'. The homes range in price from $192,000 to $524,000, with square footage ranging from 1,095 to 3,200. See "THE DEVELOPER – Homebuilders within the District."

COVID-19 PANDEMIC .... The potential impact of the COVID-19 pandemic on the District cannot be quantified at this time but 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 is the latest available but is as of dates and for the periods prior to the economic impact of the pandemic and the measures instituted to control the pandemic. Accordingly, the data is not indicative of the economic impact of the pandemic on the District's financial condition. See "RISK FACTORS – Infectious Disease Outlook (COVID-19)."

THE BONDS

DESCRIPTION .... The Bonds in the aggregate principal amount of $6,465,000 mature as serial Bonds in varying amounts on February 15 of each year from 2023 through 2038 and as Term Bonds maturing on February 15 in the years 2040, 2043 and 2046, in the principal amounts set forth on page 2 hereof. Interest accrues from the Date of Initial Delivery and is payable August 15, 2022 and each February 15 and August 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 for any one maturity. See "THE BONDS – General Description."

REDEMPTION .... The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after February 15, 2028 in whole or from time to time in part, on February 15, 2027, or on 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 – Redemption." Additionally, Term Bonds maturing on February 15 in the years 2040, 2043 and 2046 are subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

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 legally limited as to rate or amount. See "TAXING PROCEDURES." **The Bonds are obligations solely of the District and are not obligations of the City of Austin; Del Valle Independent School District; Travis County, Texas; the State of Texas; or any entity other than the District.** See "THE BONDS – Source of and Security for Payment."

PAYMENT RECORD .... The Bonds constitute the seventh installment of bonds issued by the District, with six installments issued for construction of the water, wastewater and drainage system (the "System") and one installment issued for roads. See "FINANCIAL STATEMENT – Table 4 – Unlimited Tax Bonds Authorized but Unissued."

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, a bond election held within the District on May 11, 2013, the approving order of the TCEQ and an order (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS – Authority for Issuance."

USE OF PROCEEDS .... Proceeds of the Bonds will be used to finance the following: (i) Easton Park Section 2A drainage facilities; (ii) Easton Park Tract 2A water, wastewater and drainage facilities; (iii) Easton Park Section 2B Phases 1 and 3 water and wastewater facilities; (iv) engineering costs; (v) land costs; and (vi) city inspection and review fees. The remaining Bond proceeds will be used to: (i) pay developer interest; and (ii) pay certain legal and engineering costs associated with the issuance of the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, $5,268,240 is estimated to be required for construction costs, and $1,196,760 is estimated to be required for non-construction costs. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

BONDS AUTHORIZED BUT UNISSUED............... At an election held in the District on May 11, 2013, the voters within the District approved the issuance of $94,509,610 in bonds for water, wastewater and drainage facilities. After the sale of the Bonds, the District will have $62,639,610 remaining in authorized but unissued bonds. Also at the election held on May 11, 2013, the voters approved the issuance of $47,679,380 in road bonds and $7,762,140 in bonds for parks and recreational facilities. The District has not issued any park and recreational bonds. The District currently has $40,679,380 in road bond authorization that remains authorized but unissued. See "FINANCIAL STATEMENT – Outstanding Bonds" and "THE BONDS – Future Debt."

The Bonds are being offered by the District concurrently with the District's "Unlimited Tax Road Bonds, Series 2021" (the "Unlimited Tax Road Bonds"), but pursuant to separate offering documents. Such offering documents should be reviewed and analyzed independently, including, without limitation, the types of obligation being offered, their respective terms for payment, the security for their payment, the treatment of interest for federal income tax purposes, and the rights of the holders. Initial delivery of the Unlimited Tax Road Bonds through the facilities of DTC is expected to occur on or about December 30, 2021.

MUNICIPAL BOND RATING AND INSURANCE .... The Bonds have received insured ratings of "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "A2" (stable outlook) by Moody's Investors Service ("Moody's") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. The Bonds have an underlying rating of "Baa2" by Moody's without regard to credit enhancement. See "BOND INSURANCE."

TAX EXEMPTION... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in "TAX MATTERS."

BOND COUNSEL & DISCLOSURE COUNSEL....... McCall, Parkhurst & Horton L.L.P., Austin, Texas

GENERAL COUNSEL.. Armbrust & Brown, PLLC, Austin, Texas

FINANCIAL ADVISOR .... Specialized Public Finance Inc., Austin, Texas

ENGINEER.. Musser Engineering Associates, Inc., Austin, Texas

RISK FACTORS

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

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SELECTED FINANCIAL INFORMATION
(Unaudited as of October 5, 2021)

2018 Certified Taxable Assessed Valuation	$	86,963,643	(a)
2019 Certified Taxable Assessed Valuation	$	113,696,461	(a)
2020 Certified Taxable Assessed Valuation	$	167,184,102	(a)
2021 Certified Taxable Assessed Valuation	$	304,913,163	(a)
Gross Direct Debt Outstanding	$	38,440,000	(b)
Estimated Overlapping Debt		8,059,332	(c)
Gross Direct Debt Outstanding and Estimated Overlapping Debt	$	46,499,332	
Ratios of Gross Direct Debt Outstanding to:			
2021 Certified Taxable Assessed Valuation		12.61%	
Ratios of Gross Direct Debt Outstanding and Estimated Overlapping Debt to:			
2021 Certified Taxable Assessed Valuation		15.25%	
2021 Tax Rate:			
Debt Service	$	0.6755	
Maintenance & Operation		0.2745	
Total	$	0.9500	(d)
General Operating Fund Balance as of October 5, 2021	$	2,687,947	
Debt Service Fund Balance as of October 5, 2021	$	1,477,980	
Capital Project Fund Balance as of October 5, 2021	$	344,613	
Average Annual Debt Service Requirement (2022-2046)	$	2,126,743	(b)
Maximum Annual Debt Service Requirement (2042)	$	2,445,794	(b)
Tax Rates Required to Pay Average Annual Debt Service (2022-2046) at a 95% Collection Rate Based upon 2021 Certified Taxable Assessed Valuation	$	0.7343	(b)
Tax Rates Required to Pay Maximum Annual Debt Service (2042) at a 95% Collection Rate Based upon 2021 Certified Taxable Assessed Valuation	$	0.8444	(b)

Number of Active Connections as of May 1, 2021:		
Total Developed Single Family Lots	1,335	
Single Family Homes – Completed and Sold	892	
Single Family Homes – Under Construction	197	
Single Family Lots – Vacant	246	
Estimated Population as of May 1, 2021	3,122	(e)

(a) Certified Taxable Assessed Valuation of the District as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
(b) Includes the Bonds and the Unlimited Tax Road Bonds. See "DEBT SERVICE REQUIREMENTS."
(c) See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement."
(d) The District levied a 2021 total tax rate of $0.9500. See "Table 7 – District Tax Rates."
(e) Based upon 3.5 residents per completed and occupied single family home.

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OFFICIAL STATEMENT
Relating to

$6,465,000
PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
UNLIMITED TAX BONDS, SERIES 2021A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Pilot Knob Municipal Utility District No. 3 (the "District"), a political subdivision of the State of Texas (the "State"), of its $6,465,000 Unlimited Tax Bonds, Series 2021A (the "Bonds").

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District on the date of the sale of the Bonds, pursuant to Article XVI, Section 59 of the Constitution and general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended, and a bond election held within the District on May 11, 2013. Additionally, the District's issuance of the Bonds will be approved by a resolution of the City of Austin (the "City") anticipated to be adopted on December 9, 2021.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement, which includes the Appendices attached hereto, are descriptions of the Bonds and certain information about the District 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 District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District's Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

THE BONDS

GENERAL DESCRIPTION . . . The Bonds are dated December 30, 2021 and will mature on February 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on page 2 hereof. Interest on the Bonds will accrue from the Date of Initial Delivery, expected to occur on December 30, 2021 ("Initial Delivery"), and will be paid on August 15, 2022 and each February 15 and August 15 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent" or "Paying Agent/Registrar").

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds maturing on and after February 15, 2028, prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000 on February 15, 2027, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

The principal amount of the Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds, the particular Bonds to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on February 15 in the years 2040, 2043 and 2046 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the date of redemption by lot:

Term Bonds Due February 15, 2040	
Redemption Date	Principal Amount
February 15, 2039	$ 310,000
February 15, 2040*	320,000

Term Bonds Due February 15, 2043	
Redemption Date	Principal Amount
February 15, 2041	$ 335,000
February 15, 2042	345,000
February 15, 2043*	360,000

Term Bonds Due February 15, 2046	
Redemption Date	Principal Amount
February 15, 2044	$ 370,000
February 15, 2045	385,000
February 15, 2046*	400,000

*Stated Maturity.

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

SELECTION OF BONDS FOR REDEMPTION . . . With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent 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 will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of Term Bonds, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of $5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of the Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

DTC REDEMPTION PROVISION . . . The Paying Agent/Registrar and the District, so long as a book-entry-only system ("Book-Entry-Only-System") is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of 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 Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption 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 the 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 Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . The District is initially utilizing the Book-Entry-Only System of DTC. See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or 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 day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration . . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of $5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the last business day (whether or not a business day) of the month preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds . . . If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of he registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

AUTHORITY FOR ISSUANCE . . . At an election held in the District on May 11, 2013, the voters within the District approved the issuance of $94,509,610 in bonds for water, wastewater and drainage facilities. After the sale of the Bonds, the District will have $62,639,610 remaining in authorized but unissued bonds. Also at the election held on May 11, 2013, the voters approved the issuance of $47,679,380 in road bonds and $7,762,140 in bonds for parks and recreational facilities. The District has not issued any park and recreational bonds. The District currently has $40,679,380 in remaining authorized but unissued road bonds. The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ and is anticipated to be approved by a resolution of the City pursuant to the Consent Agreement (defined herein) anticipated to be adopted on December 9, 2021.

The Bonds are being offered by the District concurrently with the District's "Unlimited Tax Road Bonds, Series 2021" (the "Unlimited Tax Road Bonds"), but pursuant to separate offering documents. Such offering documents should be reviewed and analyzed independently, including, without limitation, the types of obligation being offered, their respective terms for payment, the security for their payment, the treatment of interest for federal income tax purposes, and the rights of the holders. Initial delivery of the Unlimited Tax Road Bonds through the facilities of DTC is expected to occur on or about December 30, 2021.

SOURCE OF AND SECURITY FOR PAYMENT . . . The Bonds will be 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. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. 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 its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if Austin dissolves the District and assumes all debts and liabilities of the District.

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

PAYMENT RECORD . . . The District has not previously defaulted on any outstanding debt.

FLOW OF FUNDS . . . The Bond Order creates the establishment and maintenance by the District of a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

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

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

DEFEASANCE OF OUTSTANDING BONDS . . . *General* . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged, as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Order.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Bonds the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) 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, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) 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, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

Retention of Rights . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Debt.

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District or deposited as directed in writing by the District.

PAYING AGENT/REGISTRAR . . . Principal of and semiannual interest on the Bonds will be paid by BOKF, NA having an office for payment in Dallas, Texas, the Paying Agent. The Paying Agent 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.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

RECORD DATE . . . The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the last calendar day of the month next preceding each interest payment date, whether or not such days are business days.

ISSUANCE OF ADDITIONAL DEBT . . . At an election held in the District on May 11, 2013, the voters within the District approved the issuance of $94,509,610 in bonds for water, wastewater and drainage facilities. After the sale of the Bonds, the District will have $62,639,610 remaining in authorized but unissued bonds. Also at the election held on May 11, 2013, the voters approved the issuance of $47,679,380 in road bonds and $7,762,140 in bonds for parks and recreational facilities. The District has not issued any park and recreational bonds. The District currently has $40,679,380 in remaining authorized but unissued road bonds. See "FINANCIAL STATEMENT – Table 4 – Unlimited Tax Bonds Authorized But Unissued Bonds." Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to issue refunding bonds, as well as revenue bonds and notes without voter approval. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional non-road bonds is subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds and the City. 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.

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility 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 Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility 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.

SPECIFIC TAX COVENANTS . . . In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

ADDITIONAL COVENANTS . . . The District has additionally covenanted in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules and regulations and open to inspection in the office of the District.

REMEDIES IN EVENT OF DEFAULT . . . The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, which failure materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the default continues for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to 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 Order 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 Order, 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 Interests, 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 Interest, 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 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 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*, 49 Tex. Sup. Ct. J. 819 (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 Order 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 U.S. 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.

CONSOLIDATION . . . A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its utility system with the utility system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its utility system with any other district.

ANNEXATION . . . The District is located entirely within the extraterritorial jurisdiction of the City. The Texas Legislature enacted significant changes to annexation laws by passing Senate Bill 6 during the 85th Texas Legislature First Special Session and House Bill 347 during the 86th Texas Legislature Regular Session (the "Annexation Laws"). Pursuant to changes in general law made by these bills, the City may annex the District only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the creation. Changes implemented by the Annexation Laws could interfere with future efforts of the City to annex land within the District.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City. The District makes no representation that the City will ever annex the District and assume its debt.

STRATEGIC PARTNERSHIP AGREEMENT . . . In accordance with a Strategic Partnership Agreement between the City and the District dated as of June 4, 2012, as amended by an Amendment No. 1 to Strategic Partnership Agreement between the District and the City dated November 21, 2015 (as amended, the "SPA"), the City may convert all of the remaining land within the District to full purpose annexation status at such time as it determines such conversion to be appropriate, subject to the terms of the Consent Agreement between the City, the District and the Developer dated April 13, 2012 (the "Consent Agreement") and the SPA, but, except as otherwise provided in the Consent Agreement, in no event sooner than December 31, 2037. Additionally, the District is also subject to certain approvals for the issuance of bonds pursuant to the Consent Agreement. The District anticipates obtaining all required approvals from the City for the issuance of the Bonds on December 9, 2021.

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

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 ORDER . . . The District may, without the consent of or notice to any registered owners, amend the Bond Order 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 Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, 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 or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) 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.

BOND INSURANCE

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

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

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

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

Current Financial Strength Ratings: On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

Capitalization of AGM: At September 30, 2021:

- The policyholders' surplus of AGM was approximately $2,910 million.

- The contingency reserve of AGM was approximately $963 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,124 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

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

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2021 (filed by AGL with the SEC on November 5, 2021).

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

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

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

BOND INSURANCE RISKS

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

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

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

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 securities depository). In that event, Bond certificates will be printed and delivered to DTC.

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds of the Bonds will be used to finance the following: (i) Easton Park Section 2A drainage facilities; (ii) Easton Park Tract 2A water, wastewater and drainage facilities; (iii) Easton Park Section 2B Phases 1 and 3 water and wastewater facilities; (iv) engineering costs; (v) land costs; and (vi) city inspection and review fees. The remaining Bond proceeds will be used to: (i) pay developer interest; and (ii) pay certain legal and engineering costs associated with the issuance of the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, $5,268,240 is estimated to be required for construction costs, and $1,196,760 is estimated to be required for non-construction costs.

SUMMARY OF COSTS

I. CONSTRUCTION COSTS		**District's Share**
A. Developer Contribution Items:		
1. Easton Park Section 2A - Drainage	$	600,000
2. Easton Park Tract 2A Site Plan – Water, Wastewater and Drainage		1,952,564
3. Easton Park Section 2B, Phases 1 & 3 – Water and Wastewater		1,890,000
4. Engineering (10.95% of Items 1-3)		486,486
5. City Inspection (1.91% of Item 1-3)		84,688
Total Developer Costs	$	5,013,738
B. District Items:		
1. Land Costs	$	254,502
Total District Costs	$	254,502
Total Construction Costs (81.49% of Bond Issue Requirement)	**$**	**5,268,240**
II. NON-CONSTRUCTION COSTS		
A. Legal Fees:		
1. Bond Counsel (1.50% + $8,500)	$	105,475
2. General Counsel (1.50%)		96,975
B. Fiscal Agent Fees (1.75%)		113,138
C. Developer Interest[(a)]		602,567
D. Bond Discount (2.98%)		192,367
E. Bond Issuance Expenses		17,028
F. Bond Application Report		45,000
G. Attorney General Fee (0.10%)		6,465
H. TCEQ Fee (0.25%)		16,162
I. Contingency		1,583
Total Non-Construction Costs	**$**	**1,196,760**
TOTAL BOND ISSUE REQUIREMENT	**$**	**6,465,000**

(a) Estimated at 3.75%. The amount of developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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RISK FACTORS

GENERAL . . . The Bonds, which are obligations of the District and are not obligations of the State of Texas; Travis County, Texas; the City of Austin; Del Valle Independent School District, 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. See "THE BONDS – Source of and Security for Payment." 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 OUTBREAK (COVID-19) . . . The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic") which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States 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").

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. Furthermore, the Governor has previously suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location which allowed for telephonic or videoconference meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble large groups of people. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at http://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement. Many of the federal, state, and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affect economic growth within Texas.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide and within Texas. While any 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 or rating by impacting property tax values and the collection of ad valorem taxes. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments."

NO CERTAINTY OF A SECONDARY MARKET . . . Subject to prevailing market conditions, the Initial Purchaser intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS . . . ***Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures:*** A substantial percentage of the taxable value of the District results from the current market value of single family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on the construction activity, particularly short-term interest rates at which the Developer and Homebuilders are able to obtain financing for development and construction costs. As a result of increasing foreclosure activity, potential adverse impact on assessed valuations and a general tightening of credit that has resulted, lenders have increased lending requirements for both single family mortgage lending and real estate development lending. Additionally, lenders have been selective in recent years in making real estate development loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies.

National Economy: **Nationally, there have been periods of significant downturn in new housing construction due to the lack of liquidity and other factors, resulting in a decline in housing market values. The ability of individuals to qualify for a mortgage as well as the general reduction in mortgage availability has also decreased housing sales periodically. The Austin area, including the District also periodically has experienced reduced levels of home construction and home sales activity. The District cannot predict what impact, if any, a continued downturn in the national housing and financial markets may have on the Central Texas market and the District.**

Competition . . . The demand for single family homes in the District could be affected by competition from other residential developments including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

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

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land, including any developer. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Table 8 – Principal Taxpayers."

Dependence Upon Developer and Homebuilders: The Developer is the principal taxpayer in the District. The growth of the tax base is dependent upon additional construction of homes within the District. The Developer is under no obligation to continue to market for improvement of developed tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, the homebuilders within the District or other entities to whom such parties may sell all or a portion of their holdings within the District to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See "THE DISTRICT – Current Status of Development" and "THE DEVELOPER."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2021 Certified Assessed Valuation is $304,913,163 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be $2,445,794 (2042) and the Average Annual Debt Service Requirement will be $2,126,743 (2022-2046, inclusive). A tax rate of $0.8444/$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Maximum Annual Debt Service Requirement of $2,445,794, and a tax rate of $0.7343/$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement of $2,126,743 based upon the 2021 Certified Taxable Assessed Valuation.

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.

TAX COLLECTIONS AND FORECLOSURE REMEDIES . . . The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by cumbersome, time-consuming and expensive collection procedures or market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement"), by the current aggregate tax rate being levied against the property, and by other factors (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy court could approve a confirmation plan which allows the debtor to make installment payments on delinquent taxes for up to six years and a bankruptcy court may reduce the amount of any taxes assessed against the debtor, including those that have already been paid.

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 Order 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.

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. 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 specifically 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.

Developer Bankruptcy: In the event of bankruptcy of the Developer within the District, it is possible the District could experience volatility in the ad valorem tax rate established by the District as well as a disruption in the timing of receipt of ad valorem taxes from any such bankrupt entities.

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.

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, 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, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

MARKETABILITY . . . The District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price 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 Order 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."

FUTURE DEBT . . . The District has reserved in the Bond Order the right to issue the remaining $62,639,610 authorized but unissued unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining $62,639,610 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the City, the Attorney General of the State of Texas and the TCEQ. In the opinion of the District's engineer, the remaining authorization should be sufficient to reimburse the Developer for the development within the District. See "THE SYSTEM."

To date, the developer has advanced funds in the approximate amount of $36,900,000 to construct water, wastewater, and drainage facilities to serve the property within the District. Following the issuance of the Bonds, the District will still owe the developer approximately $16,700,000 for additional water, wastewater, and drainage facilities which have been constructed to date.

The District anticipates that it may issue the full principal amount of authorized but unissued bonds for water, wastewater and drainage facilities ($62,639,610), in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate) see "THE DEVELOPER – Utility Development Agreement." Additionally, the District has reserved the right to issue the remaining $40,679,380 in road bonds and $7,762,140 authorized but unissued unlimited tax bonds for the acquisition and construction of parks and recreational facilities and such bonds may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the City, the Attorney General of the State of Texas and, for park and recreational facility bonds, the approval of the TCEQ, and subject to certain approval of the City. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS – Issuance of Additional Debt." See "Table 4 – Unlimited Tax Bonds Authorized But Unissued."

GOVERNMENTAL APPROVAL . . . As required by law, engineering plans, specifications and an estimate of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain condition, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order signed September 27, 2021. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

As provided in the Consent Agreement, the Bonds are subject to the City's approval, which will not be unreasonably withheld, conditioned, or delayed. The issuance of the Bonds is anticipated to be approved by a resolution of the City adopted on December 9, 2021.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

TAX-EXEMPT PROPERTY, STRATEGIC HOUSING FINANCE CORPORATION OF TRAVIS COUNTY . . . Within the District there is the potential for property to be owned by the "Strategic Housing Finance Corporation of Travis County" ("SHFC"), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the Texas Local Government Code (the "Texas Housing Finance Corporations Act"). SHFC operates a lease-to-purchase affordable housing program for low to moderate income families in Travis County that was initially financed with the proceeds of $35 million in Lease Purchase Revenue Bonds issued by SHFC in 2004. Pursuant to the program as currently structured by SHFC, low to moderate income families in Travis County pay a fee to SHFC which purchases a home and leases it back to the family for a period of thirty-nine (39) months. Under the Texas Housing Finance Corporations Act, all property owned by a nonprofit housing finance corporation, such as SHFC, is tax exempt, therefore during the thirty-nine (39) month term of the lease, during which SHFC owns the home, that property is removed from the tax rolls of the District. If the tenant vacates the property or cannot afford to assume the mortgage at the end of the lease term, then the property may remain tax exempt indefinitely. As of September 1, 2021, there are no homes within the District that are owned by SHFC. Because the SHFC program is between itself and an individual resident, the District cannot make any projection regarding the future impact the SHFC program may have on its taxable appraised values. It is not known whether SHFC will seek additional funding for its program in the future or alter the terms and leasing arrangements at which is offers homes through its programs. Additionally, taxable appraised values may also be adversely affected if similar lease-to-purchase affordable housing programs are instituted by other corporations created under the Texas Housing Finance Corporations Act.

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

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

The area will report semi-annually on the progress of their control measures. Under the EACs, attainment must have been demonstrated by 2007. EPA approved the photochemical modeling in support of the attainment demonstration for the 8-hour ozone standard within the Austin Area on August 15, 2005. EPA also approved the Austin EAC "CAAP" which includes control measures and demonstrates maintenance of the standard through 2012 (including a vehicle inspection and maintenance (I/M) program). These steps and any EPA/TCEQ responses could impact the economy and communities in the Austin Area.

On November 26, 2014, the EPA announced a new proposed ozone National Ambient Air Quality Standards ("NAAQS") range of between 65-70 parts per billion. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

Should the Austin Area fail to achieve attainment under an EPA NAAQS, or should the Austin Area fail to satisfy a then effective State Implementation Plan (SIP) (for nonattainment or otherwise), or for any other 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 the nonattainment/conformity analysis, the status of 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 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 Safe Drinking Water Act, potable (drinking) water provided by the District to more than sixty (60) end users for consumption will be subject to extensive federal and state regulation as a public water supply system, which include, among other requirements, frequent sampling and analyses. Additionally, the EPA has been charged with establishing maximum contaminant levels (MCLs) for potential drinking water contaminants (both naturally occurring and anthropogenic) such as arsenic, lead, radon, and disinfection by-products (e.g. chlorine). Additionally, TCEQ is initiating rule changes to Chapter 290, Public Drinking Water, to implement the federal Stage 2 Disinfection Byproducts Rule (DBP2), Long Term Stage 2 Enhanced Surface Water Treatment Rule (LT2), and Ground Water Rule (GWR). EPA adopted the GWR on October 11, 2006. Future regulations or requirements pertaining to these and other drinking water contaminants could require installation of more costly treatment facilities.

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

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

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

DROUGHT CONDITIONS . . . Central Texas, like other areas of the State, has experienced extreme drought conditions. The District has not implemented any water restrictions. The City is the retail water provider so any restrictions or conservation measures would be handled by the City. The City of Austin provides water to the District in amounts sufficient to service the residents of the District, however, as drought conditions emerge water usage, rates and water revenues could be impacted.

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

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

THE DISTRICT

GENERAL . . . Pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended, the District is subject to the continuing supervision of the TCEQ. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and the operation of park and recreational facilities. The District also has road powers under Article III, Section 52 of the Texas Constitution pursuant to the Enabling Legislation. Pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code, certain districts, such as the District, may issue bonds, subject to voter approval and the approval of the TCEQ and the City, payable from ad valorem taxes to pay for the development and maintenance of water, wastewater, drainage, park and recreational facilities. The District may also establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ, and is located entirely within the extraterritorial jurisdiction of the City of Austin.

MANAGEMENT . . . ***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. As required by the Enabling Legislation and the Consent Agreement, four of the Directors are elected for four-year staggered terms with elections held within the District on the first Tuesday after the first Monday in November in each even numbered year, and one Director is appointed by the governing body of the City. Except for the Director appointed by the governing body of the City, all of the directors listed below reside or own property in the District.

Name	Title	Term Expires
Thomas K. Rhodes	President	2024
Phillip Reed	Vice President	2024
Howard Surratt	Secretary	2024
Patrick Ley	Assistant Secretary	2022
Luke D. Stone	Assistant Secretary	2022

Consultants:

Tax Assessor/Collector . . . Land and improvements in the District are being appraised by the Travis Central Appraisal District ("TCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector, Mr. Bruce Elfant, currently serves the District in this capacity under contract.

Auditor . . . The District's financial statements for fiscal year ending September 30, 2020 were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2020 have been included as APPENDIX A in reliance upon such firm's authority in the field of accounting.

Bookkeeper . . . Bott & Douthitt, P.L.L.C ("B&D") is charged with the responsibility of providing bookkeeping services for the District. B&D serves in a similar capacity for 80+ other special districts.

Engineer . . . The District's consulting engineer is Musser Engineering Associates, Inc. (the "Engineer").

Financial Advisor . . . Specialized Public Finance 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 a 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 and Disclosure Counsel . . . McCall, Parkhurst & Horton, L.L.P., Austin, Texas serves as Bond Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel . . . Armbrust & Brown, PLLC ("A&B") serves as the District's general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

LOCATION . . . The District, which currently contains approximately 677.57 acres of land, is located within the extraterritorial jurisdiction of the City in southeast Travis County, Texas. The District is located approximately eight miles southeast of the downtown portion of the City, adjacent to the east side of McKinney Falls Parkway and approximately one mile west of U.S. Highway 183. An extension of William Cannon Drive, the initial phases of which are complete, bisects the District in an east-west direction. Cottonmouth Creek traverses the District in a north-south direction. The Austin-Bergstrom International Airport is located approximately four miles to the northeast of the District. See "LOCATION MAP."

CURRENT STATUS OF DEVELOPMENT . . . Of the approximate 677.57 acres within the District, approximately 579.13 are developable under current land development regulations. As of May 1, 2021, approximately 475.07 acres (or 82.03% of the developable acreage within the District) known as Easton Park 1A, 1B Lot 3, 1B Lot 4, 1C, 2A, 2A Site Plan, 2B.1, 2B.2, 2B.3, 2C.1, and 2C.2 have been fully developed with utilities. As of May 1, 2021, the development in the District consisted of 1,335 developed single family lots (176 within Easton Park 1A, 263 within Easton Park 1B Lot 3, 121 within Easton Park 1C, 14 within Easton Park 2A, 245 within Easton Park 2A Site Plan, 141 within Easton Park 2B.1, 57 within Easton Park 2B.2, 135 within Easton

Park 2B.3, 56 within Easton Park 2C.1, and 127 within Easton Park 2C.2) comprising of 175 completed homes within Easton Park 1A, 135 completed homes within Easton Park 1B Lot 3, 121 completed homes within Easton Park 1C, 6 completed homes within Easton Park 2A, 134 completed homes within Easton Park 2A Site Plan, 310 completed homes within Easton Park 2B.1, 2B.2, and 2B.3, 11 completed homes within Easton Park 2C.1 and 2C.2, and 663 vacant single family lots (1 within Easton Park 1A, 128 within Easton Park 1B Lot 3, 8 within Easton Park 2A, 111 within Easton Park 2A Site Plan, 23 within Easton Park 2B.1, 2B.2, and 2B.3, and 172 within Easton Park 2C.1 and 2C.2).

To date, the Developer has advanced funds in the approximate amount of $36,900,000 to construct water, wastewater, and drainage facilities to serve the property within the District. Following the issuance of the Bonds, the District will still owe the Developer approximately $16,700,000 for additional water, wastewater, and drainage facilities which have been constructed to date.

The chart below reflects the status of development as of May 1, 2021:

	Net Acreage
A. Sections Developed with Utility Facilities	
Easton Park 1A, 1B Lot 3, 1B Lot 4, 1C, 2A, 2A Site Plan, 2B.1, 2B.2, 2B.3, 2C.1 and 2C.2	475.07
B. Sections Under Construction	
Easton Park 3A.1, 3A.2, 4A.1, 4A.3, and 4A.4	74.84
Total Developed with Utility Facility or Under Construction	549.91
C. Remaining Developable Acreage	29.22
Total Developable Acreage	579.13
D. Undevelopable Acreage	98.44
Total	677.57

FUTURE DEVELOPMENT . . . The remaining undeveloped but developable 29.22 acres in the District are expected to be developed primarily as single family residential, with some neighborhood commercial and civic uses. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, general and economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption "RISK FACTORS." If the undeveloped portion of the District is eventually developed, additions to the District's utility systems required to service such undeveloped acreage may be financed by future issues of the District's bonds. The District's Engineer estimates that the $62,639,610 remaining principal amount of voted utility bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to remaining undeveloped but potentially developable acreage within the District. See "THE BONDS – Issuance of Additional Debt." The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that any future development will occur.

ANNEXATION OF THE DISTRICT . . . The District lies within the extraterritorial jurisdiction of the City of Austin. See "THE BONDS – Annexation" for a discussion of the ability of the City to annex the District.

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AGREEMENTS WITH THE CITY OF AUSTIN

The District, the Developer, and the City have entered into a Consent Agreement dated April 13, 2012 (the "Consent Agreement"), which, among other things, outlines the development of the land within the District and specific facilities to be built that will serve the District and Pilot Knob Municipal Utility Districts No. 1, 2, 4, and 5 (the "Other Pilot Knob Districts") as well as a larger geographic area as outlined in the Consent Agreement. The District, the Developer, and the City have entered into a Strategic Partnership Agreement dated June 4, 2012, as amended by Amendment No. 1 to Strategic Partnership Agreement between the City and the District dated November 21, 2015 (as amended, the "SPA") which sets forth the terms and conditions of the City's annexation of land within the District and on which the District will continue to exist as a limited district in accordance with Section 43.0751, Texas Local Government Code, and the Enabling Legislation following the City's full purpose annexation of the land within the District. In accordance with the Consent Agreement, the District and the City entered into an Interlocal Agreement for Solid Waste Service dated May 24, 2016, which sets forth the terms and conditions of the City's provision of residential solid waste services within the District.

In accordance with the Consent Agreement, the Developer submitted an application for, and on December 17, 2015 the City adopted an ordinance creating, a Planned Unit Development (as amended, "PUD") establishing the planning and zoning for the land within the District as well the remainder of the Easton Park development. The PUD ordinance incorporated, among other matters, certain affordable housing requirements to meet the City's affordable housing goals and also waived certain development and water impact fees in order to redirect such fees towards subsidizing such affordable housing.

In February 2016, a lawsuit was filed against the City alleging a violation of the Texas Open Meetings Act in adopting the PUD ordinance due to lack of clarity of the agenda item related to waiver of fees. On December 9, 2016, the judge presiding over the lawsuit granted the plaintiff's motion for summary judgment and declared the City's action adopting the PUD ordinance void. On November 10, 2016, the City adopted a new PUD ordinance for the Easton Park development, which did not include any fee waivers, but maintains the affordable housing requirement within the District and the remainder of the Easton Park development that at least 10% of the total number of owner-occupied residential housing will be made available at a price affordable to households with incomes at 80% or below the median family income in the Austin metro area.

According to the Developer, the implementation of the affordable housing requirement is currently expected to be further documented in an affordable housing agreement to be entered into by the City and the Developer, and the affordable housing initiative is not currently anticipated to have any adverse material impact on the District's ad valorem tax values or the ability of the Developer to continue development within the District. Additionally, neither the District nor the Developer currently anticipate any additional litigation regarding development of the District or the PUD ordinance, but no assurances are given regarding any future litigation regarding such matters.

THE DEVELOPER

GENERAL . . . In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, sewer, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and drainage facilities. While a landowner or developer is required by the City to pave streets and by the TCEQ to pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

DESCRIPTION OF DEVELOPER . . . The developer currently active within the District is Carma Easton LLC (the "Developer"). The Developer is a land holding entity owned by Brookfield Residential Properties, Inc. ("Brookfield"). Brookfield is a leading land developer and homebuilder in North America. Brookfield entitles and develops land to create master-planned communities, builds and sells lots to third-party builders, and operates its own homebuilding division. Brookfield also participates in select, strategic real estate opportunities, including infill projects, mixed-use developments, and joint ventures. Brookfield is the flagship North American residential property company of Brookfield Asset Management, a leading global alternative asset manager with over $625 billion of assets under management. Further information is available at BrookfieldResidential.com or Brookfield.com.

ACQUISITION AND DEVELOPMENT FINANCING . . . Acquisition of the property within the District was self-financed by the Developer. The Developer is also self-financing the development of the property within the District, therefore, there are no outstanding loans related to the acquisition or development of the property within the District.

HOMEBUILDERS WITHIN THE DISTRICT . . . According to the Developer, there are currently seven homebuilders active within the District: Meritage Homes, Taylor Morrison Homes, David Weekley Homes, Dreamfinders Homes, Perry Homes, Brookfield Residential, and Pacesetter Homes; building homes in lot sizes ranging from 30' to 70'. The homes range in price from $192,000 to $524,000, with square footage ranging from 1,095 to 3,200.

UTILITY DEVELOPMENT AGREEMENT . . . The Developer and the District have entered into a Utility and Park Facility Construction Agreement dated March 27, 2014 (as amended, the "Construction Agreement"). The Construction Agreement governs the development of water, wastewater, drainage and recreational facilities in the District and the reimbursement of certain costs of such development through the District's issuance of bonds. The Developer and the District have also entered into a Road Improvements Construction and Reimbursement Agreement dated March 27, 2014 (as amended, the "Road Improvements Agreement"). The Road Improvements Agreement governs the construction of roads and improvements in aid of such roads (the "Road Improvements") and the reimbursement of certain costs of such Road Improvements through the District's issuance of bonds.

AGRICULTURAL WAIVER . . . The Developer has executed an agreement, which is recorded in the Official Public Records of Travis County, Texas and is a covenant running with the land, waiving the right to have the land located within the District classified as agricultural, open-space or timberland for purposes of the District's taxes. The Developer has also waived the right to have the lots and houses (if any) in the District classified as business inventory for purposes of the District's taxes. The agreement may not be modified without the approval of the TCEQ and is binding on purchasers of land from the Developer.

THE SYSTEM

REGULATION . . . The water, wastewater and storm drainage facilities (the "System"), the purchase, acquisition and construction of which will be permanently financed by the District with the proceeds of the Bonds and future utility bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Travis County and the City. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the City's waterworks and wastewater facilities providing service to the District is subject to regulation by, among others, the U.S. Environmental Protection Agency and the TCEQ.

WATER SUPPLY AND DISTRIBUTION . . . The District's water supply is provided by the City pursuant to the Consent Agreement. The Consent Agreement states that the City will be the sole provider of retail water and wastewater services to the District in the same manner and rates as customers inside the City limits, and agrees to provide sufficient water and wastewater service for full development of the District. The City's plants, Davis, Ulrich and Handcox, have capacities of 118, 167 and 50 million gallons per day ("MGD") respectively, for a total of 335 MGD. City records indicate peak day use of 247 MGD.

The District does not have an emergency interconnect.

The District's contractual water capacity appears adequate to serve the 912 ESFCs upon which the feasibility of this bond issue is based.

WASTEWATER COLLECTION AND TREATMENT . . . The District's wastewater treatment is provided by the City's 75 MGD South Austin Regional plant, pursuant to the Consent Agreement. The City shall supply the District all of its wastewater requirements at City customer rates and for full development of the District. The South Austin Regional plant, under Texas Pollutant Discharge Elimination System permit no. WQ0010543012, is authorized to discharge a final flow of 75 MGD. The plant can serve 306,122 ESFCs based on the City's design criteria of 245 gpd/ESFC.

The District's contractual wastewater treatment capacity appears adequate to serve the 912 ESFCs upon which the feasibility of this bond issue is based.

STORM WATER DRAINAGE . . . Storm water from the undeveloped portions of the District generally drains by way of sheet flow to Cottonmouth Creek then into Onion Creek and/or to North and South Fork Dry Creek then into Dry Creek, and through underground lines from developed portions of the District to detention/water quality facilities and then ultimately outfall into the Colorado River.

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DRAINAGE OPERATIONS . . . The Board of Directors of the District established a fee for drainage service, which is subject to change from time to time. The current fee for the District's drainage service, which has been in effect since August 31, 2015, is $1,500 per fee unit equivalent under the following schedule:

Water Meter Size	Fee Unit Equivalent
5/8" simple	1
3/4" simple	1
1" simple	2.5
1-1/2" simple	5
2" simple	8
2" compound	8
2" turbine	10
3" compound	16
3" turbine	24
4" compound	25
4" turbine	42
6" compound	50
6" turbine	92
8" compound	80
8" turbine	160
10" compound	115
10" turbine	250
12" turbine	330

100-YEAR FLOOD PLAIN . . . A portion of the District is affected by the 100-year flood plain, as identified by the Federal Flood Insurance Administration Rate Map No. 48453C0615J for Travis County, Texas, dated January 2, 2006. No lots are developed nor are any expected to be developed on land that is located within the boundary of the 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 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. The Flood Insurance Rate Map associated with the District indicates that 38.6 acres of the land in the District is located within the 100-year flood plain. See "THE DISTRICT – Land Use."

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. 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 are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain which interim floodplain is based on the current 500-year floodplain, resulting in the interim floodplain 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 floodplain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could result in less developable property within the District, higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

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TABLE 1 – OPERATING REVENUES AND EXPENSES STATEMENT

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX A – Excerpts from the Annual Financial Report."

	Fiscal Year Ended September, 30			
	2020	2019	2018	2017
Revenues:				
Property Taxes and Penalties	$ 371,978	$ 391,810	$ 322,831	$ 98,264
Drainage Fees	850,500	-	501,000	27,750
Interest and Other	10,406	19,778	5,690	262
Total Revenues	$ 1,232,884	$ 411,588	$ 829,521	$ 126,276
Expenditures:				
Repairs and Maintenance	$ 70,245	$ 47,365	$ -	$ -
Legal Fees	64,472	80,086	12,547	-
Engineering Fees	64,418	94,968	82,135	74,811
Bookkeeping Fees	15,800	16,150	12,750	11,950
Audit Fees	10,750	10,750	10,400	7,200
Director Fees/Payroll Taxes	5,329	4,521	6,136	6,459
Insurance	1,712	1,761	1,753	1,515
Tax Appraisal/Collection Fees	2,033	2,129	1,893	795
Other	6,388	5,228	373	252
Total Expenditures	$ 241,147	$ 262,958	$ 127,987	$ 102,982
Excess (Deficiency) of Revenues Over Expenditures	$ 991,737	$ 148,630	$ 701,534	$ 23,294
Beginning Fund Balance	$ 899,381	$ 750,751	$ 49,217	$ 25,923
Developer Advances	-	-	-	-
Ending Fund Balance	$ 1,891,118	$ 899,381	$ 750,751	$ 49,217

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DEBT INFORMATION

TABLE 2 – DEBT SERVICE SCHEDULE

Fiscal Year Ended 9/30	Outstanding Debt[a] Principal	Outstanding Debt[a] Interest	Outstanding Debt[a] Total	The Bonds[b] Principal	The Bonds[b] Interest	The Bonds[b] Total	The Road Bonds Principal	The Road Bonds Interest	The Road Bonds Total	Total Debt Service Requirements
2022	$ 410,000	$ 746,906	$ 1,156,906	$ -	$ 98,563	$ 98,563	$ -	$ 74,359	$ 74,359	$ 1,329,828
2023	735,000	816,654	1,551,654	170,000	154,725	324,725	130,000	117,025	247,025	2,123,404
2024	760,000	786,835	1,546,835	175,000	148,688	323,688	135,000	113,050	248,050	2,118,572
2025	800,000	755,555	1,555,555	185,000	142,388	327,388	140,000	108,925	248,925	2,131,867
2026	835,000	724,372	1,559,372	190,000	135,825	325,825	145,000	104,650	249,650	2,134,847
2027	870,000	694,002	1,564,002	195,000	129,088	324,088	150,000	100,225	250,225	2,138,315
2028	910,000	663,432	1,573,432	205,000	123,625	328,625	160,000	96,375	256,375	2,158,432
2029	945,000	632,092	1,577,092	210,000	120,263	330,263	165,000	93,125	258,125	2,165,480
2030	980,000	601,054	1,581,054	220,000	116,750	336,750	170,000	89,775	259,775	2,177,579
2031	1,030,000	570,152	1,600,152	230,000	112,250	342,250	175,000	86,325	261,325	2,203,727
2032	1,075,000	537,521	1,612,521	240,000	107,550	347,550	185,000	82,725	267,725	2,227,796
2033	1,125,000	503,054	1,628,054	245,000	102,700	347,700	190,000	78,975	268,975	2,244,729
2034	1,170,000	466,796	1,636,796	255,000	97,700	352,700	200,000	75,075	275,075	2,264,571
2035	1,220,000	428,845	1,648,845	265,000	92,334	357,334	205,000	71,025	276,025	2,282,204
2036	1,280,000	388,934	1,668,934	275,000	86,597	361,597	215,000	66,556	281,556	2,312,087
2037	1,335,000	346,792	1,681,792	285,000	80,469	365,469	220,000	61,663	281,663	2,328,923
2038	1,395,000	302,354	1,697,354	295,000	73,944	368,944	230,000	56,600	286,600	2,352,898
2039	1,460,000	255,669	1,715,669	310,000	66,750	376,750	240,000	51,163	291,163	2,383,581
2040	1,520,000	206,620	1,726,620	320,000	58,875	378,875	250,000	45,344	295,344	2,400,839
2041	1,590,000	155,014	1,745,014	335,000	50,688	385,688	255,000	39,188	294,188	2,424,889
2042	1,660,000	100,919	1,760,919	345,000	42,188	387,188	265,000	32,688	297,688	2,445,794
2043	1,185,000	59,858	1,244,858	360,000	33,375	393,375	275,000	25,938	300,938	1,939,170
2044	1,040,000	36,688	1,076,688	370,000	24,250	394,250	290,000	18,875	308,875	1,779,813
2045	940,000	18,763	958,763	385,000	14,813	399,813	300,000	11,500	311,500	1,670,075
2046	705,000	5,288	710,288	400,000	5,000	405,000	310,000	3,875	313,875	1,429,163
	$ 26,975,000	$ 10,804,169	$ 37,779,169	$ 6,465,000	$ 2,219,394	$ 8,684,394	$ 5,000,000	$ 1,705,022	$ 6,705,022	$ 53,168,584

(a) Includes the $11,390,000 Unlimited Tax Bonds which closed on November 24, 2021.
(b) Interest calculated at the rates shown on the inside cover page hereof.

FINANCIAL STATEMENT
(Unaudited as October 5, 2021)

TABLE 3 – ASSESSED VALUE

2018 Certified Taxable Assessed Valuation	$	86,963,643 [a]
2019 Certified Taxable Assessed Valuation	$	113,696,461 [a]
2020 Certified Taxable Assessed Valuation	$	167,184,102 [a]
2021 Certified Taxable Assessed Valuation	$	304,913,163 [a]
Gross Direct Debt Outstanding	$	38,440,000 [b]
Estimated Overlapping Debt		8,059,332 [c]
Gross Direct Debt and Estimated Overlapping Debt	$	46,499,332
Ratio of Gross Direct Debt Outstanding to 2021 Certified Assessed Valuation		12.61%

Estimated Population as of May 1, 2021: 3,122[d]

(a) Certified Assessed Valuation of the District as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
(b) Includes the Bonds and the Unlimited Tax Road Bonds. See "DEBT INFORMATION."
(c) See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement."
(d) Based upon 3.5 residents per completed and occupied single family home.

TABLE 4 – UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Amount Heretofore Issued	Amount Being Issued		Unissued Balance
Water, Sewer, Drainage	5/11/2013	$ 94,509,610	$ 25,405,000	$ 6,465,000		$ 62,639,610
Road	5/11/2013	47,679,380	2,000,000	5,000,000	(a)	40,679,380
Parks and Recreational	5/11/2013	7,762,140	-	-		7,762,140
Total		$ 149,951,130	$ 27,405,000	$ 11,465,000		$ 111,081,130

(a) The District anticipates issuing $5,000,000 in Unlimited Tax Road Bonds simultaneously with the Bonds pursuant to separate offering documents with an anticipated closing date of December 30, 2021.

TABLE 5 – CASH AND INVESTMENT BALANCES[a]

Operating Fund	$ 2,687,947
Debt Service Fund	$ 1,477,980
Project Fund	$ 344,613

(a) Unaudited as of October 5, 2021.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by 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 FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) 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; (11) commercial paper with a stated maturity of 270 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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 "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. 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, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors 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) Texas 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 family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (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) 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, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

CURRENT INVESTMENTS . . . On October 5, 2021, the District had $4,510,540 being held at ABC Bank and TexPool.

ESTIMATED OVERLAPPING DEBT STATEMENT . . . Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from several sources, including information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivision overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance and/or general purposes is not included in these figures.

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 10/31/2021
Travis County	$ 1,054,720,000	0.06%	$ 632,832
Travis County ESD No. 11	-	1.02%	-
Travis County Healthcare District	82,490,000	0.06%	49,494
Del Valle ISD	420,929,999	1.68%	7,071,624
Austin Community College District	436,260,000	0.07%	305,382
Pilot Knob MUD #3	38,440,000 [(a)]	100.00%	38,440,000
Total Direct and Overlapping Tax Supported Debt			$ 46,499,332
Ratio of Direct and Overlapping Tax Supported Debt to 2021 Certified TAV			15.25%

(a) Includes the Bonds and the Unlimited Tax Road Bonds.

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TAX DATA

TABLE 6 – TAX COLLECTIONS

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Fiscal Year Ended 9/30	Tax Rate	General Fund	Debt Service Fund	Tax Levy	% Total Collections
2018	$ 0.9500	$ 0.6000	$ 0.3500	$ 510,676	100.00%
2019	0.9500	0.4500	0.5000	824,916	99.90%
2020	0.9500	0.3200	0.6300	1,102,990	99.90%
2021	0.9500	0.3450	0.6050	1,598,911	99.42% (a)
2022	0.9500	0.2745	0.6755	N/A	N/A

(a) Collections as of September 3, 2021.

TABLE 7 – DISTRICT TAX RATES

	Tax Rates per $100 Assessed Valuation Tax Year				
	2021	2020	2019	2018	2017
Debt Service	$ 0.6755	$ 0.6050	$ 0.6300	$ 0.5000	$ 0.3500
Maintenance	0.2745	0.3450	0.3200	0.4500	0.6000
Total	$ 0.9500	$ 0.9500	$ 0.9500	$ 0.9500	$ 0.9500

TAX RATE LIMITATION . . . The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount.

MAINTENANCE TAX . . . The District has the statutory authority to levy and collect an annual ad valorem tax for maintaining, repairing and operating the District's facilities and for paying administrative expenses of the District, if such maintenance tax is authorized by the District's voters. The District levied a 2021 maintenance tax of $0.2745 in September 2021.

TABLE 8 – PRINCIPAL TAXPAYERS

The following list of principal taxpayers was provided by the Travis Central Appraisal District based on the 2021 tax rolls of the District, which reflect ownership as of January 1 of 2021.

Taxpayer	Taxable Assessed Value	% of 2021 Taxable Assessed Valuation
Carma Easton LLC[(a)]	$ 9,893,451	3.24%
Meritage Homes of Texas LLC	3,442,225	1.13%
First Hartford Realty Corporation	1,657,981	0.54%
Pacesetter Homes LLC	1,536,353	0.50%
Newmark Homes Austin LLC	1,516,320	0.50%
Taylor Morrison of Texas Inc.	1,350,408	0.44%
Carma Easton LLC et.al.[(a)]	1,112,880	0.36%
Idea Public Schools	1,099,350	0.36%
DFH Wildwood LLC	790,988	0.26%
Weekley Homes LLC	736,303	0.24%
	$ 23,136,259	7.59%

(a) The Developer.

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") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of and Security for Payment." 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 its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – Tax Rate Limitation," and "TAX DATA – Maintenance Tax."

Property Tax Code and County-Wide Appraisal District . . . The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein.

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

Property Subject to Taxation by the District . . . Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between $5,000 and $12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. A person who owns property located in an area declared by the Governor to be a disaster area following a disaster is entitled to a temporary exemption from ad valorem taxation by the District of a portion of the appraised value of that property. State law requires such exemption adopted by the District to specify the disaster to which the exemption pertains and be adopted not later than the 60th day after the date the Governor first declares territory in the taxing unit to be a disaster area as a result of the disaster, amongst other requirements.

Residential Homestead . . . The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the Board may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The District has never adopted a general homestead exemption.

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 any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Goods-in-Transit . . . Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provisions permit local governmental entities, on a local option basis, to take official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax goods-in-transit during the following tax year. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property. In February, 2008, the Board conducted a public hearing on the question of whether to provide for taxation of goods-in-transit and adopted a Resolution Providing for Taxation of Goods-in-Transit, by which the District took official action to tax goods-in-transit.

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.

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 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.

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

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

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . . During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "TAX DATA" 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 municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

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

Developing Districts

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

The District

The District has been classified as a Developing District for the 2021 tax year. A determination as to the District's status after the 2021 tax year will be made by the Board of Directors of the District on an annual basis. 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. See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement." 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 residential homestead property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records other property may be redeemed by a taxpayer within 180 days of such filing) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "RISK FACTORS – Tax Collections and Foreclosure Remedies."

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 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.

LEGAL MATTERS

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

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

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

NO-LITIGATION CERTIFICATE . . . The District will furnish to the Initial Purchaser 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.

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

TAX MATTERS

OPINION . . . On the Date of Initial Delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX B – Form of Bond Counsel's Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants, could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the project financed with the Bond proceeds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT . . . The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, all of which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

STATE, LOCAL AND FOREIGN TAXES . . . Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via its Electronic Municipal Market Access system at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 8 and in "APPENDIX A – Excerpts from the Annual Financial Report," if audited financial statements are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements twelve months after any such fiscal year end and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A – Excerpts from the Annual Financial Report" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties. The terms "financial obligation" and "material" when used in this paragraph shall have the meanings ascribed to them under federal securities laws.

The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports."

AVAILABILITY OF INFORMATION FROM THE MSRB . . . The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners may seek a writ of mandamus to compel the District to comply with its agreement.
The Developer has agreed to provide to the District the information that the District has agreed to provide with respect to the Developer. The Developer has also agreed with the District that it will not assign any of its rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developer's agreement to provide such information, but the Developers may sell their property within the District without any such assumption. The District's ability to

provide information about the Developer or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Specialized Public Finance Inc. (the "Financial Advisor"), which firm was employed in 2013 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

PREPARATION . . . The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "The District." The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from sources including: Musser Engineering Associates, Inc.; Carma Easton LLC; Bott Douthitt, P.L.L.C.; and Armbrust & Brown, PLLC.

EXPERTS . . . In approving this Official Statement, the District has relied upon the following experts in addition to the Financial Advisor.

> The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT" and "THE SYSTEM," has been provided by Musser Engineering Associates, Inc., and has been included in reliance upon the authority of said firm as experts in the field of civil engineering.
>
> Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the TCAD, in reliance upon their authority as experts in the field of appraising and tax assessing.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

ANNUAL AUDITS . . . Under Texas law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also 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 TCEQ within 135 days after the close of the fiscal year so long as the District has bond outstanding. 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 prescribed charges.

This Official Statement was approved by the Board of Directors of Pilot Knob Municipal Utility District No. 3, as of the date shown on the first page hereof.

/s/ HOWARD SURRATT
Secretary, Board of Directors
Pilot Knob Municipal Utility District No. 3

/s/ THOMAS K. RHODES
President, Board of Directors
Pilot Knob Municipal Utility District No. 3

LOCATION MAP

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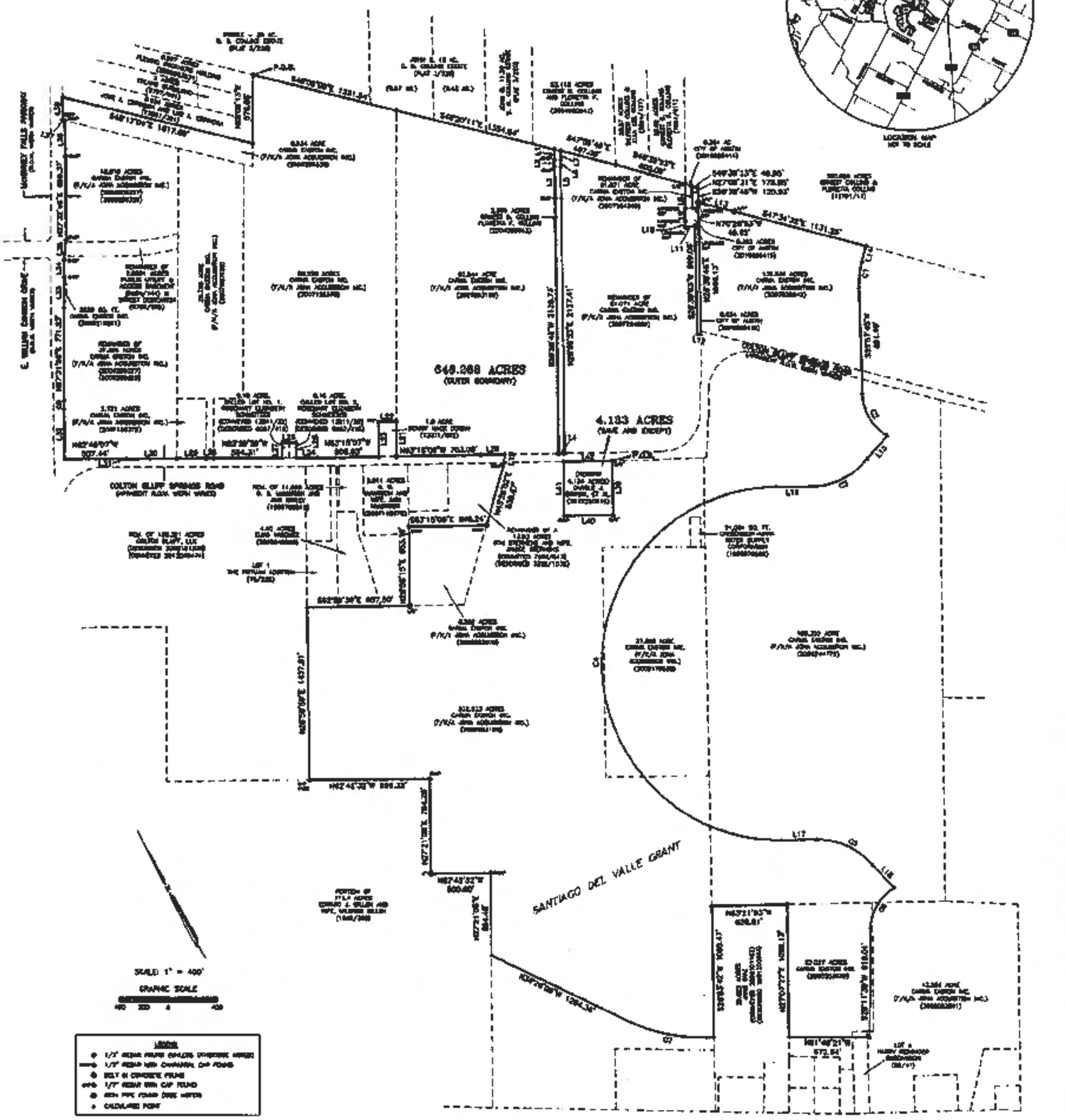
BOUNDARY MAP
PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
(644.135 ACRES TOTAL)



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LINE TABLE

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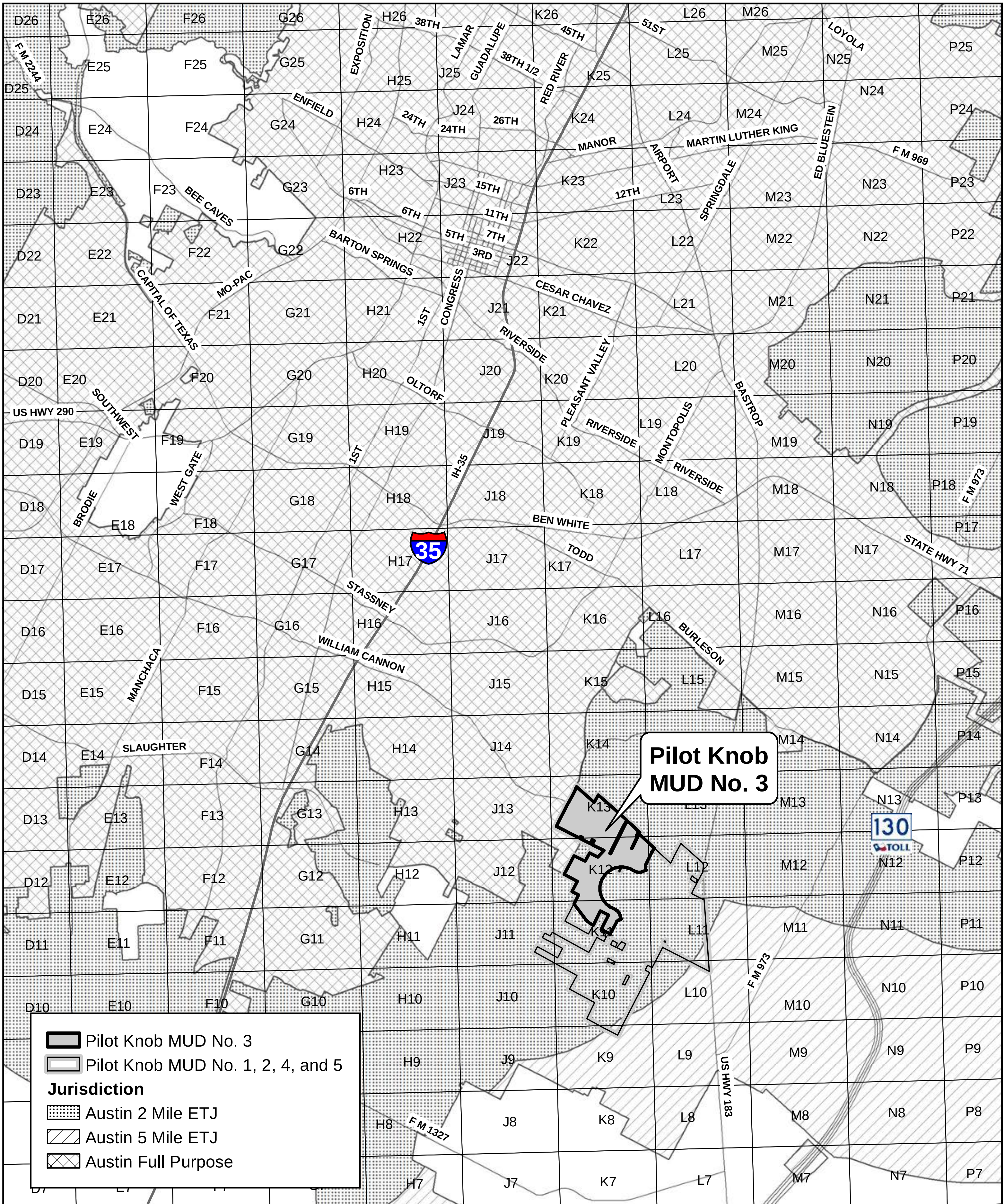
SURVEYOR'S CERTIFICATE

16th May

Chaparral
Professional Land Surveying, Inc.
Surveying and Mapping

SHEET
01 OF 01



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Pilot Knob MUD No. 3
Location Map

PELOTON LAND SOLUTIONS
7004 Bee Cave Road
Building 2, Suite 100
Austin, Texas 78746
Phone: 512-831-7700
TBPE FIRM #12207

Map Document: L:\JOB\Pilot Knob MUDs\PK MUD No 3\Bond Issue Reports\No 1\Attachments\Attach_IV_Location Map

PHOTOGRAPHS

The homes shown in the attached photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction.

The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."

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APPENDIX A

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT

The information contained in this APPENDIX has been excerpted from the audited financial statements of Pilot Knob Municipal Utility District No. 3 for the fiscal year ended September 30, 2020. Certain information not considered to be relevant to this financing has been omitted; however, complete audited reports are available upon request.

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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PO Box 29584
Austin, TX 78755
(512) 610-2209
E-Mail: mgsb@mgsbpllc.com
www.mgsbpllc.com

Board of Directors
Pilot Knob Municipal Utility District No. 3
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Pilot Knob Municipal Utility District No. 3 (the "District"), as of and for the year ended September 30, 2020, 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.

Board of Directors
Pilot Knob Municipal Utility District No. 3

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, 2020, 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
Houston, Texas

February 2, 2021

MANAGEMENT’S DISCUSSION AND ANALYSIS

PILOT KNOB
MUNICIPAL UTILITY DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2020

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Pilot Knob Municipal Utility District No. 3 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund*: At the end of the current fiscal year, the nonspendable and unassigned fund balance was $1,891,118, an increase of $991,737 from the previous fiscal year. General Fund revenues were $1,232,884, which increased from $411,588 in the prior fiscal year.
- *Debt Service Fund*: Fund balance restricted for debt service increased from $877,420 in the previous fiscal year to $1,117,333 in the current fiscal year. The Debt Service Fund received $86,318 of capitalized interest from the sale of $2,000,000 Series 2019 Unlimited Tax Road Bonds during the current fiscal year. The District also paid $180,000 of bond principal and $405,197 of interest on outstanding bonded debt.
- *Capital Projects Fund*: Fund balance restricted for capital projects decreased from $457,883 in the previous fiscal year to $107,940 in the current fiscal year. During the current fiscal year, the District authorized the use of surplus funds from previously issued bonds and issued $2,000,000 of Series 2019 Unlimited Tax Road Bonds to purchase $1,884,860 of infrastructure and road improvements, to reimburse developer interest of $145,821 and to fund $243,234 of bond-related expenditures during the current fiscal year.
- *Governmental Activities*: On a government-wide basis for governmental activities, the District had revenues net of expenses of $563,839 in the current fiscal year. Net position increased from a deficit balance of $1,206,927 at September 30, 2019 to a deficit balance of $643,088 at September 30, 2020.

OVERVIEW OF THE DISTRICT

The District was created under Chapter 8377, Subtitle F, Title 6, Texas Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code for, among other purposes, financing the construction of the water, wastewater, drainage, and recreational facilities within its boundaries, as contemplated in the Consent Agreement effective April 13, 2012 among the City of Austin, Texas, Carma Easton LLC and the District.

The District is located on 677.567 acres in the City of Austin, Texas.

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

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

OVERVIEW OF THE 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 balance resulting from current year revenues, expenditures, and other financing sources or uses. These amounts are prepared using the modified accrual basis of accounting. The adjustments column converts those activities to full accrual, a basis that more closely represents the income statement of a private-sector business.

The *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.

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
	2020	2019	(Decrease)
Current and other assets	$ 3,205,591	$ 2,290,573	$ 915,018
Non-current assets	8,113,504	6,595,495	1,518,009
Total Assets	$ 11,319,095	$ 8,886,068	$ 2,433,027
Current liabilities	$ 391,948	$ 282,400	$ 109,548
Long-term liabilities	11,570,235	9,810,595	1,759,640
Total Liabilities	$ 11,962,183	$ 10,092,995	$ 1,869,188
Net Investment in Capital Assets	$ (3,598,791)	$ (2,937,217)	$ (661,574)
Restricted	1,064,505	830,887	233,618
Unrestricted	1,891,198	899,403	991,795
Total Net Position	$ (643,088)	$ (1,206,927)	$ 563,839

The District's net position increased by $563,839 during the 2020 fiscal year to a deficit balance of $643,088 at September 30, 2020 from the previous year's deficit balance of $1,206,927.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities 2020	Governmental Activities 2019	Change Increase (Decrease)
Property taxes	$ 1,104,478	$ 827,201	$ 277,277
Drainage fees	850,500	-	850,500
Interest and other	24,705	53,658	(28,953)
Total Revenues	$ 1,979,683	$ 880,859	$ 1,098,824
Professional fees	$ 155,440	$ 201,954	$ (46,514)
Other	89,710	63,607	26,103
Creation costs/Repay Oper Adv	-	-	-
Developer interest	145,821	219,732	(73,911)
Debt service	658,022	638,102	19,920
Depreciation/amortization	366,851	281,520	85,331
Total Expenses	$ 1,415,844	$ 1,404,915	$ 10,929
Change in Net Position	$ 563,839	$ (524,056)	$ 1,087,895
Beginning Net Position	(1,206,927)	(682,871)	(524,056)
Ending Net Position	$ (643,088)	$ (1,206,927)	$ 563,839

Revenues were $1,979,683 for the fiscal year ended September 30, 2020 while expenses were $1,415,844. Net position increased $563,839 during the 2020 fiscal year.

For the fiscal year ended September 30, 2020, property tax revenues totaled $1,104,478. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2019 tax year (September 30, 2020 fiscal year) were based upon a current assessed value of $116,104,176 and a tax rate of $0.95 per $100 of assessed valuation. Property taxes levied for the 2018 tax year (September 30, 2019 fiscal year) were based upon a current assessed value of $86,833,232 and a tax rate of $0.95 per $100 of assessed valuation.

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget requirements and the Debt Service Fund debt service obligations of the District. The District's primary revenue source is property taxes and drainage fees.

ANALYSIS OF GOVERNMENTAL FUND

Governmental Fund by Year

	2020	2019
Cash and cash equivalent investments	$ 3,187,142	$ 2,289,725
Receivables	25,230	7,011
Prepaid expenditures	1,712	159
Total Assets	$ 3,214,084	$ 2,296,895
Accounts payable	$ 65,712	$ 55,843
Other	31,744	6,322
Total Liabilities	$ 97,456	$ 62,165
Deferred Inflows of Resources	$ 237	$ 46
Nonspendable	$ 1,212	$ 159
Restricted	1,225,273	1,335,303
Unassigned	1,889,906	899,222
Total Fund Balances	$ 3,116,391	$ 2,234,684
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,214,084	$ 2,296,895

As of September 30, 2020, the District's governmental funds reflected a combined fund balance of $3,116,391. This fund balance includes a $991,737 increase in the General Fund fund balance.

The Debt Service Fund reflects an increase of $239,913 in fiscal year 2020. The Debt Service Fund received $86,318 of capitalized interest from proceeds of its sale of the Series 2019 Unlimited Tax Road Bonds during the fiscal year. The District also paid $180,000 of bond principal and $405,197 of interest on outstanding bonded debt. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a $349,943 decrease in fund balance for fiscal year 2020. During the current fiscal year, the District authorized the use of surplus funds from previously issued bonds and issued $2,000,000 of Series 2019 Unlimited Tax Road Bonds to purchase $1,884,860 of infrastructure and road improvements, to reimburse developer interest of $145,821 and to fund $243,234 of bond-related expenditures during the current fiscal year.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted the 2020 budget on September 3, 2019. The budget included revenues of $412,046 as compared to expenditures of $262,290 for the 2020 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive net variance of $841,981 due to increased drainage fee revenue. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information.*

INTANGIBLE ASSETS

The District is located within the City of Austin (the "City"). In accordance with the Consent Agreement entered into by the District, the developer and the City, water and wastewater facilities are conveyed to the City for operation and maintenance. For conveyance of these assets, the City agrees to provide retail water and wastewater service to the District; as a result, the District has recognized an intangible asset representing the right to receive water and wastewater service from the City. In addition, the District recognized an intangible asset related to the costs of roads conveyed to Travis County. The balance of the intangible assets, net of accumulated amortization, was $5,714,298 as of September 30, 2020. More detailed information about the District's intangible assets is presented in the *Notes to the Financial Statements*.

CAPITAL ASSETS

At September 30, 2020, the District's governmental activities have invested $2,399,206 in land and easements, drainage facilities and capacity fees. More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*.

LONG TERM DEBT

As of September 30, 2020, the District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2017	$ 3,170,000
Series 2018	4,100,000
Series 2018A	2,590,000
Series 2019	2,000,000
Total	$ 11,860,000

As of September 30, 2020, the District owes approximately $12 million to bond holders. As of September 30, 2020, the ratio of the District's long term debt to the total 2019 taxable assessed valuation ($116,104,176) is 10.2%. The District's population as provided by the District, as of July 24, 2020, was 4,669. 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 property tax assessed value for the 2020 tax year is approximately $168.6 million. The fiscal year 2021 tax rate (2020 tax year) is $0.95 on each $100 of taxable value. Approximately 36% property tax collected during fiscal year 2021 will fund general operating expenses and 64% will fund debt service obligations.

The adopted budget for fiscal year 2021 projects an operating fund balance increase of $376,695. Compared to the fiscal year 2020 budget, revenues are expected to increase by approximately $243,000 and expenditures are expected to increase by approximately $16,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Ave., Suite 1300, Austin, TX 78701.

FINANCIAL STATEMENTS

PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
ASSETS						
Cash and cash equivalent investments:						
Cash	$ 203,260	$ -	$ -	$ 203,260	$ -	$ 203,260
Cash equivalents	1,750,616	1,119,204	114,062	2,983,882	-	2,983,882
Receivables:						
Property taxes	80	157	-	237	-	237
Drainage fees	16,500	-	-	16,500	-	16,500
Interfund	8,493	-	-	8,493	(8,493)	-
Prepaid expenditures	1,212	-	500	1,712	-	1,712
Intangible assets, net of accumulated amortization:						
Right to receive water and wastewater service	-	-	-	-	4,322,784	4,322,784
Road improvements	-	-	-	-	1,391,514	1,391,514
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	171,704	171,704
Drainage system and capacity fees	-	-	-	-	2,227,502	2,227,502
TOTAL ASSETS	$ 1,980,161	$ 1,119,361	$ 114,562	$ 3,214,084	$ 8,105,011	$ 11,319,095
LIABILITIES						
Accounts payable	$ 65,712	$ -	$ -	$ 65,712	$ -	$ 65,712
Accrued bond interest payable	-	-	-	-	52,985	52,985
Intergovernmental payable	23,251	-	-	23,251	-	23,251
Interfund payables	-	1,871	6,622	8,493	(8,493)	-
Bonds payable:						
Due within one year	-	-	-	-	250,000	250,000
Due after one year	-	-	-	-	11,570,235	11,570,235
TOTAL LIABILITIES	$ 88,963	$ 1,871	$ 6,622	$ 97,456	$ 11,864,727	$ 11,962,183
DEFERRED INFLOWS OF RESOURCES						
Property taxes	$ 80	$ 157	$ -	$ 237	$ (237)	$ -
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 80	$ 157	$ -	$ 237	$ (237)	$ -
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable	$ 1,212	$ -	$ -	$ 1,212	$ (1,212)	$ -
Restricted for debt service	-	1,117,333	-	1,117,333	(1,117,333)	-
Restricted for authorized construction	-	-	107,940	107,940	(107,940)	-
Unassigned	1,889,906	-	-	1,889,906	(1,889,906)	-
TOTAL FUND BALANCES	$ 1,891,118	$ 1,117,333	$ 107,940	$ 3,116,391	$ (3,116,391)	$ -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 1,980,161	$ 1,119,361	$ 114,562	$ 3,214,084		
Net position:						
Net investment in capital assets					$ (3,598,791)	$ (3,598,791)
Restricted for debt service					1,064,505	1,064,505
Unrestricted					1,891,198	1,891,198
TOTAL NET POSITION					$ (643,088)	$ (643,088)

The accompanying notes are an integral part of this statement.

PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Property taxes, including penalties	$ 371,978	$ 732,309	$ -	$ 1,104,287	$ 191	$ 1,104,478
Drainage fees	850,500	-	-	850,500	-	850,500
Interest and other	10,406	11,736	2,563	24,705	-	24,705
TOTAL REVENUES	1,232,884	744,045	2,563	1,979,492	191	1,979,683
EXPENDITURES / EXPENSES:						
Repair and maintenance	70,245	-	-	70,245	-	70,245
Legal fees	64,472	-	-	64,472	-	64,472
Engineering fees	64,418	-	-	64,418	-	64,418
Bookkeeping fees	15,800	-	-	15,800	-	15,800
Audit fees	10,750	-	-	10,750	-	10,750
Director fees, including payroll taxes	5,329	-	-	5,329	-	5,329
Insurance	1,712	-	-	1,712	-	1,712
Tax appraisal/collection fees	2,033	4,003	-	6,036	-	6,036
Public notice	3,527	-	-	3,527	-	3,527
Election expenses	2,731	-	-	2,731	-	2,731
Developer interest	-	-	145,821	145,821	-	145,821
Other	130	-	-	130	-	130
Debt service:						
Principal	-	180,000	-	180,000	(180,000)	-
Interest	-	405,197	-	405,197	8,341	413,538
Fiscal agent fees	-	1,250	-	1,250	-	1,250
Bond issuance costs	-	-	243,234	243,234	-	243,234
Capital outlay	-	-	1,884,860	1,884,860	(1,884,860)	-
Depreciation and amortization	-	-	-	-	366,851	366,851
TOTAL EXPENDITURES / EXPENSES	241,147	590,450	2,273,915	3,105,512	(1,689,668)	1,415,844
Excess (deficiency) of revenues over (under) expenditures/expenses	991,737	153,595	(2,271,352)	(1,126,020)	1,689,859	563,839
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of bonds	-	86,318	1,913,682	2,000,000	(2,000,000)	-
Bond discount	-	-	(18,955)	(18,955)	18,955	-
Bond premium	-	-	26,682	26,682	(26,682)	-
TOTAL OTHER FINANCING SOURCES, NET	-	86,318	1,921,409	2,007,727	(2,007,727)	-
NET CHANGE IN FUND BALANCES	991,737	239,913	(349,943)	881,707	(881,707)	-
CHANGE IN NET POSITION	-	-	-	-	563,839	563,839
FUND BALANCES / NET POSITION:						
Beginning of the year	899,381	877,420	457,883	2,234,684	(3,441,611)	(1,206,927)
End of the year	$ 1,891,118	$ 1,117,333	$ 107,940	$ 3,116,391	$ (3,759,479)	$ (643,088)

The accompanying notes are an integral part of this statement.

NOTES TO THE
FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Pilot Knob Municipal Utility District No. 3 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. GAAP for local governments includes 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, a political subdivision of the State of Texas, was created under Chapter 8377, Subtitle F, Title 6, Texas Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code for, among other purposes, financing the construction of the water, wastewater, drainage, and recreational facilities within its boundaries, as contemplated in the Consent Agreement effective April 13, 2012 among the City of Austin, Texas (the "City"), Carma Easton LLC (the "Developer"), and the District. The reporting entity of the District encompasses those activities and functions over which the District's officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board"), four of which have been elected or deemed elected by District residents or appointed by the Board and one who has been appointed by the City. The District is not included in any other governmental "reporting entity" as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District's reporting entity.

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

GASB Codification 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 intangible assets and capital assets, including restricted capital assets, net of accumulated amortization and 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

The basic 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 and amortization expense on the District's capital and intangible 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.

- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

Basis of Accounting

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

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using 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 may report unearned revenue on its combined balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting **-** An unappropriated budget was adopted on September 3, 2019, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

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

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 State Treasurer's Investment Pool, are recorded at amortized cost.

Intangible Assets **-** Intangible assets, consisting of the right to receive water and wastewater service and road improvements conveyed to Travis County (the "County"), are reported in the government-wide column in the Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City of Austin (the "City") or the cost of road improvements conveyed to the County and amortized over the term of the Consent Agreement, which is approximately 25 years from the effective date of such agreement. See Note 11 for information concerning the construction and conveyance of certain assets to the City of Austin.

Capital Assets - Capital assets, which include land, easements, detention ponds, drainage facilities and capacity and capacity rights in internal, regional and shared water and wastewater facilities and systems, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including the drainage system, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at their estimated acquisition value at the time received. In accordance with GASB Statement No. 89, 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:

Asset	Years
Common and Recreation Areas	5 - 30
Drainage System	10 - 50
Capacity Rights in Water and Wastewater Facilities	50

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the government-wide and the fund 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.
- *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. The District does not have any assigned fund balances.
- *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.

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		$	3,116,391
Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:			
Capital assets	2,476,458		
Intangible assets	6,522,109		
Less: Accumulated depreciation and amortization	(885,063)		8,113,504
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows for revenues earned but not available.			237
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds payable	(11,860,000)		
Issuance premiums/discounts, net	39,765		
Accrued interest	(52,985)		(11,873,220)
Net Position - Governmental Activities		$	(643,088)

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

Net Change in Fund Balances - Governmental Funds		$	881,707
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report:			
Capital outlay in year paid	1,884,860		
Interest expenditures in year paid	(6,428)		
Tax revenue when collected	191		
Bond principal in year paid	180,000		
Bond sales and related bond premium/discount in year received/paid	(2,007,727)		50,896
Governmental funds do not report:			
Depreciation and amortization	(366,851)		
Amortization of bond premium/discount	(1,913)		(368,764)
Change in Net Position - Governmental Activities		$	563,839

3. CASH AND CASH EQUIVALENT INVESTMENTS

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act") and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation ("FDIC") insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2020, the carrying amount of the District's cash was $203,260 and the bank balance was $203,679. The bank balance was covered by federal depository insurance.

Cash Equivalents and 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.

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments (continued) -

At September 30, 2020, the District held the following investments:

		Governmental Fund				
		General	Debt Service	Capital Projects	Investment Rating	
Investment	Fair Value at 9/30/2020	Unrestricted	Restricted (1)	Restricted (2)	Rating	Rating Agency
TexPool	$ 2,983,882	$ 1,750,616	$ 1,119,204	$ 114,062	AAAm	Standard & Poors
	$ 2,983,882	$ 1,750,616	$ 1,119,204	$ 114,062		

(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 TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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, 2020, 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, 2020, the District's bank deposits were fully covered by FDIC insurance.

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 establishes 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 current tax rates on September 3, 2019.

4. PROPERTY TAXES (continued) –

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 2019 tax roll. The tax rate, based on total taxable assessed valuation of $116,104,176 was $0.95 on each $100 valuation and was allocated $0.32 to the General Fund and $0.63 to the Debt Service Fund. The maximum allowable maintenance tax of $1.50 was established by the voters at an election held on May 11, 2013.

Property taxes receivable at September 30, 2020 consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	$ 80	$ 157	$ 237
Prior years' levies	-	-	-
	$ 80	$ 157	$ 237

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2020:

	Interfund Receivable	Interfund Payable
General Fund:		
Debt Service Fund	$ 1,871	$ -
Capital Projects Fund	6,622	-
Debt Service Fund -		
General Fund	-	1,871
Capital Projects Fund -		
General Fund	-	6,622
	$ 8,493	$ 8,493

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2019	Additions	Deletions	Balance 9/30/2020
Capital assets not being depreciated -				
Land and easements	$ 171,704	$ -	$ -	$ 171,704
Capital assets being depreciated -				
Drainage system and capacity fees	1,883,136	421,618	-	2,304,754
Total capital assets being depreciated	1,883,136	421,618	-	2,304,754
Less accumulated depreciation for -				
Drainage system and capacity fees	(32,563)	(44,689)	-	(77,252)
Total accumulated depreciation	(32,563)	(44,689)	-	(77,252)
Total capital assets being depreciated, net of accumulated depreciation	1,850,573	376,929	-	2,227,502
Total capital assets, net	$ 2,022,277	$ 376,929	$ -	$ 2,399,206

7. CHANGES IN INTANGIBLE ASSETS

A summary of changes in intangible assets follows:

	Balance 10/1/2019	Additions	Deletions	Balance 9/30/2020
Intangible assets being amortized -				
Right to receive water and wastewater service	$ 5,058,867	$ -	$ -	$ 5,058,867
Road improvements	-	1,463,242	-	1,463,242
Total intangible assets being amortized	5,058,867	1,463,242	-	6,522,109
Less accumulated amortization for -				
Right to receive water and wastewater service	(485,649)	(250,434)	-	(736,083)
Road improvements	-	(71,728)	-	(71,728)
Total accumulated amortization	(485,649)	(322,162)	-	(807,811)
Total intangible assets being amortized, net of accumulated amortization	4,573,218	1,141,080	-	5,714,298
Total intangible assets, net	$ 4,573,218	$ 1,141,080	$ -	$ 5,714,298

8. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2020:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2019	$ 10,040,000
Bonds issued	2,000,000
Bonds retired	(180,000)
Bond premium/discount, net	(39,765)
Bonds payable at September 30, 2020	$ 11,820,235

Bonds payable at September 30, 2020, were comprised of the following individual issues:

Unlimited Tax Bonds:

$3,170,000 – 2017 Unlimited Tax Bonds payable serially through the year 2042 at interest rates which range from 2.50% to 4.10%. Bonds maturing on or after February 15, 2025 are callable prior to maturity beginning February 15, 2024, or any date thereafter. Bonds maturing February 15, 2034, 2037 and 2042 are term bonds and are subject to mandatory sinking fund redemption.

$4,100,000 – 2018 Unlimited Tax Bonds payable serially through the year 2042 at interest rates which range from 3.00% to 3.875%. Bonds maturing on or after February 15, 2026 are callable prior to maturity beginning February 15, 2025, or any date thereafter. Bonds maturing February 15, 2036, 2039 and 2042 are term bonds and are subject to mandatory sinking fund redemption.

$2,590,000 – 2018A Unlimited Tax Bonds payable serially through the year 2043 at interest rates which range from 3.00% to 4.40%. Bonds maturing on or after February 15, 2025 are callable prior to maturity beginning February 15, 2024, or any date thereafter. Bonds maturing February 15, 2032, 2034, 2036, 2039 and 2043 are term bonds and are subject to mandatory sinking fund redemption.

$2,000,000 – 2019 Unlimited Tax Road Bonds payable serially through the year 2044 at interest rates which range from 2.00% to 5.00%. Bonds maturing on or after February 15, 2026 are callable prior to maturity beginning February 15, 2025, or any date thereafter. Bonds maturing February 15, 2032, 2035, 2038, 2040, 2042 and 2044 are term bonds and are subject to mandatory sinking fund redemption.

On December 30, 2019, the District issued Unlimited Tax Road Bonds, Series 2019, of $2,000,000 with interest rates ranging from 2.00% to 5.00%. The net proceeds of $1,772,115 (after payment of underwriter fees and other bond related costs) were used to finance developer funded road construction costs, fund future interest payments and pay subsequent bond issue costs.

8. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2020, including interest, are as follows:

	Annual Requirements for All Series		
Year Ended September 30,	Principal	Interest	Total
2021	$ 250,000	$ 420,340	$ 670,340
2022	315,000	411,691	726,691
2023	335,000	400,960	735,960
2024	345,000	389,478	734,478
2025	370,000	377,212	747,212
2026-2030	2,115,000	1,693,482	3,808,482
2031-2035	2,670,000	1,284,775	3,954,775
2036-2040	3,405,000	725,609	4,130,609
2041-2044	2,055,000	105,172	2,160,172
	$ 11,860,000	$ 5,808,719	$ 17,668,719

Bonds authorized but not issued as of September 30, 2020, are as follows:

Type	Amount
Unlimited Tax Bonds	$ 84,469,610
Road Bonds	$ 45,679,380
Park and Recreational Facilities	$ 7,762,140

$1,117,333 is available in the Debt Service Fund to service the bonded debt.

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

9. COMMITMENTS AND CONTINGENCIES

The Developer of the land within the District has incurred costs for the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the Developer by the District from proceeds of future District bond issues, subject to approval by the Commission, or from operations. On May 11, 2013, a bond election held within the District approved authorization to issue $94,509,610 of bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer's report. Additionally, $7,762,140 of bonds to fund costs for parks and recreational facilities and $47,679,380 to fund road improvements were approved by voters of the District. As of September 30, 2020, the District has issued $12,040,000 of unlimited tax bonds and road bonds to repay the Developer.

10. RISK MANAGEMENT

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

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.

11. CONSENT AGREEMENT

Pursuant to the Consent Agreement entered into by the District, the Developer and the City, effective April 13, 2012, the District and the Developer will design, finance, and construct all water and wastewater facilities required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of water and wastewater facilities constructed by or on behalf of the District, and following the City's acceptance of such facilities, the facilities will be conveyed to the City. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City agrees to operate and maintain all water and wastewater facilities conveyed and to provide retail water and wastewater services to customers within the District at the City's standard water and wastewater rates. The Consent Agreement will continue in effect until the full purpose annexation of the District as described below unless terminated sooner.

12. STRATEGIC PARTNERSHIP AGREEMENT

The District and the City entered into a Strategic Partnership Agreement effective June 4, 2012, as amended, to establish terms and conditions upon which the City will annex all of the land within the District for limited and full purposes and, following the full purpose annexation of all of the land within the District, the District will be converted to and operate as a limited district.

Following the City's limited purpose annexation, the District will continue to exist and to exercise all of its powers under enabling legislation and general laws of the State of Texas, including the power to levy and collect an ad valorem tax. The District agrees that it will not enforce restrictive covenants nor own, operate or maintain any owner association amenities.

12. STRATEGIC PARTNERSHIP AGREEMENT (continued) -

Following the City's full purpose annexation, which will occur no sooner than December 31, 2037, the City will provide additional municipal services within the District in accordance with an agreed upon service plan. Residents will be citizens of the City for all purposes and will have all of the rights, privileges and responsibilities accorded to citizens residing in all other areas of the City's incorporated city limits. The District agrees that the City may charge and collect a special surcharge on the water and sewer rates charged within the District for the purpose of wholly or partially compensating the City for its assumption of the debt obligations of the District.

13. SHARED FACILITIES AGREEMENTS

The District entered into a Shared Water and Wastewater Facilities Agreement dated effective August 11, 2014 (the "SFA") with Pilot Knob Municipal Utility District No. 1 (the "Managing District"), Pilot Knob Municipal Utility District No. 2, Pilot Knob Municipal Utility District No. 4, and Pilot Knob Municipal Utility District No. 5 (collectively, the "Participating Districts") and the Developer. Under the SFA, the District agrees to share in the design, financing and construction of certain water and wastewater facilities serving the Participating Districts. Costs of the water and wastewater facilities are to be allocated to each of the Participating Districts based on an allocation percentage defined in the SFA and based on each Participating District's allocated capacity in the water and wastewater facilities. As of September 30, 2020, the allocation percentages under the SFA with respect to the "30-inch Wastewater Line, Phase 1A", the "30-inch Wastewater Line, Phase 2A" and the "30-inch Regional Wastewater Interceptor, Phase 2B" projects described therein are as follows:

District	Allocation %
Pilot Knob MUD No. 1	29.97%
Pilot Knob MUD No. 2	25.05%
Pilot Knob MUD No. 3	21.09%
Pilot Knob MUD No. 4	12.63%
Pilot Knob MUD No. 5	11.26%

During the year ended September 30, 2020, the District incurred $5,858 of engineering costs in the design of shared water and wastewater facilities to the Master District of which $751 is payable at September 30, 2020.

13. SHARED FACILITIES AGREEMENTS (continued) -

The District entered into a Shared Road Improvements Agreement dated effective August 14, 2018 and a Shared Park Improvements Agreement dated effective August 14, 2018 with the Managing District, the Participating Districts and the Developer. As provided in the Shared Road Improvements Agreement and the Shared Park Improvements Agreement, the Developer will fund construction of all road improvements and park improvements and may be reimbursed by each Participating District for its pro rata share of such construction costs based on its allocation percentage under such agreements in accordance with its respective reimbursement agreement with the Developer. Upon completion of the construction of the road improvements, the Developer or the Managing District will convey the road improvements to the State of Texas, Travis County or the City of Austin, as applicable, for ownership, operation and maintenance. Upon completion of the construction of park improvements by the Developer, the Participating Districts will share on a pro rata basis in the ongoing maintenance costs of the park improvements based on the allocation percentages set forth in the Shared Park Improvements Agreement.

14. USE OF SURPLUS FUNDS

On December 30, 2019, the District's Board of Directors authorized the use of surplus funds from the previously issued Series 2017, 2018 and 2018A bond issues to finance $456,594 of developer-funded construction costs and pay application report and other issuance costs.

15. SUBSEQUENT EVENT

On November 12, 2020, the District issued $3,975,000 of Unlimited Tax Bonds, Series 2020, the proceeds of which were used to reimburse the Developer for the District's portion of certain costs of infrastructure improvements. The bonds were issued at interest rates ranging from 2.00% to 4.50% with maturity dates through February 15, 2045.

16. UNCERTAINTIES

On March 11, 2020, the World Health Organization declared the COVID-19 virus a global pandemic. As a result, economic uncertainties have arisen which could have an impact on the operations of the District. The District is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty, as the potential financial impact of this pandemic is unknown at this time.

REQUIRED
SUPPLEMENTARY INFORMATION

PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2020

	Actual	Original and Final Budget	Variance Positive (Negative)
REVENUES:			
Property taxes, including penalties	$ 371,978	$ 327,446	$ 44,532
Drainage fees	850,500	75,000	775,500
Interest and other	10,406	9,600	806
TOTAL REVENUES	1,232,884	412,046	820,838
EXPENDITURES:			
Repair and maintenance	70,245	68,640	(1,605)
Legal fees	64,472	72,000	7,528
Engineering fees	64,418	72,000	7,582
Bookkeeping fees	15,800	17,350	1,550
Audit fees	10,750	11,000	250
Director fees, including payroll taxes	5,329	6,480	1,151
Insurance	1,712	1,700	(12)
Election expenses	2,731	5,000	2,269
Tax appraisal/collection fees	2,033	3,000	967
Public notice	3,527	4,000	473
Other	130	1,120	990
TOTAL EXPENDITURES	241,147	262,290	21,143
NET CHANGE IN FUND BALANCE	991,737	$ 149,756	$ 841,981
FUND BALANCE:			
Beginning of the year	899,381		
End of the year	$ 1,891,118		

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*]

PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3
UNLIMITED TAX BONDS, SERIES 2021A
IN THE AGGREGATE PRINCIPAL AMOUNT OF $6,465,000

AS BOND COUNSEL FOR PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 3 (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on December 15, 2021 authorizing the issuance of the Bonds (the "Order").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of said Bonds, including one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the District upon taxable property within the District, which taxes the District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.#

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

IT IS FURTHER OUR OPINION that, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

OUR OPINIONS ARE BASED which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and assessed valuation of taxable property within the District. 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.

THE FOREGOING OPINIONS represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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APPENDIX C

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

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

SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES