

OFFICIAL STATEMENT DATED NOVEMBER 16, 2022

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND THE OPINION OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, COURT DECISIONS, AND PUBLISHED RULINGS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER “TAX MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – Book Entry Only

**Rating: S&P “AA” (Stable Outlook)/Insured
Moody’s “Baa2”/Uninsured
See “MUNCIPAL BOND RATING” and
“BOND INSURANCE” herein**

\$5,750,000

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

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

UNLIMITED TAX BONDS, SERIES 2022

Dated: December 1, 2022

Due: September 1, as shown below

Principal of the above described bonds (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially UMB Bank, N.A., Austin, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from December 1, 2022 and be payable on September 1, 2023 and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) (see “BOND INSURANCE”).

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Number ^(b)	Due Sept. 1	Principal Amount	Interest Rate	Initial Reoffering Yield ^(a)	CUSIP Number ^(b)
2023	\$ 150,000	6.000%	3.300%	89440EHA1	2026	\$ 150,000	6.500%	3.650%	89440EHD5
2024	150,000	6.500%	3.450%	89440EHB9	2027	150,000	6.000%	3.750%	89440EHE3
2025	150,000	6.500%	3.550%	89440EHC7					

\$300,000 4.000% Term Bonds due September 1, 2029^(c) Priced to Yield 3.900%^(a) – 89440EHG8^(b)

\$300,000 4.000% Term Bonds due September 1, 2031^(c) Priced to Yield 4.000%^(a) – 89440EHJ2^(b)

\$300,000 4.000% Term Bonds due September 1, 2033^(c) Priced to Yield 4.250%^(a) – 89440EHL7^(b)

\$300,000 4.250% Term Bonds due September 1, 2035^(c) Priced to Yield 4.500%^(a) – 89440EHN3^(b)

\$300,000 4.500% Term Bonds due September 1, 2037^(c) Priced to Yield 4.650%^(a) – 89440EHQ6^(b)

\$300,000 4.500% Term Bonds due September 1, 2039^(c) Priced to Yield 4.750%^(a) – 89440EHS2^(b)

\$500,000 4.500% Term Bonds due September 1, 2042^(c) Priced to Yield 4.800%^(a) – 89440EHV5^(b)

\$1,100,000 4.750% Term Bonds due September 1, 2044^(c) Priced to Yield 4.830%^(a) – 89440EHX1^(b)

\$1,600,000 4.750% Term Bonds due September 1, 2046^(c) Priced to Yield 4.850%^(a) – 89440EHZ6^(b)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date. Accrued interest from December 1, 2022, is to be added to the price.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. 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. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or 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 the Bonds. None of the District, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
- (c) Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on September 1, 2027, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.” Additionally, Term Bonds maturing on September 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2042, 2044 and 2046 are subject to mandatory sinking fund redemption. See “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption.”

The Bonds, when issued, will constitute valid and legally binding obligations of Travis County Municipal Utility District No. 18 (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 located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Travis County, Texas, the City of Bee Cave, Texas or any entity other than the District. The Bonds are subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McLean & Howard, L.L.P., Bond Counsel and McCall, Parkhurst & Horton L.L.P., Special Tax Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on December 15, 2022.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from McLean & Howard, L.L.P., 4301 Bull Creek Road, Suite 150, Austin, Texas 78731, upon payment of duplication costs.

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

NEITHER THE DISTRICT NOR THE FINANCIAL ADVISOR MAKES 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.

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

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

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein.

THE FINANCING

- The Issuer*Travis County Municipal Utility District No. 18 (the “District”), a political subdivision of the State of Texas, is located in Travis County, Texas. See “THE DISTRICT.”
- The Issue*\$5,750,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from December 1, 2022, at the rates shown on the cover hereof, and is payable on September 1, 2023, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.
- Redemption*The Bonds maturing on and after September 1, 2029, are subject to redemption, in whole or, from time to time, in part, at the option of the District, prior to their maturity dates, on September 1, 2027, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions – Optional Redemption.” Additionally, Term Bonds maturing on September 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2042, 2044 and 2046 are subject to mandatory sinking fund redemption. See “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption.”
- Source of Payment*The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas, Travis County, Texas, the City of Bee Cave, Texas, or any other political subdivision or agency other than the District. See “THE BONDS – Source of and Security for Payment.”
- 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 November 6, 2012; the Bond Resolution; and an approving order of the TCEQ (defined herein). See “THE BONDS – Authority for Issuance.”
- Bonds Authorized But Unissued*At a bond election held within the District on November 6, 2012, the voters of the District authorized the issuance of a total of \$42,365,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. After the sale of the Bonds, the District will have \$10,570,000 remaining in authorized but unissued bonds for water, wastewater and drainage facilities. At the same election, the voters of the District authorized the issuance of a total of \$7,085,000 principal amount of unlimited tax bonds for road construction purposes, of which \$3,005,000 remains authorized but unissued. See “FINANCIAL STATEMENT – Outstanding Bonds” and “THE BONDS – Future Debt.”

<i>Use of Proceeds</i>	Proceeds from the sale of the Bonds will be used, in part, to reimburse Masonwood 71 Ltd. for the construction costs shown herein under “THE SYSTEM – Use and Distribution of Bond Proceeds.” Bond proceeds will also be used to capitalize six (6) months of interest on the Bonds, pay developer interest, and to pay certain costs associated with the issuance of the Bonds. See “THE SYSTEM – Use and Distribution of Bond Proceeds.”
<i>Payment Record</i>	The District has previously issued six (6) series of unlimited tax bonds and one series of unlimited tax road bonds of which \$26,385,000 principal amount was outstanding as of October 1, 2022 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on its previously issued bonds.
<i>Qualified Tax-Exempt Obligations</i>	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2022 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Municipal Bond Rating and Insurance</i>	The Bonds are expected to be rated “AA” (Stable Outlook) by S&P Global Ratings (“S&P”) by virtue of a municipal bond insurance policy issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. See “BOND INSURANCE.” Moody’s Investors Service (“Moody’s”) has assigned an underlying, uninsured rating to the District of “Baa2” without regard to credit enhancement.
<i>Bond Counsel</i>	McLean & Howard, L.L.P., Austin, Texas.
<i>Special Tax Counsel</i>	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
<i>Financial Advisor</i>	Specialized Public Finance Inc., Austin, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
<i>Engineer</i>	Randall Jones Engineering, Inc., Austin, Texas.
<i>Paying Agent/Registrar</i>	UMB Bank, N.A., Austin, Texas.
<i>Investment Considerations</i>	The purchase and ownership of the Bonds are subject to special investment considerations, including certain investment considerations related to the current COVID-19 pandemic, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

<i>Description</i>	The District was created by order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”), dated June 20, 2012. The District presently contains approximately 195 acres of land after an annexation in April 2013 of approximately 47 acres. The District is located in western Travis County along U.S. Highway 71, approximately one mile west of the City of Bee Cave, Texas (the “City”) and approximately 15 miles west of downtown Austin, Texas. The District lies totally within the exclusive extraterritorial jurisdiction of the City.
<i>Status of Development</i>	All developable land in the District has been provided with underground water, sanitary sewer and drainage facilities. The District has been developed primarily for single family residential purposes as Bella Colinas and Terra Colinas. Bella Colinas has been developed by Meritage Homes of Texas LLC (“Meritage”), a Texas limited liability company. Water, sanitary sewer and drainage facilities have been constructed to serve

Bella Colinas, Sections 1 through 9 (approximately 100 acres of land developed into 293 single-family residential lots). Terra Colinas has been developed by Terra Colinas, LLC (“Terra Colinas, LLC”), a Texas limited liability company. Water, sanitary sewer and drainage facilities have been constructed to serve Terra Colinas Phases 1 and 2 (approximately 52 acres of land developed into 190 single-family residential lots). As of August 31, 2022, the District contained 481 single-family homes completed and occupied and two vacant single-family homes. Homes in the District have values for taxation from approximately \$300,000 to \$1,200,000.

In addition to the development described above, the District contains approximately 23 acres of commercial land which are provided with underground water, sanitary sewer and drainage facilities, a portion of which is currently developed or in various stages of construction and development. Of such 23 acres, approximately 3 acres have been developed as an Austin Regional Clinic along with additional retail/office space available and approximately 3 acres have been developed as a 23,000 square-foot retail center. The remaining 17 commercial acres remains vacant and for sale by the Commercial Developer (defined herein).

Also, approximately 20 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses. See “THE DISTRICT – Status of Development.”

The Developers.....The original developer of land within the District was Masonwood 71 Ltd. (“Masonwood”) which developed certain major water, sewer, and drainage facilities to serve the District. In November 2011, Masonwood sold a portion of its undeveloped land in the District to Meritage. Meritage developed water, sewer and drainage facilities to serve specific sections within the District known as Bella Colinas. In September 2013, Masonwood transferred its remaining undeveloped land to James W. Meredith, who subsequently sold the land to Terra Colinas, LLC. In April 2013, the District annexed an adjacent tract of undeveloped land owned by G2E-71, Ltd., which subsequently sold its undeveloped land to Terra Colinas, LLC for development of single-family homes. Terra Colinas, LLC developed water, sewer and drainage facilities to serve specific sections within the District known as Terra Colinas. In January 2014, Catlyn Commercial Realty LTD conveyed approximately 23 acres of land to 22.52 Bella Colinas, JV (the “Commercial Developer”) for commercial development. Meritage, the Commercial Developer, and Terra Colinas may be collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

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SELECTED FINANCIAL INFORMATION

2022 Certified Taxable Assessed Valuation.....	\$321,052,149 ^(a)
Gross Direct Debt Outstanding (after the issuance of the Bonds).....	\$ 32,135,000
Estimated Overlapping Debt	<u>5,661,946^(b)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$ 37,796,946
Ratio of Gross Direct Debt to:	
2022 Certified Taxable Assessed Valuation.....	10.01%
Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2022 Certified Taxable Assessed Valuation.....	11.77% ^(b)
Funds Available for Debt Service as of September 16, 2022	
System Debt Service Funds.....	\$ 866,871 ^(c)
Road Debt Service Funds.....	245,880 ^(c)
Capitalized Interest from Bond Proceeds.....	<u>136,875^(d)</u>
Total Funds Available for Debt Service.....	\$ 1,249,626
Funds Available in Operating Fund as of September 16, 2022	\$ 1,567,490
Funds Available for Capital Projects as of September 16, 2022	
System Capital Project Funds	\$ 1,143,425
Road Capital Project Funds.....	<u>248,477</u>
Total Funds Available for Capital Projects	\$ 1,391,902
2022 District Tax Rate:	
Debt Service ^(e)	\$0.665
Maintenance and Operations	<u>0.085</u>
Total	\$0.750/\$100 A.V.
Average Annual Debt Service Requirements (2023-2046) (“Average Requirement”).....	\$1,931,404
Tax rate required to pay Average Requirement based upon	
2022 Certified Taxable Assessed Valuation at a 95% collection rate	\$0.64/\$100 A.V.
Connection count as of August 31, 2022:	
Single-family residential – completed and occupied.....	481
Single-family residential – completed and unoccupied.....	2
Commercial	<u>4</u>
Total	487

Area of District – 195 acres
Estimated 2022 Population – 1,684^(f)

- (a) As certified by the Travis Central Appraisal District (the “Appraisal District”). Includes \$296,558,021 of value certified by the Appraisal District and \$24,494,128 of value not yet certified by the Appraisal District. See “TAX PROCEDURES.”
- (b) See “ESTIMATED OVERLAPPING DEBT STATEMENT” herein.
- (c) Although all of the District’s debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District’s ad valorem tax revenue will be allocated to bonds sold for road facilities (“Road Bonds”) and a pro rata portion will be allocated to bonds sold for water, wastewater and drainage facilities (“System Bonds”).
- (d) The District will capitalize six (6) months of interest from Bond proceeds. Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the System Debt Service Fund. See “THE SYSTEM – Use and Distribution of Bond Proceeds.”
- (e) In connection with its approval, the Commission staff has recommended that the District levy a debt service tax rate of \$0.6675 per \$100 assessed valuation in the first year after issuance of the Bonds.
- (f) Estimate based on 3.5 persons per occupied home.

OFFICIAL STATEMENT

\$5,750,000

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

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

UNLIMITED TAX BONDS

SERIES 2022

This Official Statement provides certain information in connection with the issuance by Travis County Municipal Utility District No. 18 (the “District”) of its \$5,750,000 Unlimited Tax Bonds, Series 2022 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, an election held in the District, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and the Developers of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefore.

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

THE BONDS

General

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

The Bonds will be dated and accrue interest from December 1, 2022, at the rates shown on the cover hereof, and interest is payable on each March 1 and September 1 commencing September 1, 2023, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. 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.

Authority for Issuance

At a bond election held within the District on November 6, 2012, the voters of the District authorized the issuance of a total of \$42,365,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. At the same election, the voters of the District authorized the issuance of a total of \$7,085,000 principal amount of unlimited tax bonds for road construction purposes. See “Issuance of Additional Debt” below. The Commission has authorized the District to sell the Bonds for the purposes described in “THE SYSTEM – Use and Distribution of Bond Proceeds.”

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolution, an order of the Commission, Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

Source of and Security for Payment

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

The Bonds are obligations of the District and are not the obligations of the State of Texas, Travis County, the City of Bee Cave, Texas (the “City”) or any entity other than the District.

Funds

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

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

Accrued interest, if any, and six (6) months of capitalized interest on the Bonds shall be deposited into the System Debt Service Fund upon receipt. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the System Capital Projects Fund and used to reimburse Masonwood 71 Ltd. (“Masonwood”) for the costs of acquiring or constructing District facilities on behalf of the District, pay interest on such reimbursements and pay the costs of issuing the Bonds. See “THE SYSTEM – Use and Distribution of Bond Proceeds” for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Record Date

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

Redemption Provisions

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2029, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2027, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar (hereinafter defined) by lot or other customary method of random selection (or by DTC (hereinafter defined) in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Sinking Fund Redemption: The Bonds maturing on September 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2042, 2044 and 2046 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

Term Bonds Due September 1, 2029		Term Bonds Due September 1, 2031	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2028	\$ 150,000	September 1, 2030	\$ 150,000
September 1, 2029*	150,000	September 1, 2031*	150,000
Term Bonds Due September 1, 2033		Term Bonds Due September 1, 2035	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2032	\$ 150,000	September 1, 2034	\$ 150,000
September 1, 2033*	150,000	September 1, 2035*	150,000
Term Bonds Due September 1, 2037		Term Bonds Due September 1, 2039	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2036	\$ 150,000	September 1, 2038	\$ 150,000
September 1, 2037*	150,000	September 1, 2039*	150,000
Term Bonds Due September 1, 2042		Term Bonds Due September 1, 2044	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2040	\$ 150,000	September 1, 2043	\$ 400,000
September 1, 2041	150,000	September 1, 2044*	700,000
September 1, 2042*	200,000		
Term Bonds Due September 1, 2046			
Redemption Date	Principal Amount		
September 1, 2045	\$ 800,000		
September 1, 2046*	800,000		

*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, shall have been (1) 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/Registrar for cancellation, (2) purchased and canceled by the Paying Agent/Registrar 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) redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Registration and Transfer

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

Replacement of Paying Agent/Registrar

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

Payment Record

The District has previously issued six (6) series of unlimited tax bonds and one series of unlimited tax road bonds of which \$26,385,000 principal amount was outstanding as of October 1, 2022 (the “Outstanding Bonds”). The District has never defaulted in the payment of principal and interest on its previously issued bonds.

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to acquire contract rights and provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$10,570,000 of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities. The District will also have \$3,005,000 principal amount of authorized but unissued unlimited tax bonds for roads. The District may also issue refunding bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Any additional bonds issued by the District may dilute the security for the Bonds. See “THE SYSTEM – Future Debt.”

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or acquire contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the Commission and the voters of the District, to establish, operate, and maintain firefighting facilities, independently or with one or more conservation and reclamation districts.

Annexation by the City of Bee Cave

The District is located entirely within the extraterritorial jurisdiction of the City. Generally, under current Texas law, the District may be annexed by the City without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (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 fifty-percent (50%) of the land in the area, a petition has been signed by more than fifty-percent (50%) of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District.

Under the Development Agreement between Masonwood and the City dated October 18, 2011, the City agreed that it would not annex the District until the earlier of: (i) twenty (20) years from the effective date of the Development Agreement; or (ii) the water, wastewater, street and drainage facilities have been completed to serve at least 90% of the developable acreage within the District; and either Masonwood has been reimbursed by the District for facilities in accordance with the rules of the TCEQ or the City or a third party utility provider has expressly assumed the obligation to reimburse Masonwood under those rules.

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. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Consolidation

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

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages 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. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as

to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by order of the Commission, dated June 20, 2012, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is located wholly within the exclusive extraterritorial jurisdiction of the City.

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

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds; limit the net effective interest rate on such bonds and other terms of such bonds; and require public water, sewer, and drainage facilities to be designed in accordance with certain City standards. Construction and operation of the District’s drainage system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Location

The District presently contains approximately 195 acres of land after an annexation in April 2013 of approximately 47 acres. The District is located in the western portion of Travis County along U.S. Highway 71, approximately one mile west of the City and approximately 15 miles west of the City of Austin, Texas.

Status of Development

All developable land in the District has been provided with water, sanitary sewer and drainage facilities. The District is developed primarily for single family residential purposes as Bella Colinas and Terra Colinas. Bella Colinas has been developed by Meritage (defined herein). Water, sanitary sewer and drainage facilities have been constructed to serve Bella Colinas, Sections 1 through 9 (approximately 100 acres of land developed into 293 single-family residential lots). Terra Colinas has been developed by Terra Colinas, LLC. Water, sanitary sewer and drainage facilities have been constructed to serve Terra Colinas, LLC, Phases 1 and 2 (approximately 52 acres of land developed into 190 single-family residential lots).

In addition to the development described above, the District contains approximately 23 acres of commercial land which are provided with underground water, sanitary sewer and drainage facilities, a portion of which is currently developed or in various stages of construction and development. Of such 23 acres, approximately 3 acres have been developed as an Austin Regional Clinic along with additional retail/office space available and approximately 3 acres have been developed as a 23,000 square-foot retail center. The remaining 17 commercial acres remains vacant and for sale by the Commercial Developer (defined herein). Approximately 20 acres of undevelopable land is contained in easements, rights-of-way, storm water detention facilities and other land uses.

Homes in the District have values for taxation from approximately \$300,000 to \$1,200,000. As of August 31, 2022, the District contained 483 single-family homes completed as shown below:

Status of home construction as of August 31, 2022:

Single-family residential – completed and occupied.....	481
Single-family residential – completed and unoccupied	<u>2</u>
Total	483

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Two of the Directors listed below reside within the District; however, each of the other Directors owns an undivided interest in a small parcel of land in the District subject to an Option to Repurchase by a third party. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in May even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Newhouse	President	May 2024
Chris Schedler	Vice President	May 2024
John Graham	Secretary	May 2024
Mark Cater Joseph	Assistant Secretary	May 2026
Robert Grawe	Assistant Secretary	May 2026

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

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Travis Central Appraisal District (“Appraisal District”). The District’s Tax Assessor/Collector is contracted with by the Board of the District, and the District has contracted with the Travis County Tax Assessor/Collector to serve in this capacity for the District.

Operations

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

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P. to serve as the District’s bookkeeper (the “Bookkeeper”).

Engineer

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

Special Engineer for the Bonds

The District contracted with Jones-Heroy & Associates, Inc. for preparation of the bond application related to this bond issue.

General Counsel and Bond Counsel

The District engages McLean & Howard, L.L.P. as general counsel and as bond counsel in connection with the issuance of the Bonds. The legal fees to be paid bond counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Special Tax Counsel

McCall, Parkhurst & Horton L.L.P., Dallas, Texas has been retained as Special Tax Counsel. The fees payable to Special Tax Counsel are contingent upon the issuance, sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Austin, Texas has been engaged to serve as Disclosure Counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

Auditor

The District’s financial statements for the year ended September 30, 2021, were audited by West, Davis and Company. See APPENDIX A for a copy of the District’s September 30, 2021 audited financial statements.

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. In some instances, a landowner or developer will be required by the Commission to pay thirty percent (30%) of the cost of placing the water distribution, wastewater collection, and storm drainage facilities in a district, exclusive of water supply and storage and wastewater treatment plants of which the district incurs one hundred percent (100%) of the cost. While a developer is required by the Commission to pave streets (in areas where District facilities are being financed with bonds), a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Neither the Developers (as hereinafter defined) nor any of their affiliates, is obligated to pay principal of or interest on the Bonds. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments.” Furthermore, neither the Developers nor any of their affiliates has any binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District.

The Developers

The original developer of land within the District was Masonwood 71 Ltd. (“Masonwood”) which developed certain major water, sewer, and drainage facilities to serve the District. In November 2011, Masonwood sold a portion of its undeveloped land in the District to Meritage Homes of Texas LLC (“Meritage”), a Texas limited liability company. Meritage developed water, sewer and drainage facilities to serve specific sections within the District known as Bella Colinas. In September 2013, Masonwood transferred its remaining undeveloped land to James W. Meredith, who subsequently sold the land to Terra Colinas, LLC (“Terra Colinas, LLC”), a Texas limited liability company. In April 2013, the District annexed an adjacent tract of undeveloped land owned by G2E-71, Ltd., which subsequently sold its undeveloped land to Terra Colinas, LLC for development of single family homes. Terra Colinas, LLC developed water, sewer and drainage facilities to serve specific sections within the District known as Terra Colinas. In January 2014, Catlyn Commercial Realty LTD conveyed approximately 23 acres of land to 22.52 Bella Colinas JV (“Commercial Developer”). Meritage, the Commercial Developer, and Terra Colinas, LLC are collectively referred to herein as the “Developers.”

Meritage financed the development of Bella Colinas Sections 1 through 9 in the District with funds provided by its parent company, Meritage Homes Corporation, a publicly held company, the stock of which is listed on the New York Stock Exchange. Meritage Homes Corporation is subject to the information requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (“SEC”).

Terra Colinas, LLC financed the development of Terra Colinas, Phases 1 and 2 in the District with a development loan provided by First Continental Investment Co., Ltd. The development loan has been paid in full. Terra Colinas LLC was created for the sole purpose of developing Terra Colinas and its only substantial asset consisted of the land in Terra Colinas.

Each of the Developers is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

Utility Construction Agreement

The District has entered into a utility construction agreement with Masonwood governing the development of water, wastewater and drainage facilities on land within the District and the reimbursement for certain costs of such developments through the issuance of bonds by the District (as amended, the “Utility Construction Agreement”).

THE SYSTEM

Regulation

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

Water, Sanitary Sewer and Drainage Facilities

Construction of the water, sanitary sewer and drainage facilities to serve the District have been financed with funds advanced by the Developers. It is expected that a portion of the proceeds from sale of the Bonds will be used to reimburse the Developers for certain of the advances.

Source of Water Supply: The District has a raw water contract with the Lower Colorado River Authority (“LCRA”) whereby the District has the right to a maximum of 336 acre-feet of raw water per year. The District is provided wholesale potable water service by the West Travis County Public Utility Authority (“WTCPUA”) through a wholesale water services agreement (the “Water Services Agreement”) dated December 3, 2012. Pursuant to the terms of the Water Services Agreement, the WTCPUA will provide wholesale water service to the District for up to 623 equivalent single-family connections. As of August 31, 2022, the District was serving 481 active residential connections.

Source of Wastewater Treatment: The District is provided wholesale wastewater treatment services by the WTCPUA through a wastewater service agreement (the “Wastewater Services Agreement”). WTCPUA treats the District’s wastewater at its Uplands Wastewater Treatment Plant, which has a current capacity of 1.0 million gallons per day. The Developers financed the construction of a major sanitary sewer interceptor and conveyance facilities to transport all wastewater flows from the District to the WTCPUA wastewater system. According to the Engineer, the District’s capacity is capable of serving up to as many as 623 equivalent single-family connections. As of August 31, 2022, the District was serving 481 active single-family connections.

Under the Wastewater Services Agreement, the District is obligated to fund potential relocation of a wastewater line located in the right of way of Hamilton Pool Road in the event expansion of the road necessitates relocation.

100-Year Flood Plain and Storm Drainage Information: 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. According to the District’s Engineer, approximately 0.19 acres of land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map.

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

Use and Distribution of Bond Proceeds

The estimated use and distribution of Bond proceeds is shown below.

CONSTRUCTION RELATED COSTS

Water, Wastewater, and Drainage	
Bella Colinas, Sections 3, 4, 5, and 6.....	\$ 1,316,336
Terra Colinas, Phase 1	3,570,000
SWPPP.....	3,425
Engineering Fees.....	355,329
Construction Related Costs.....	\$ 5,245,090
Less: Surplus Funds	\$ (1,138,318)
Total Construction Related Costs.....	\$ 4,106,772

NON-CONSTRUCTION COSTS

Bond Discount ^(a)	\$ 171,905
Capitalized Interest ^(a)	136,875
Interest on Construction Costs (Estimated).....	996,918
Contingency ^(b)	7,470
Total Non-Construction Costs	\$ 1,313,168

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees	\$ 258,060
Bond Application Report Costs	51,875
State Regulatory Fees	20,125
Total Issuance Costs and Fees.....	\$ 330,060

TOTAL BOND ISSUE REQUIREMENT \$ 5,750,000

(a) The Commission approved a maximum amount of \$143,750 in capitalized interest and a maximum bond discount of \$172,500, or 3.0% of the Bonds.

(b) Contingency represents the difference in the estimated amount and actual amount of bond discount and capitalized interest.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

Future Debt

The Developers have financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$2,942,119 (as of October 15, 2022) for design, construction and acquisition of District improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse Masonwood 71 Ltd. for these costs to the extent allowed by the Commission. According to the Engineer, the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements. See "INVESTMENT CONSIDERATIONS – Future Debt."

THE ROAD SYSTEM

Vail Divide and Del Dios Way are major collector streets serving the District. The roads meet Travis County's criteria for collector roadway designation. All roadways are designed and constructed in accordance with Travis County standards, rules, and regulations. Upon acceptance of roadway facilities, Travis County will be responsible for operation and maintenance thereof.

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

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/06/2012	Water, Sanitary Sewer and Drainage	\$42,365,000	\$31,795,000 ^(a)	\$10,570,000
11/06/2012	Road Bonds	\$7,085,000	\$4,080,000	\$3,005,000

(a) Includes the Bonds.

FINANCIAL STATEMENT

2022 Certified Taxable Assessed Valuation.....\$321,052,149^(a)

District Debt:

Outstanding Bonds (as of October 1, 2022)	\$ 26,385,000
The Bonds	<u>5,750,000</u>
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$ 32,135,000

Ratio of Gross Direct Debt to:

2022 Certified Taxable Assessed Valuation.....	10.01%
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Area of District – 195 acres
Estimated 2022 Population – 1,684^(b)

(a) As certified by the Appraisal District. Includes \$296,558,021 of value certified by the Appraisal District and \$24,494,128 of value not yet certified by the Appraisal District. See "TAX PROCEDURES."

(b) Estimate based on 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of September 16, 2022)

General Fund	Cash and Temporary Investments	\$1,567,490
System Capital Projects Fund	Cash and Temporary Investments	\$1,143,425
Road Capital Projects Fund	Cash and Temporary Investments	\$248,477
System Debt Service Fund	Cash and Temporary Investments	\$866,871 ^(a)
Road Debt Service Fund	Cash and Temporary Investments	\$245,880

(a) Six (6) months of capitalized interest will be deposited into such fund from Bond proceeds (\$136,875). Neither the Bond Resolution nor Texas law requires that the District maintain any particular balance in the System Debt Service Fund.

Outstanding Bonds (as of October 1, 2022)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding as of October 1, 2022</u>
2015	\$ 5,500,000	\$ 4,655,000
2016	2,545,000	2,230,000
2017	4,080,000	3,325,000
2018	4,750,000	4,000,000
2019	6,750,000	5,925,000
2020	4,000,000	3,800,000
2021	<u>2,500,000</u>	<u>2,450,000</u>
	\$30,125,000	\$26,385,000

ESTIMATED OVERLAPPING DEBT STATEMENT

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds^(a)</u>	<u>As of</u>	<u>Overlapping Percent</u>	<u>Amount</u>
Travis County	\$978,465,000	09/30/22	0.09%	\$ 880,619
Travis County Healthcare District.....	78,140,000	09/30/22	0.09%	70,326
Travis County Emergency Services District No. 6.....	1,615,000	09/30/22	1.38%	22,287
Lake Travis Independent School District	316,805,000	09/30/22	1.48%	<u>4,688,714</u>
Total Estimated Overlapping Debt				\$5,661,946
The District.....	\$32,135,000 ^(b)		100.00%	<u>32,135,000</u>
Total Direct and Estimated Overlapping Debt				\$37,796,946
Ratio of Total Direct and Estimated Overlapping Debt to 2022 Certified Taxable Assessed Valuation.....				11.77%

(a) Includes principal amounts of current interest bonds and capital appreciation bonds. Capital appreciation bonds are shown at original principal amount as opposed to maturity value.

(b) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2022

	2022 Tax Rate per \$100 Assessed Valuation
Travis County	\$0.318239
Lake Travis Independent School District	1.212100
Travis County Emergency Services District No. 6	0.100000
Travis County Healthcare District	0.098684
The District	<u>0.750000</u>
Total Overlapping Tax Rate	\$2.551379

TAX DATA

Tax Collections

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

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Total Collections as of 08/31/2022	
				Amount	Percent
2017	\$121,500,322	\$0.75	\$ 910,248	\$ 910,248	100.00%
2018	180,771,266	0.75	1,350,425	1,350,425	100.00
2019	238,542,013	0.75	1,791,690	1,791,690	100.00
2020	246,329,871	0.75	1,874,058	1,874,058	100.00
2021	275,483,674	0.75	2,067,095	2,059,701	99.64
2022	321,052,149	0.75	N/A	N/A	N/A

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

Tax Rate Distribution

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Debt Service	\$0.665	\$0.66	\$0.6575	\$0.64	\$0.64
Maintenance and Operations	<u>0.085</u>	<u>0.09</u>	<u>0.0925</u>	<u>0.11</u>	<u>0.11</u>
Total	\$0.750	\$0.75	\$0.7500	\$0.75	\$0.75

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
Maintenance and Operations: \$1.00 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2022 tax year, the Board levied a debt service tax in the amount of \$0.665 per \$100 assessed valuation. In connection with the approval of the Bonds, the Commission staff has recommended the District levy a tax for debt service at a rate of \$0.6675 per \$100 assessed valuation in the first year after issuance of the Bonds.

Maintenance Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 6, 2012, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. For the 2022 tax year, the Board levied a maintenance tax in the amount of \$0.085 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

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

Additional Penalties

The District has contracted with Travis County to collect delinquent taxes. Travis County has contracted with a delinquent tax attorney to collect certain delinquent taxes. The contract establishes an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code. See “TAX PROCEDURES – Levy and Collection of Taxes.”

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2022 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2022 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Colinas LM Ltd. ^(a)	Land and Improvements	\$ 10,735,000	3.34 %
BC 71 Partners LP	Land and Improvements	8,755,110	2.73
22.52 Bella Colinas JV ^(a)	Land and Improvements	2,811,188	0.88
SKSJ Land Ventures LLC	Land and Improvements	2,568,523	0.80
Individual	Homeowner	1,542,298	0.48
Navem LLC	Land and Improvements	1,541,164	0.48
Individual	Homeowner	1,460,055	0.45
Individual	Homeowner	1,439,048	0.45
Taylor-Smartt LLC	Land and Improvements	1,295,300	0.40
Individual	Homeowner	<u>1,252,809</u>	<u>0.39</u>
Total		\$33,400,495	10.40 %

(a) Developer or related entity.

Summary of Assessed Valuation

The following summary of the 2022, 2021, and 2020 Assessed Valuation is provided by the District’s Tax Assessor/Collector based on information contained in the 2022, 2021, and 2020 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided. A breakdown of the uncertified portion (\$24,494,128) of the 2022 Taxable Assessed Valuation is not available.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Land	\$45,386,909	\$48,581,799	\$46,900,120
Improvements	342,623,743	240,474,481	200,288,196
Personal Property	1,309,527	1,685,478	1,297,411
Exemptions and Deferments	<u>(92,762,158)</u>	<u>(14,472,559)</u>	<u>(2,155,856)</u>
Total Assessed Valuation	\$296,558,021	\$274,879,276	\$246,329,871

Tax Adequacy for Debt Service

The calculation shown below assumes, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2022 Certified Taxable Assessed Valuation, no use of available funds, and utilizes a tax rate necessary to pay the District’s average annual debt service requirements on the Bonds and the Outstanding Bonds.

Average annual debt service requirement (2023-2046)	\$1,931,404
\$0.64 tax rate on the 2022 Certified Taxable Assessed Valuation of \$321,052,149 at a 95% collection rate produces	\$1,951,997

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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. The District must also follow tax procedures found in the Texas Water Code. These statutory provisions are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; 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 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 preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 depending on the disability rating of the veteran if such rating is less than 100%. A veteran who receives a disability rating of 100%, and subject to certain conditions, the surviving spouse of such a veteran is entitled to the exemption for the full amount of the residential homestead. 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 of the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See “TAX DATA.”

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

Tax Abatement

Travis County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Travis County, the District, and the City (after annexation of the District), at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within

the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

District and Taxpayer Remedies

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described 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 1.08 times the previous year's operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead 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 1.035 times the previous year's operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 1.08 times the previous year's operation and maintenance tax rate.

The District

According to the District's Board of Directors, the District is considered a Developing District as of the 2022 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "ESTIMATED OVERLAPPING DEBT STATEMENT – Overlapping Tax Rates for 2022"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

GENERAL FUND OPERATIONS

General

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

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for fiscal years ended September 30, 2018 through 2021. The unaudited summary shown below for the period ended September 30, 2022 has been provided by the Bookkeeper. Reference is made to such statements for further and more complete information.

	10/1/2021 to 09/30/2022 ^(a)	Fiscal Year Ended September 30			
		2021	2020	2019	2018
Revenues					
Property Tax	\$ 247,901	\$ 232,146	\$ 261,338	\$ 198,503	\$ 145,068
Water Service	288,713	314,123	318,348	254,035	302,045
Wastewater Service	147,453	178,618	144,055	117,985	143,486
Basic Service	596,122	720,910	713,456	715,979	604,921
Tap and Connection Fees	6,120	5,460	2,915	13,750	130,670
Inspection Fees	1,040	725	-	3,980	42,120
LUE Reservation Fees	27,703	27,523	42,541	37,931	33,763
Interest	14,934	7,014	21,106	24,043	7,696
Total Revenues	\$ 1,329,986	\$ 1,486,519	\$ 1,503,759	\$ 1,366,206	\$ 1,409,769
Expenditures					
Water Service Fees	\$ 313,776	\$ 264,174	\$ 257,140	\$ 196,764	\$ 208,036
Wastewater Services	548,324	540,074	496,804	367,658	300,030
Solid Waste Disposal	107,064	106,824	106,657	99,561	71,340
Repairs and Maintenance	282,154	319,011	276,382	212,140	118,742
Inspection Fees	572	-	-	20,109	79,634
Utilities	4,327	5,963	6,233	6,154	3,526
Laboratory Expenses	2,128	2,098	2,300	1,585	1,540
Insurance	7,047	6,552	6,324	6,165	4,342
Tax Assessor-Collector	9,422	8,452	8,748	6,893	5,154
Director Salaries and Taxes	4,683	6,621	8,397	3,391	5,490
Legal Fees	19,955	15,118	23,482	14,930	29,226
Audit Fees	12,500	12,000	12,000	12,000	12,000
Accounting	43,558	36,825	33,973	37,625	37,840
Management and Consulting Fees	94,119	93,096	92,837	81,312	79,475
Engineering Fees	5,840	8,763	7,500	7,750	8,000
Printing and Office Supplies	2,382	7,743	7,532	7,333	12,635
Other	17,294	314	34,702	2,884	1,295
Capital Expenditures	507	29,095	5,647	10,865	-
Total Expenditures	\$ 1,475,652	\$ 1,462,723	\$ 1,386,658	\$ 1,095,119	\$ 978,305
Other Financing Sources					
Developer Advances	\$ -	\$ -	\$ -	\$ -	\$ -
Bond Issuance Costs	-	-	-	-	-
Transfers (To) From Other Funds	-	-	-	-	-
Total Other Sources	\$ -	\$ -	\$ -	\$ -	\$ -
Excess (Deficit) of Revenues and Other Sources Over Expenditures					
	\$ (145,666)	\$ 23,796	\$ 117,101	\$ 271,087	\$ 431,464
Fund Balance - Beginning of Year	1,697,187 ^(b)	1,563,245	1,446,144	1,175,057	743,593
Fund Balance - End of Year	\$ 1,551,521	\$ 1,587,041	\$ 1,563,245	\$ 1,446,144	\$ 1,175,057

(a) Unaudited, prepared by the Bookkeeper.

(b) Restated.

DEBT SERVICE REQUIREMENTS

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

Year	Outstanding Bonds Debt Service Requirements	Debt Service on the Bonds			Debt Service Requirements
		Principal	Interest	Total	
2023	\$ 1,863,586	\$ 150,000	\$ 205,313	\$ 355,313	\$ 2,218,899
2024	1,843,386	150,000	264,750	414,750	2,258,136
2025	1,827,711	150,000	255,000	405,000	2,232,711
2026	1,806,006	150,000	245,250	395,250	2,201,256
2027	1,789,769	150,000	235,500	385,500	2,175,269
2028	1,773,363	150,000	226,500	376,500	2,149,863
2029	1,755,614	150,000	220,500	370,500	2,126,114
2030	1,736,251	150,000	214,500	364,500	2,100,751
2031	1,720,820	150,000	208,500	358,500	2,079,320
2032	1,698,683	150,000	202,500	352,500	2,051,183
2033	1,680,758	150,000	196,500	346,500	2,027,258
2034	1,661,345	150,000	190,500	340,500	2,001,845
2035	1,636,133	150,000	184,125	334,125	1,970,258
2036	1,615,025	150,000	177,750	327,750	1,942,775
2037	1,602,934	150,000	171,000	321,000	1,923,934
2038	1,604,141	150,000	164,250	314,250	1,918,391
2039	1,583,059	150,000	157,500	307,500	1,890,559
2040	1,559,968	150,000	150,750	300,750	1,860,718
2041	1,540,594	150,000	144,000	294,000	1,834,594
2042	1,473,375	200,000	137,250	337,250	1,810,625
2043	1,236,188	400,000	128,250	528,250	1,764,438
2044	906,250	700,000	109,250	809,250	1,715,500
2045	385,313	800,000	76,000	876,000	1,261,313
2046	-	800,000	38,000	838,000	838,000
Total	\$ 36,300,270	\$ 5,750,000	\$ 4,303,438	\$ 10,053,438	\$ 46,353,707

Average Annual Debt Service Requirements (2023-2046)	\$1,931,404
Maximum Annual Debt Service Requirements (2024)	\$2,258,136

INVESTMENT CONSIDERATIONS

General

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

Infectious Disease Outlook (COVID-19)

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishments in the State of Texas. The Governor retains the right to impose 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 <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

To date, the District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

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 developers and homebuilders are able to obtain financing for development and construction costs. 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 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.

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.

Developers under No Obligation to the District: There is no commitment from, or obligation of, any of the Developers 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. The District is also dependent upon the 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 DEVELOPERS” and “TAX DATA – Principal Taxpayers.”

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2022 certified taxable assessed valuation of the District (see “FINANCIAL STATEMENT”) is \$321,052,149. After issuance of the Bonds, the maximum annual debt service requirement will be \$2,258,136 (2024) and the average annual debt service requirement will be \$1,931,404 (2023-2046). Assuming no increase or decrease from the 2022 certified taxable assessed valuation and no use of funds other than tax collections, a tax rate of \$0.75 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$2,258,136 and a tax rate of \$0.64 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,931,404 (see “DEBT SERVICE REQUIREMENTS”). Increases in the tax rate may be required in the event the District’s assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction of taxable improvements within the District. See “TAX PROCEDURES” and “TAX DATA – Tax Adequacy for Debt Service.”

Future Debt

The District reserves in the Bond Resolution the right to issue the remaining \$10,570,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. In addition, the District reserves the right to issue the remaining \$3,005,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing road facilities and the District may issue additional bonds which may be voted hereafter. The District may also issue refunding bonds. See “THE BONDS – Issuance of Additional Debt” and “THE SYSTEM – Future Debt.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the Commission.

The Developers have financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from sale of the Bonds, the Developers will have expended approximately \$2,942,119 (as of October 15, 2022) for design, construction and acquisition of District improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse Masonwood 71 Ltd. for these costs to the extent allowed by the Commission. According to the Engineer, the District’s authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements

Tax Collection Limitations

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

Registered Owners’ Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution

does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Based on recent Texas court decisions, it is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

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

Governmental Approval

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 security of the Bonds as an investment, nor has the foregoing authority passed upon the adequacy or accuracy of the information contained in this Official Statement.

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.

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:

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

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

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

In 1997, the EPA adopted an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

On November 26, 2014, the EPA announced a new proposed ozone NAAQS range of between 65-70 ppb. 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.

On October 1, 2015, the EPA adopted new NAAQS for ground level ozone of 70 ppb. On November 6, 2017, the EPA issued final designations for the 2015 Ozone NAAQS for most areas of the United States and found that the Austin Area met the standards and thus designated the Austin Area "attainment/unclassified."

Should the Austin Area fail to achieve attainment under an EPA NAAQS, or should the Austin Area fail to satisfy a then effective 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 municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final sixty days after its publication in the Federal Register.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain waterfilled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020, and is currently the subject of further litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice Proposed Rulemaking to put back in place the pre-2015 definition of “waters of the United States”, and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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

Potential of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rate.

There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Changes in Tax 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.

Drought Conditions

Central Texas, like other areas of the State, has experienced drought conditions in recent years. The LCRA provides water to the District residents in amounts sufficient to service the residents of the District, however, as drought conditions emerge, water usage, District revenues and rates could be impacted.

Storm Water

The National Weather Service recently completed a rainfall study known as Atlas 14. Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM – Water, Sanitary Sewer and Drainage Facilities – 100-Year Flood Plain and Storm Drainage Information.”

Bond Insurance Risks

The following risk factors related to municipal bond insurance policies generally apply:

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

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

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

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

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

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without legal limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of McLean & Howard, L.L.P., Bond Counsel (“Bond Counsel”), to a like effect and the opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel (“Special Tax Counsel”), to the matters set forth in “TAX MATTERS.” Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for the matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion.

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 that 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.

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS,” “THE DISTRICT – General,” “MANAGEMENT – Bond Counsel” “TAX PROCEDURES,” “LEGAL MATTERS – Legal Proceedings (insofar as such section relates to the legal opinion of Bond Counsel)” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information appearing in this Official Statement under the captions “MANAGEMENT – Special Tax Counsel,” “LEGAL MATTERS – Legal Proceedings” (insofar as such section relates to the legal opinion of Special Tax Counsel), and “TAX MATTERS” solely to determine whether such information fairly summarizes the law referred to therein. Special Tax Counsel has not independently verified factual information contained in this Official Statement and has not conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm’s limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained herein.

The legal fees paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery 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 financial condition of the District from that set forth or contemplated in the Preliminary Official Statement as amended or supplemented through the date of sale.

No-Litigation Certificate

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

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) for Federal income tax purposes interest on the Bonds (1) 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 under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of McLean & Howard, L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from proceeds of a generally applicable ad valorem tax, (b) the District’s federal tax certificate, and (c) covenants of the District relating to, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income 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 Special Tax Counsel is conditioned on compliance by the District with the covenants and the requirements, and Special Tax Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax 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 facilities financed or refinanced with the proceeds of the Bonds. Special Tax Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. 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 Special Tax Counsel. If an 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 Bonds, 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 and 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 redemption, sale or other taxable disposition of such Original issue Discount Bonds 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 of 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 statutes, regulations, published rulings and court decisions, all of which are 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 THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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 foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

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.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 55(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligation, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. In furtherance of that designation, the District covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

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 interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of approximately 97.010% of the principal amount thereof plus accrued interest to the date of delivery which resulted in a net effective interest rate of 4.840170% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

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 the Bonds have been offered for sale to the public. 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 at any 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 that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

Securities Laws

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

MUNICIPAL BOND RATING

The Bonds are expected to be rated “AA”/(Stable Outlook) by S&P Global Ratings (“S&P”), a business unit of Standard and Poor’s Financial Services LLC, by virtue of a municipal bond insurance policy issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. The District has an underlying, uninsured rating of “Baa2” from Moody’s Investors Service, Inc. without regard to credit enhancement. See “BOND INSURANCE” and “INVESTMENT CONSIDERATIONS – Bond Insurance Risks.”

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

The District is not aware of any ratings assigned the Bonds other than the ratings described herein.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or “Bond Insurer”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

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

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

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$512.5 million, \$195.6 million and \$316.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

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

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

Auditor: The District’s financial statements for the year ended September 30, 2021, were audited by West, Davis and Company. See APPENDIX A for a copy of the District’s September 30, 2021 audited financial statements.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT,” “TAX DATA,” “DEBT SERVICE REQUIREMENTS,” and “APPENDIX A” (Annual Financial Report and supplemental schedules). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2022.

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

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

Event Notices

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

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Travis County Municipal Utility District No. 18, as of the date shown on the cover page.

/s/ Richard Newhouse
President, Board of Directors
Travis County Municipal Utility District No. 18

ATTEST:

/s/ John Graham
Secretary, Board of Directors
Travis County Municipal Utility District No. 18

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PHOTOGRAPHS OF THE DISTRICT

The following photographs were taken in the District in September 2019, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.









APPENDIX A

Audited Financial Statements for the fiscal year ended September 30, 2021

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WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Travis County Municipal Utility District No. 18
Austin, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Municipal Utility District No. 18 (the District) as of and for the year ended September 30, 2021, 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 an opinion 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 of material misstatement.

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

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

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the District at September 30, 2021, and the 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 information identified as Required Supplementary Information in the table of contents 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.

Texas Commission on Environmental Quality Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The other information listed in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

West, Davis & Company

Austin, Texas
December 31, 2021

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 34”), the management of Travis County Municipal Utility District No. 18 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2021. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

FINANCIAL HIGHLIGHTS

- **General Fund:** The unassigned fund balance at the end of the year was approximately \$1.586 million which was an increase of \$23 thousand from the end of the previous year end. Revenue decreased from \$1.504 million in the previous fiscal year to \$1.486 million in the current fiscal year primarily due to a decrease in the management and operations property tax rate.
- **Debt Service Fund:** The fund balance restricted for debt service decreased from \$1.242 million at the end of the previous fiscal year to \$1.115 million at the end of the current fiscal year. Revenue increased from \$1.542 million to \$1.655 million primarily due to an increase in the debt service property tax rate. The District made \$965 thousand in bond principal payments and bond interest payments of \$818 thousand during the fiscal year.
- **Capital Projects Fund:** The fund balance remained at \$1.269 million during the year due to receiving only interest income and making no capital expenditures during the year.
- **Governmental Activities:** On a Government-wide basis for governmental activities, the District had revenue in excess of expenses and other financing uses of approximately \$185 thousand. Net assets increased from a negative \$1.710 million to a negative \$1.525 million. This increase is primarily due to increased property tax revenue.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by the Texas Commission on Environmental Quality on June 20, 2012 pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to residential and commercial establishments within the District and solid waste collection services. The District is also authorized to provide road facilities. The District is located entirely within Travis County.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021

USING THIS ANNUAL REPORT

The District's reporting is comprised of five parts:

- Management's Discussion and Analysis (this section)
- Basic Financial Statements
 - Statement of Net Position and Reconciliation to Governmental Funds Balance Sheet
 - Statement of Activities and Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds
- Notes to the Financial Statements
- Required Supplementary Information
- Texas Supplementary Information (required by the Texas Commission on Environmental Quality)

The Government-wide statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the newly 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 Assets and the Statement of Activities.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Statement of Net Position and Governmental Funds Balance Sheet includes a column (titled "Governmental Funds Total") that represents a balance sheet prepared using the modified accrual basis of accounting. 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 assets will indicate financial health.

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

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021

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 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

Summary Statement of Net Position

	Governmental Activities (in thousands)		Increase (Decrease)
	September 2021	September 2020	
Current and Other Assets	\$ 4,326	\$ 4,339	\$ (13)
Capital and Non-Current Assets	25,333	26,000	(667)
Total Assets	29,659	30,339	(680)
Current Liabilities	1,399	1,292	107
Long-Term Liabilities	29,785	30,757	(972)
Total Liabilities	31,184	32,049	(865)
Net Investment in Capital Assets	(4,229)	(4,520)	291
Restricted	1,117	1,246	(129)
Unrestricted	1,587	1,564	23
Total Net Assets	\$ (1,525)	\$ (1,710)	\$ 185

The District's total assets were approximately \$29.7 million as of September 30, 2021. Of this amount, approximately \$4.1 million is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$31 million. The District's unrestricted net assets, which can be used to finance day to day operations, totaled \$1.587 million.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

**Management Discussion and Analysis
For the Year Ended September 30, 2021**

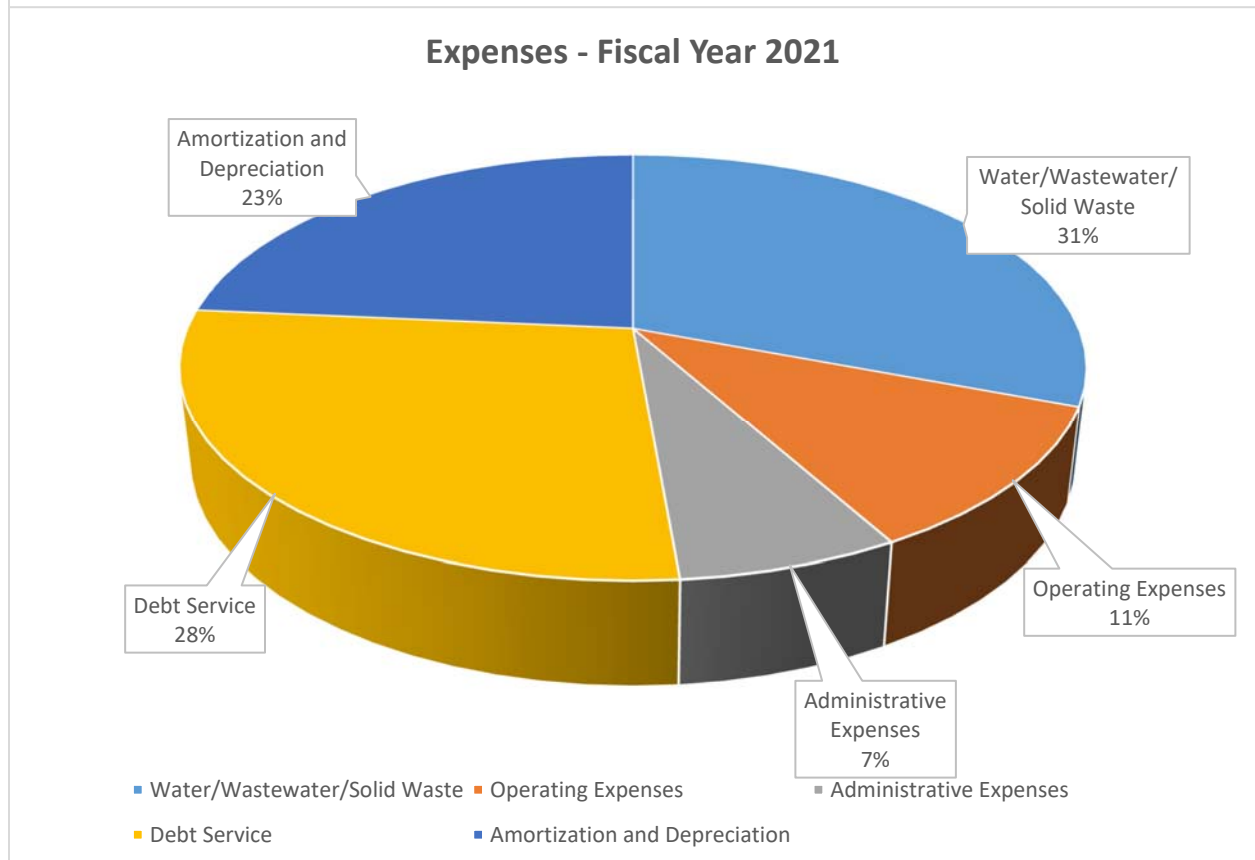
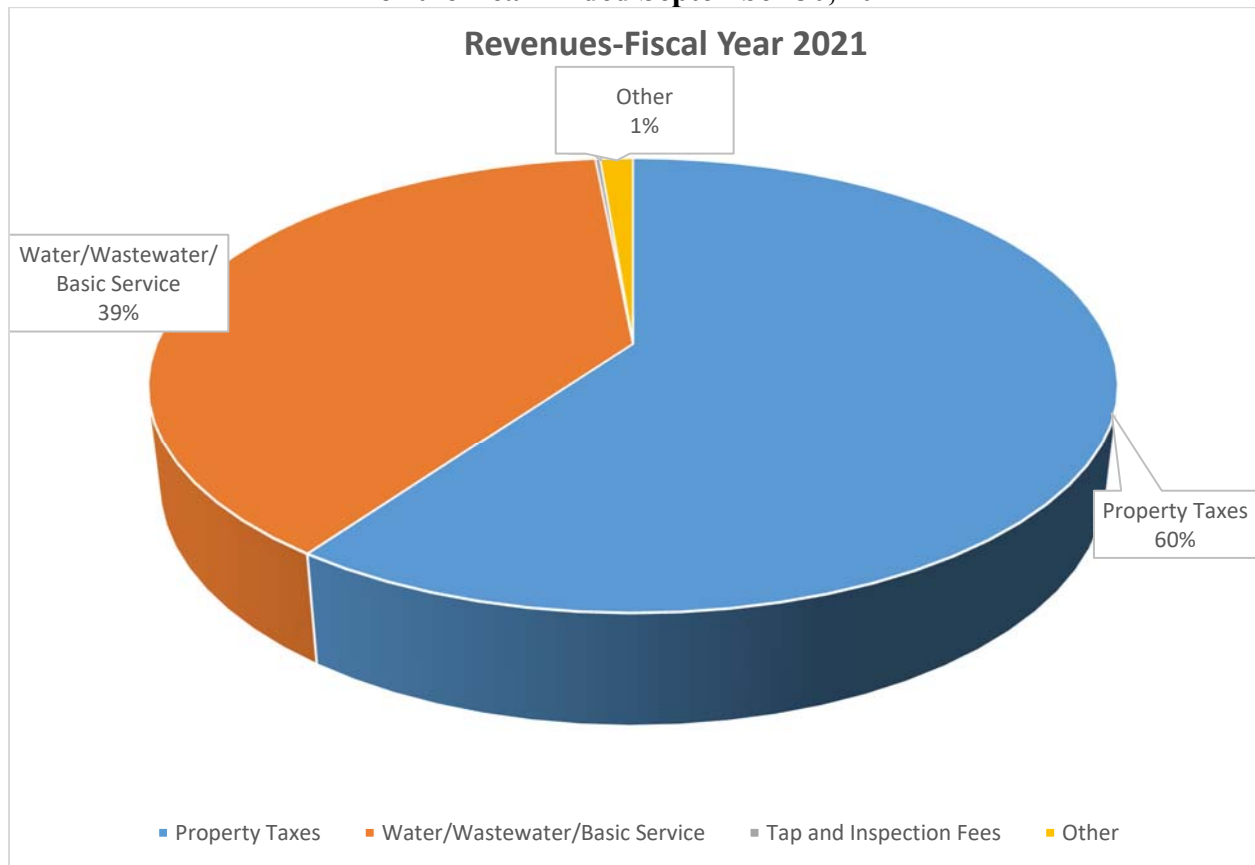
Summary Statement of Activities

	Governmental Activities (in thousands)		Increase (Decrease)
	2021	2020	
Property Taxes	\$ 1,879	\$ 1,786	\$ 93
Water/Wastewater/Basic Service	1,214	1,176	38
Tap and Inspection Fees	6	3	3
Other	41	93	(52)
Total Revenues	3,140	3,058	82
Water/Wastewater/Solid Waste	911	861	50
Operating Expenses	328	285	43
Administrative Expenses	198	237	(39)
Debt Service	822	729	93
Amortization and Depreciation	696	695	1
Total Expenses	2,955	2,807	148
Other Financing Sources (Uses)	-	(713)	713
Change in Net Assets	185	(462)	647
Beginning Net Assets	(1,710)	(1,248)	(462)
Ending Net Assets	\$ (1,525)	\$ (1,710)	\$ 185

Revenues were approximately \$3.1 million for the year ended September 30, 2021. Expenses and Other Financing Uses were approximately \$3.0 million for the year ended September 30, 2021. Net position increased about \$185 thousand primarily due to bond issuance costs. The following charts summarize the sources of revenue and areas of expenses.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021



TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021

FINANCIAL ANALYSIS OF THE DISTRICT'S FUND LEVEL STATEMENTS

In comparison to the Government-wide statements, the Fund-level statements focus on the key funds of the District. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The District reports the following types of Governmental funds: General Fund, Debt Service Fund and Capital Projects Fund. The focus of the District's Governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

Summary Balance Sheet

	Governmental Funds (in thousands)		
	September 2021	September 2020	Increase (Decrease)
Cash and Investments	\$ 4,073	\$ 4,087	\$ (14)
Accounts Receivable	252	254	(2)
Prepaid Expenses	1	-	1
Total Assets	4,326	4,341	(15)
Accounts Payable	280	192	88
Customer Deposits	73	70	3
Deferred Inflows	2	5	(3)
Total Liabilities	355	267	88
Nonspendable	1	-	1
Restricted for Debt Service	1,115	1,242	(127)
Restricted for Capital Projects	1,269	1,269	-
Unassigned	1,586	1,563	23
Total Fund Balances	3,971	4,074	(103)
Total Liabilities and Fund Balances	\$ 4,326	\$ 4,341	\$ (15)

The General Operating Fund, which pays for daily operating expenses, has a balance of \$1.586 million at the end of the current fiscal year. This is an increase of \$23 thousand over the prior fiscal year.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021

The Debt Service Fund decreased by \$127 thousand during the current fiscal year. This fund remitted \$965 thousand in bond principal and bond interest of \$818 thousand during the year.

The Capital Projects Fund balance remained unchanged during the year and has an ending balance of \$1.269 million.

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2021 annual budget for the General Fund on September 18, 2020. The budget included revenues of \$1.547 million and expenditures of \$1.546 million. Actual revenue amounted to \$1.487 million and actual expenditures amounted to \$1.463 million. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$22.7 million in land and infrastructure using bond proceeds and has been conveyed \$6.0 million in land and infrastructure by the developer. A summary of these assets is listed below:

Summary of Capital Assets

	Governmental Activities		
	(in thousands)		
	September	September	Increase
	2021	2020	(Decrease)
Land	\$ 826	\$ 826	\$ -
Water and Wastewater System	12,866	12,836	30
Accumulated Depreciation	(1,642)	(1,320)	(322)
Service Rights	14,991	14,991	-
Accumulated Amortization	(1,708)	(1,333)	(375)
Total Capital Assets (Net)	\$ 25,333	\$ 26,000	\$ (667)

LONG TERM DEBT

The District did not issue any new bonds during the year. Bonded indebtedness and other long-term debt of the District at year end was \$30.8 million. More detailed information about the District's long-term debt is presented in the Notes to the Basic Financial Statements.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Management Discussion and Analysis For the Year Ended September 30, 2021

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2021 has been fixed by the Travis County Appraisal District at \$265 million. The tax rates adopted by the District on September 17, 2021 for the coming fiscal year are \$0.09 for maintenance and operations and \$0.66 for debt service. The District expects this to produce \$2.0 million in total property tax revenue for next year. The adopted budget for fiscal year 2021 projects a small increase to the operating fund balance.

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 McLean & Howard, LLP, 901 South MoPac, Suite 225, Austin, Texas 78746.

BASIC FINANCIAL STATEMENTS

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

**STATEMENT OF NET POSITION
AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2021**

	GOVERNMENTAL FUNDS				ADJUSTMENTS	STATEMENT OF NET POSITION
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL		
ASSETS						
Cash	\$ 218,415	\$ -	\$ 361	\$ 218,776	\$ -	\$ 218,776
Investments	1,470,687	1,114,942	1,268,463	3,854,092	-	3,854,092
Accounts Receivable, net of allowance	247,603	-	-	247,603	-	247,603
Property Taxes Receivable	272	1,927	-	2,199	-	2,199
Other Accounts Receivable	2,441	388	-	2,829	-	2,829
Due From Other Funds	272	-	-	272	(272)	-
Unrealized Expenses	560	-	-	560	-	560
Intangible Assets (Net of Amortization)						
Service Rights	-	-	-	-	11,224,277	11,224,277
Capital Assets (Net of Depreciation)						
Land and Easements Service Rights	-	-	-	-	825,876	825,876
Infrastructure	-	-	-	-	13,282,665	13,282,665
Total Assets	\$ 1,940,250	\$ 1,117,257	\$ 1,268,824	\$ 4,326,331	\$ 25,332,546	\$ 29,658,877
LIABILITIES						
Accounts Payable	\$ 279,897	\$ 400	\$ -	\$ 280,297	65,326	\$ 345,623
Customer Deposits	73,040	-	-	73,040	-	73,040
Due To Other Funds	-	272	-	272	(272)	-
Long Term Payable-Developer	-	-	-	-	6,041,789	6,041,789
Bond Anticipation Note	-	-	-	-	-	-
Bonds Payable in less than one year	-	-	-	-	980,000	980,000
Bonds Payable in more than one year	-	-	-	-	23,743,384	23,743,384
Total Liabilities	352,937	672	-	353,609	30,830,227	31,183,836
DEFERRED INFLOWS OF RESOURCES						
Property Taxes	272	1,927	-	2,199	(2,199)	-
Total Deferred Inflows	272	1,927	-	2,199	(2,199)	-
FUND EQUITY						
Nonspendable	560	-	-	560	(560)	-
Restricted For Debt Service	-	1,114,658	-	1,114,658	(1,114,658)	-
Restricted For Capital Projects	-	-	1,268,824	1,268,824	(1,268,824)	-
Unassigned	1,586,481	-	-	1,586,481	(1,586,481)	-
Total Fund Equity	1,587,041	1,114,658	1,268,824	3,970,523	(3,970,523)	-
Total Liabilities, Fund Equity & Deferred Inflows of Resources	\$ 1,940,250	\$ 1,117,257	\$ 1,268,824	\$ 4,326,331		
NET POSITION						
Net Investment in Capital Assets					(4,228,857)	(4,228,857)
Restricted for Debt Service					1,116,585	1,116,585
Unrestricted					1,587,313	1,587,313
Total Net Position					\$ (1,524,959)	\$ (1,524,959)

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

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	GOVERNMENTAL FUNDS				STATEMENT OF	
	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	TOTAL	ADJUSTMENTS	ACTIVITIES
<u>REVENUES</u>						
Property Tax	\$ 232,146	1,649,088	-	\$ 1,881,234	\$ (2,329)	\$ 1,878,905
Water Service	314,123	-	-	314,123	-	314,123
Wastewater Service	178,618	-	-	178,618	-	178,618
Basic Service	720,910	-	-	720,910	-	720,910
Tap and Connection Fees	5,460	-	-	5,460	-	5,460
Inspection Fees	725	-	-	725	-	725
LUE Reservation Fees	27,523	-	-	27,523	-	27,523
Interest	7,014	6,041	629	13,684	-	13,684
TOTAL REVENUES	1,486,519	1,655,129	629	3,142,277	(2,329)	3,139,948
<u>EXPENDITURES</u>						
Current:						
Water Service Fees	264,174	-	-	264,174	-	264,174
Wastewater Services	540,074	-	-	540,074	-	540,074
Solid Waste Disposal	106,824	-	-	106,824	-	106,824
Repairs and Maintenance	319,011	-	-	319,011	-	319,011
Inspection Fees	-	-	-	-	-	-
Utilities	5,963	-	-	5,963	-	5,963
Laboratory Expenses	2,098	-	-	2,098	-	2,098
Insurance	6,552	-	-	6,552	-	6,552
Tax Assessor -Collector	8,452	-	-	8,452	-	8,452
Director Salaries and Taxes	6,621	-	-	6,621	-	6,621
Legal Fees	15,118	-	-	15,118	-	15,118
Audit Fees	12,000	-	-	12,000	-	12,000
Accounting	36,825	-	-	36,825	-	36,825
Management and Consulting Fees	93,096	-	-	93,096	-	93,096
Engineering Fees	8,763	-	-	8,763	-	8,763
Printing and Office Supplies	7,743	-	-	7,743	-	7,743
Legal Notices	314	-	-	314	-	314
Miscellaneous	-	2,400	-	2,400	-	2,400
Debt Service:						
Interest	-	815,549	-	815,549	6,207	821,756
Principal	-	965,000	-	965,000	(965,000)	-
Amortization	-	-	-	-	374,772	374,772
Depreciation	-	-	-	-	321,647	321,647
Capital Expenditures	29,095	-	-	29,095	(29,095)	-
TOTAL EXPENDITURES	1,462,723	1,782,949	-	3,245,672	(291,469)	2,954,203
<u>OTHER FINANCING SOURCES (USES)</u>						
Bond Proceeds	-	-	-	-	-	-
Bond Discount	-	-	-	-	-	-
Bond Issuance Costs	-	-	(405)	(405)	-	(405)
Bond Anticipation Note Payoff	-	-	-	-	-	-
TOTAL OTHER SOURCES	-	-	(405)	(405)	-	(405)
Excess (Deficit) of Revenues and Other Financing Sources over Expenditures	23,796	(127,820)	224	(103,800)	103,800	-
Change in Net Position					185,340	185,340
Fund Balance/Net Position - Beginning	1,563,245	1,242,478	1,268,600	4,074,323	(5,784,622)	(1,710,299)
Fund Balance/Net Position - Ending	\$ 1,587,041	\$ 1,114,658	\$ 1,268,824	\$ 3,970,523	(5,495,482)	\$ (1,524,959)

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

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

1. Summary of Significant Accounting Policies

The basic financial statements of Travis County Municipal Utility District No. 18 have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

Travis County Municipal Utility District No. 18 (the District), a political subdivision of the State of Texas, was created on June 20, 2012, by the Texas Commission on Environmental Quality pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District was created and organized for the purpose of constructing water, sewer, and drainage facilities and providing water and sewer services to residential and commercial establishments within the District and solid waste collection services. The District is also authorized to provide road facilities.

These financial statements report the financial activity of the District. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors (the Board) that has been elected by District residents. The funds and government-wide financial statements presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

A. Basis of Presentation, Basis of Accounting

In accordance with GASB Statement No. 34, the District has elected to combine their Government-wide and Governmental Fund Financial Statements into one set of financial statements with a reconciliation of the individual line items in a separate column on the financial statements.

Government-wide Financial Statements:

The **Statement of Net Position** and the **Statement of Activities** include the financial activities of the overall government. Governmental activities are generally financed through property taxes and utility service revenue.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

1. Summary of Significant Accounting Policies (continued)

Fund Financial Statements:

The governmental fund financial statement columns are labeled **Governmental Funds Balance Sheet** and **Governmental Funds Revenue, Expenditures and Changes in Fund Balance**. In the fund financial statements, the accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Fund: The Capital Projects Fund is used to account for the acquisition or construction of major capital facilities. Principal sources of revenue are municipal long-term debt proceeds and interest income.

B. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources management focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year end to be available in the current period. Revenues from local sources consist primarily of property taxes. Miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long term debt, which is recognized as an expenditure to the extent that it has matured. General capital asset acquisitions are reported as expenditures in major governmental funds. Proceeds of general long-term debt are reported as other financing sources.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

1. Summary of Significant Accounting Policies (continued)

C. Fund Balances

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

Those fund balance classifications are described below.

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

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

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

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

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

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has not delegated the authority to assign fund balance.

D. Budget

The Board adopted an annual budget for the General Fund on the basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

E. Pensions

The District has not established a pension plan.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

1. Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of three months or less at the time of purchase.

G. Service Accounts Receivable

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amount considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. As of the end of the fiscal year, the allowance for uncollectible accounts was \$0.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid assets in both the government-wide and fund financial statements. Prepaid assets are charged to expenditures when consumed.

I. Capital and Intangible Assets

Capital assets, which include Land, Easements, Water Distribution System, Wastewater Collection System, Water Quality Ponds and Organizational Costs are reported in the Government-wide column in the Statement of Net Assets. Capital assets are defined by the District as assets with an initial, individual cost of at least \$1,000. Public domain ("infrastructure") capital assets including water, wastewater and drainage systems, are capitalized as acquired. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair value at the time received. Capital assets are depreciated using the straight-line method over their estimated useful lives of 40 years.

Intangible assets, which consist of the right to receive water and wastewater service, are reported in the governmental activities columns in the government-wide financial statements. Intangible assets are defined by GASB Statement No. 51 as assets which lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. Intangible assets are amortized using the straight-line method over the estimated life of the assets, which in this case is estimated to be 40 years based on the initial term of the Wholesale Water and Wastewater Services Agreements entered into between the District and West Travis County Public Utility Agency (the "PUA").

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

1. Summary of Significant Accounting Policies (continued)

J. Interfund Transactions

Transfers from one fund to another fund are reported as interfund receivable 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.

K. Long-Term Debt

Unlimited Tax & Revenue Bonds, which have been issued to acquire capital assets, 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. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

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

L. Deferred Outflows and Inflows of Resources

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period. GASB Statement No. 63 became effective for fiscal years beginning after December 15, 2011 and has been implemented in the financial statements.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 and has been implemented in these financial statements.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

M. Recently Issued Accounting Pronouncements

In March 2018, the GASB issued GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The objective of GASB Statement No. 88 is to improve the consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt. This statement is effective for reporting periods beginning after June 15, 2018. GASB Statement No. 88 has been implemented in these financial statements.

2. Cash and Investments

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

Cash – At year end, deposits were held by the District's depository bank in accounts that were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage or by pledged collateral held by the District's agent bank in the District's name.

Investments - The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirement of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restriction, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18
Notes to the General Purpose Financial Statements
At and For the Year Ended September 30, 2021

2. Cash and Investments (continued)

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Not all assets meeting the definition of an investment are required to be reported at fair value. Including among excepted investments are certain investments held by 2a7-like external investments pools. As detailed below the District has invested funds in specific 2a7-like external investment pools that are valued at amortized cost and not subject to the fair value hierarchy levels.

The District's investments at year end are shown below.

Fair Value				
<u>Investment</u>	<u>Level</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	N/A	AAAm	1 Day Average	\$ 2,054,092
CDs	2	AAA	120 Days Average	\$ 1,800,000

Analysis of Specific Cash and Investment Risks – GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At year end, the District's investments, other than those which are obligations of or guaranteed by the US Government, are rated as to credit quality as detailed above.

Custodial Credit Risk – Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterpart or the counterpart's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18
Notes to the General Purpose Financial Statements
At and For the Year Ended September 30, 2021

2. Cash and Investments (continued)

Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy – The District’s general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools – Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the Pool and other person who do not have a business relationship with the Pool and are qualified to advise the Pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least on nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio with one half of one percent of the value of its shares.

The District’s investments in Pools are reported at an amount determined by the fair value per share of the Pool’s underling portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like Pool is one which is not registered with the Securities and Exchange Commission (“SEC”) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

2. Cash and Investments (continued)

TexPool – The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAm by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

3. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the levy date. Taxes are due if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

Property taxes were levied by the District for the 2020-21 fiscal year at the rate of \$0.75 per hundred assessed value (\$0.0925 for maintenance and \$0.6575 for debt service). Uncollected property taxes amounted to \$2,199 at the end of the year.

4. Capital and Intangible Assets

During the year, the District invested \$29,025 in new facilities and service rights using general operating funds. The Water, Wastewater and Drainage Facilities are being depreciated over their estimated useful life of 40 years. Depreciation in the amount of \$321,647 and amortization of \$374,772 has been charged to system operations for the year.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18
Notes to the General Purpose Financial Statements
At and For the Year Ended September 30, 2021

4. Capital and Intangible Assets (continued)

A summary of changes in capital and intangible assets follows:

	Balance			Balance
<u>Capital Assets:</u>	<u>9/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>9/30/2021</u>
Land	\$ 825,876	-	-	\$ 825,876
W/WW System	12,836,797	29,095	-	12,865,892
Service Rights	14,990,860	-	-	14,990,860
Total	28,653,533	29,095	-	28,682,628
<u>Accumulated Amortization and Depreciation:</u>				
Land	-	-	-	-
W/WW System	(1,319,968)	(321,647)	-	(1,641,615)
Service Rights	(1,333,423)	(374,772)	-	(1,708,195)
Total	(2,653,391)	(696,419)	-	(3,349,810)
Net Total Capital Assets	\$ 26,000,142	(667,324)	-	\$ 25,332,818

Pursuant to the terms and conditions of the Utility Conveyance Agreement in April 2014 and in July 2015, the District conveyed certain water and wastewater facilities that were previously conveyed to the District by developers of the District. As a result, the value related to these water and wastewater facilities is reflected as an intangible asset for the right to receive water and wastewater service from the PUA. This intangible asset is amortized over its estimated useful life (40 years) from the date of conveyance pursuant to the terms of the Wholesale Water and Wastewater Service Agreements with the PUA.

Pursuant to the terms and conditions of the Utility Conveyance Agreement in February 2017, the District reimbursed the costs of construction of certain road facilities that were previously conveyed by developers of the District to Travis County, Texas. As a result, the value related to these road facilities is reflected as an intangible asset for the right to use of these facilities from the County. This intangible asset is amortized over its estimated useful life (40 years) from the date of conveyance.

5. Bonds

At an election held within the District on November 6, 2012, voters authorized a total of \$42,365,000 of unlimited tax bonds for the purpose of purchasing, constructing, acquiring, owning, improving, extending, maintaining, repairing, or operating a waterworks system, a sanitary sewer system, and a drainage and storm water system for the District. At the same election, the voters of the District authorized the issuance of a total of \$7,085,000 of unlimited tax bonds for the purpose of constructing road facilities. The District's bonds are collateralized by the levy of an annual ad valorem tax against all taxable property within the District. The District has no direct borrowings or direct placement debt.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

5. Bonds (continued)

The District issued \$5,500,000 in Series 2015 unlimited tax bonds in October 2015 to finance the acquisition of the water, wastewater and drainage infrastructure from developers. In May 2016 the District issued \$1,825,000 in a bond anticipation note and used the proceeds to acquire additional facilities from the developers. In December 2016 the District issued \$2,545,000 in Series 2016 unlimited tax bonds and used the proceeds to pay off the bond anticipation note. In February 2017 the District issued \$4,080,000 in Series 2017 unlimited tax road bonds and used the proceeds to acquire certain road facilities within the District. In January 2018 the District issued \$3,535,000 in a bond anticipation note and used the proceeds to acquire additional facilities from the developers. In September 2018 the District issued \$4,750,000 in Series 2018 unlimited tax bonds and used the proceeds to pay off the bond anticipation note. In February 2019 the District issued \$4,313,000 in a bond anticipation note and used the proceeds to acquire additional facilities from the developers. In November 2019 the District issued \$6,750,000 in Series 2019 unlimited tax bonds and used the proceeds to pay off the bond anticipation note. In August 2020 the District issued \$4,000,000 in Series 2020 unlimited tax bonds and used the proceeds to acquire water, wastewater and drainage infrastructure from developers.

The District's outstanding bonds are described as follows:

<u>Issue</u>	<u>Original Issue Amount</u>	<u>Installments (In Thousands)</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Outstanding</u>
Series 2015	\$5,500,000	\$125 to 380	2040	3.00 – 4.10%	\$4,815,000
Series 2016	\$2,545,000	\$ 55 to 650	2041	3.00 – 4.25%	\$2,300,000
Series 2017	\$4,080,000	\$100 to 700	2041	2.00 – 4.125%	\$3,500,000
Series 2018	\$4,750,000	\$150 to 200	2042	1.80 – 3.625%	\$4,200,000
Series 2019	\$6,750,000	\$275 to 300	2043	2.00 – 3.00%	\$6,200,000
Series 2020	\$4,000,000	\$100 to 500	2044	2.00 – 4.25%	\$3,900,000

The change in bonds during the year is as follows:

<u>Bonds:</u>	<u>Balance 9/30/2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 9/30/2021</u>
Unlimited Tax Bonds, Series 2015	\$ 4,965,000	-	(150,000)	\$ 4,815,000
Unlimited Tax Bonds, Series 2016	2,365,000	-	(65,000)	2,300,000
Unlimited Tax Bonds, Series 2017	3,675,000	-	(175,000)	3,500,000
Unlimited Tax Bonds, Series 2018	4,400,000	-	(200,000)	4,200,000
Unlimited Tax Bonds, Series 2019	6,475,000	-	(275,000)	6,200,000
Issuance Discount, Series 2019	(86,110)	-	3,744	(82,366)
Unlimited Tax Bonds, Series 2020	4,000,000	-	(100,000)	3,900,000
Issuance Discount, Series 2020	(114,000)	-	4,750	(109,250)
Total Bond Indebtedness	\$25,679,890	-	(956,506)	\$24,723,384

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

5. Bonds (continued)

Redemption

- Series 2015 Bonds maturing on or after September 1, 2023, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2022, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on September 1 in the years 2031, 2034, 2038 and 2040 are subject to mandatory sinking fund redemption.
- Series 2016 Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on September 1 in the years 2033, 2035, 2037 and 2041 are subject to mandatory sinking fund redemption.
- Series 2017 Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on September 1 in the years 2036, 2038 and 2041 are subject to mandatory sinking fund redemption.
- Series 2018 Bonds maturing on or after September 1, 2024, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on September 1 in the years 2032, 2037 and 2039 are subject to mandatory sinking fund redemption.
- Series 2019 Bonds maturing on or after September 1, 2025, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2024, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, term bonds maturing on September 1 in the years 2032, 2034, 2036, 2040 and 2043 are subject to mandatory sinking fund redemption.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

5. Bonds (continued)

Series 2020 Bonds maturing on or after September 1, 2026, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time, in part, on September 1, 2025, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

Debt Service Requirements-Bonds

Debt service requirements on long-term bond debt as of the end of the year are as follows:

<u>Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 980,000	\$ 784,737	\$ 1,764,737
2023	990,000	756,837	1,746,837
2024	1,000,000	728,637	1,728,637
2025	1,015,000	699,962	1,714,962
2026	1,025,000	670,257	1,695,257
2027-2031	5,355,000	2,887,067	8,242,067
2032-2036	5,790,000	1,995,068	7,785,068
2037-2041	6,460,000	954,758	7,414,758
2042-2046	2,300,000	98,000	2,398,000
Totals	\$ 24,915,000	\$ 9,575,323	\$ 34,490,323

6. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year, the District obtained liability coverage.

7. Contingencies

The District has an obligation to reimburse developers of property in the District costs expended on behalf of the District for the construction of water, sewer, drainage and road systems designed to serve the District. Since the construction of these facilities is not yet complete, the ultimate amount of the future reimbursements cannot be determined at this time.

8. Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

9. Subsequent Events

The District has evaluated subsequent events as of December 31, 2021, the date the financial statements were available to be issued.

10. Reconciliation of Government-wide and Fund Financial Statements

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

Governmental Funds Total Fund Balances	\$ 3,970,523
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	25,332,818
Long-term liabilities (developer conveyances) are not due and payable in the current period and, therefore, are not reported in the funds	(6,041,789)
Long-term liabilities (bonds payable) are not due and payable in the current period and, therefore, are not reported in the funds	(24,723,384)
Interest is accrued on outstanding debt in the government-wide statements, whereas in the governmental funds, an interest expenditure is reported when made and not accrued in the funds	(65,326)
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds	<u>2,199</u>
Total Net Position	<u><u>\$ (1,524,959)</u></u>

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

Notes to the General Purpose Financial Statements

At and For the Year Ended September 30, 2021

10. Reconciliation of Government-wide and Fund Financial Statements (continued)

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

Governmental Funds Excess of Revenues over Expenditures	\$ (103,800)
--	---------------------

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	
---	--

Change in Deferred Tax Revenue	(2,329)
--------------------------------	---------

Governmental funds report capital outlays as expenditures	
---	--

however, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense	
--	--

Capital Outlay	29,095
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Amortization and Depreciation Expense	(696,419)
---------------------------------------	-----------

Governmental funds report principal payments as expenditures	
--	--

however, in the Statement of Activities, these payments are not reported as operating expenses	
--	--

Bond Principal	965,000
----------------	---------

Governmental funds do not report the change in accrued interest	
---	--

as an expenditure, however, in the Statement of Activities, this change in the amount accrued is reported as an expense	
---	--

Accrued Interest	(6,207)
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Change in Net Assets	<u>\$ 185,340</u>
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REQUIRED SUPPLEMENTARY INFORMATION

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 18

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GENERAL FUND
BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Property Tax	\$ 225,827	\$ 232,146	\$ 6,319
Water Service	350,000	314,123	(35,877)
Wastewater Service	155,000	178,618	23,618
Basic Service	755,500	720,910	(34,590)
Tap and Connection Fees	11,500	5,460	(6,040)
Inspection Fees	3,900	725	(3,175)
LUE Reservation Fees	30,000	27,523	(2,477)
Interest	15,025	7,014	(8,011)
TOTAL REVENUES	<u>1,546,752</u>	<u>1,486,519</u>	<u>(60,233)</u>
<u>EXPENDITURES</u>			
Current:			
Water Service Fees	280,350	264,174	16,176
Wastewater Services	534,600	540,074	(5,474)
Solid Waste Disposal	115,000	106,824	8,176
Repairs and Maintenance	358,900	319,011	39,889
Inspection Fees	5,000	-	5,000
Utilities	10,000	5,963	4,037
Laboratory Expenses	3,000	2,098	902
Insurance	6,500	6,552	(52)
Tax Assessor -Collector	9,000	8,452	548
Director Salaries and Taxes	9,000	6,621	2,379
Legal Fees	30,000	15,118	14,882
Audit Fees	14,000	12,000	2,000
Accounting	43,000	36,825	6,175
Management and Consulting Fees	95,000	93,096	1,904
Engineering Fees	15,000	8,763	6,237
Printing and Office Supplies	15,500	7,743	7,757
Legal Notices	2,000	314	1,686
Capital Expenditures	-	29,095	(29,095)
TOTAL EXPENDITURES	<u>1,545,850</u>	<u>1,462,723</u>	<u>83,127</u>
Excess (Deficit) of Revenues over Expenditures	902	23,796	22,894
Fund Balance - Beginning of Year	1,563,245	1,563,245	-
Fund Balance - End of Year	<u>\$ 1,564,147</u>	<u>\$ 1,587,041</u>	<u>\$ 22,894</u>

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

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APPENDIX B

Specimen Municipal Bond Insurance Policy

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES